Complete Production Services, Inc.
Form 10-K
February 27, 2009

Table of Contents

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

**Form 10-K**

(MARK ONE)

| | |
|---|---|
| þ | **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |
| | **FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008** |
| o | **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |

**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**

**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 whether the registrant is a well-know seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

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 o 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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. 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<br>(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

As of June 30, 2008, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $1,997,979,057 based upon the price at which our common stock was last sold on that date.

Number of shares of the Common Stock of the registrant outstanding as of February 20, 2009: 76,867,674

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant s proxy statement to be furnished to the stockholders in connection with its 2009 Annual Meeting of Stockholders are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K for the fiscal year ending December 31, 2008 (this Annual Report ).

**Complete Production Services, Inc.**

**TABLE OF CONTENTS**

Table of Contents

# PART I

*Unless otherwise indicated, all references to we, us, our, our company, or Complete include Complete Producti Services, Inc. and its consolidated subsidiaries.*

## Item 1. *Business*

### Our Company

Complete Production Services, Inc., formerly named Integrated Production Services, Inc., is a Delaware corporation formed on May 22, 2001. We provide specialized services and products focused on helping oil and gas companies develop hydrocarbon reserves, reduce 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 many needs of our customers at the wellsite, from drilling and completion through production and eventual abandonment. We seek to differentiate ourselves from our competitors through our local leadership, our basin-level expertise and the innovative application of proprietary and other technologies. We deliver solutions to our customers that we believe lower their costs and increase their production in a safe and environmentally friendly manner. Virtually all our operations are located in basins within North America, where we manage our operations from regional field service facilities located throughout the U.S. Rocky Mountain region, Texas, Oklahoma, Louisiana, Arkansas, Pennsylvania, western Canada and Mexico. We also have operations in Southeast Asia.

### The Combination

Prior to 2001, SCF Partners, a private equity firm that focuses on investments in the oilfield services segment of the energy industry, began to target investment opportunities in service oriented companies in the North American natural gas market with specific focus on the completion and production phase of the exploration and production cycle. On May 22, 2001, SCF Partners through a limited partnership, SCF-IV, L.P. ( SCF ), formed Saber, a new company, in connection with its acquisition of two companies primarily focused on completion and production related services in Louisiana. In July 2002, SCF became the controlling stockholder of Integrated Production Services, Ltd., a production enhancement company that, at the time, focused its operation in Canada. In September 2002, Saber acquired this company and changed its name to Integrated Production Services, Inc. ( IPS ). Subsequently, IPS began to grow organically and through several acquisitions, with the ultimate objective of creating a technical leader in the enhancement of natural gas production. In November 2003, SCF formed another production services company, Complete Energy Services, Inc. ( CES ), establishing a platform from which to grow in the Barnett Shale region of north Texas. Subsequently, through organic growth and several acquisitions, CES extended its presence to the U.S. Rocky Mountain and the Mid-continent regions. In the summer of 2004, SCF formed I.E. Miller Services, Inc. ( IEM ), which at the time had a presence in Louisiana and Texas. During 2004, IPS and IEM independently began to execute strategic initiatives to establish a presence in both the Barnett Shale and U.S. Rocky Mountain regions.

On September 12, 2005, IPS, CES and IEM were combined and became Complete Production Services, Inc. in a transaction we refer to as the Combination. In the Combination, IPS served as the acquirer. Immediately after the Combination, SCF held approximately 70% of our outstanding common stock, the former CES stockholders (other than SCF) in the aggregate held approximately 18.8% of our outstanding common stock, the former IEM stockholders (other than SCF) in the aggregate held approximately 2.4% of our outstanding common stock and the former IPS stockholders (other than SCF) in the aggregate held approximately 8.4% of our outstanding common stock.

On April 20, 2006, we entered into an underwriting agreement in connection with our initial public offering and 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.

### Our Operating Segments

Our business is comprised of three 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 operate primarily 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 Asian business, and we provide repair work and fabrication services for our customers at a location in Gainesville, Texas.

### Our Industry

Our business depends on the level of exploration, development and production expenditures made by our customers. These expenditures are driven by the current and expected future prices for oil and gas, and the perceived stability and sustainability of those prices. Our business is primarily driven by natural gas drilling activity in North America. While demand for natural gas has recently declined, we believe that the long-term demand for natural gas in North America will be high and that supply may be constrained as natural gas basins become more mature and experience declines.

Table of Contents

As illustrated in the table below, natural gas and oil commodity prices had risen in recent years but began to decline in late 2008 and are expected to remain relatively low for 2009. The WTI Cushing spot price of a barrel of crude oil reached an all-time high of $145.31 per barrel in July 2008 and then dropped sharply by the end of the year, falling as low as $30.28 per barrel on December 23, 2008. The number of drilling rigs under contract in the United States and Canada and the number of well service rigs have increased over the three-year period ended December 31, 2008, according to Baker Hughes Incorporated ( BHI ) and the Weatherford/AESC Service Rig Count for Active Rigs. However, the rig counts also decreased sharply in late 2008 and thus far in 2009. The table below sets forth average daily closing prices for the WTI Cushing spot oil price and the average daily closing prices for the Henry Hub price for natural gas since 1999:

| **Period** | **Average Daily Closing Henry Hub Spot Natural Gas Prices ($/mcf)** | **Average Daily Closing WTI Cushing Spot Oil Price ($/bbl)** |
|---|---|---|
| 1/1/99 12/31/99 | $ 2.27 | $ 19.30 |
| 1/1/00 12/31/00 | 4.31 | 30.37 |
| 1/1/01 12/31/01 | 3.99 | 25.96 |
| 1/1/02 12/31/02 | 3.37 | 26.17 |
| 1/1/03 12/31/03 | 5.49 | 31.06 |
| 1/1/04 12/31/04 | 5.90 | 41.51 |
| 1/1/05 12/31/05 | 8.89 | 56.56 |
| 1/1/06 12/31/06 | 6.73 | 66.09 |
| 1/1/07 12/31/07 | 6.97 | 72.23 |
| 1/1/08 12/31/08 | 8.89 | 99.92 |

Source: Bloomberg NYMEX prices.

The closing spot price of a barrel of WTI Cushing oil at December 31, 2008 was $44.60, and the closing spot price for Henry Hub natural gas ($/mcf) was $5.63.

Long-term trends which we believe will affect our industry include:

*Trend toward drilling and developing unconventional North American natural gas resources.* Due to the maturity of conventional North American oil and gas reservoirs and their accelerating production decline rates, unconventional resources will comprise an increasing proportion of future North American oil and gas production. Unconventional resources include tight sands, shales and coalbed methane. These resources are more service-intensive and may require more wells to be drilled and maintained on tighter acreage spacing. The appropriate technology to recover unconventional gas resources varies from region to region; therefore, knowledge of local conditions and operating procedures, and selection of the right technologies is key to providing customers with appropriate solutions.

*The advent of the resource play.* A resource play is a term used to describe an accumulation of hydrocarbons known to exist over a large area which, when compared to a conventional play, has lower commercial development risks and a higher average decline rate. Once identified, resource plays have the potential to make a material impact because of their size and long reserve life. The application of appropriate technology and program execution are important to obtain value from resource plays. Resource play developments occur over long periods of time, well by well, in large-scale developments that repeat common tasks in an assembly-line fashion and capture economies of scale to drive down costs.

*Complex technologies and equipment.* The development of unconventional oil and gas resources are driving the need for complex, new technologies and equipment to help increase recovery rates, lower production costs and accelerate field development.

Natural gas is generally placed into storage during the warmer months of the year and withdrawn during colder months. The amount of natural gas in storage can impact current natural gas prices and prices quoted on futures exchanges. Although economic conditions may reduce demand for natural gas near-term, we believe the long-term fundamentals for our industry are positive. Additionally, natural gas prices can be impacted by the ability to move

Table of Contents

gas from producing areas to consuming areas of North America from time to time. For example, due to the significant level of natural gas drilling in western Colorado and southwest Wyoming, pipeline capacity became constrained in late 2006 and continued into 2007, contributing to a short-term decline in natural gas prices in these areas until additional pipeline capacity was added. Fluctuations in commodity prices and availability of gas supply through pipeline capacity can impact the level of drilling activity by our customers as they adjust investment levels commensurate with their revenues.

## Our Business Strategy

Our goal is to build the leading oilfield services company focused on the completion and production phases in the life of an oil and gas well. We intend to capitalize on the emerging trends in the North American marketplace through the execution of a growth strategy that consists of the following components:

*Focus on execution and performance.* We have established and intend to develop further a culture of performance and accountability. Senior management spends a significant portion of its time ensuring that our customers receive the highest quality of service by focusing on the following:

- clear business direction;
- thorough planning process;
- clearly defined targets and accountabilities;
- close performance monitoring;
- safety objectives;
- performance incentives for management and employees; and
- effective communication.

*Expand and capitalize on local leadership and basin-level expertise.* A key component of our strategy is to build upon our base of strong local leadership and basin-level expertise. We have a significant presence in most of the key onshore continental U.S. and Canadian gas resource plays we believe have the potential for long-term growth. Our position in these basins capitalizes on our local leadership that has accumulated a valuable knowledge base and strong customer relationships. We intend to leverage our existing market presence, expertise and customer relationships to expand our business within these gas resource plays. We also intend to replicate this approach in new regions by building and acquiring new businesses that have strong regional management with extensive local knowledge.

*Develop and deploy technical and operational solutions.* We are focused on developing and deploying technical services, equipment and expertise that lower our customers costs.

*Capitalize on organic and acquisition-related growth opportunities.* We believe there are numerous opportunities to sell new services and products to customers in our current geographic areas and to sell our current services and products to customers in new geographic areas. We have a proven track record of organic growth and successful acquisitions, and we intend to continue using capital investments and acquisitions to strategically expand our business over the long-term. Near-term, we will significantly reduce our capital expenditures and do not anticipate completing cash acquisitions until market conditions stabilize.

**Our Competitive Strengths**

We believe that we are well positioned to execute our strategy and capitalize on opportunities in the North American oil and gas market based on the following competitive strengths:

*Strong local leadership and basin-level expertise.* We operate our business with a focus on each regional basin complemented by our local reputations. We believe our local and regional businesses, some of which have been operating for more than 50 years, provide us with a significant advantage over many of our competitors. Our managers, sales engineers and field operators have extensive expertise in their local geological basins and understand the regional challenges our customers face. We have long-term relationships with many customers, and most of the services and products we offer are sold or contracted at a local level, allowing our operations personnel to bring their expertise to bear while selling services and products to our customers. We strive to leverage this basin-level expertise to establish ourselves as the preferred provider of our services in the basins in which we operate.

*Significant presence in major North American basins.* We operate in major oil and gas producing regions of the U.S. Rocky Mountains, Texas, Louisiana, Arkansas, Pennsylvania, Oklahoma, western Canada and Mexico, with concentrations in key resource play and unconventional basins. Resource plays are expected to continue to increase in importance in future North American oil and gas production as more conventional resources enter later stages of the exploration and development cycle. We believe we have an excellent position in highly active markets such as the Haynesville Shale area of Arkansas and northern Louisiana, the Marcellus Shale area of Pennsylvania, the Barnett Shale region of north Texas, the Fayetteville Shale in Arkansas and the Woodford Shale area in Oklahoma, for example. Each of these markets is among the most active areas for exploration and development of onshore oil and gas. Accelerating production and driving down development and production costs are key goals for oil and gas operators in these areas, resulting in higher demand for our services and products. In addition, our presence in these regions allows us to build solid customer relationships and take advantage of cross-selling opportunities.

*Focus on complementary production and field development services.* Our breadth of service and product offerings positions us well relative to our competitors. Our services encompass the entire lifecycle of a well from drilling and completion, through production and eventual abandonment. We deliver complementary services and products, which we may provide in tandem or sequentially over the life of the well. This suite of services and products gives us the opportunity to cross-sell to our customer base and throughout our geographic regions. Leveraging our local leadership and basin-level expertise, we are able to offer expanded services and products to existing customers or current services and products to new customers.

*Innovative approach to technical and operational solutions.* We develop and deploy services and products that enable our customers to increase production rates, stem production declines and reduce the costs of drilling, completion and production. The significant expertise we have developed in our areas of operation offers our customers customized operational solutions to meet their particular needs. Our ability to develop these technical and operational solutions is possible due to our understanding of applicable technology, our basin-level expertise and our close local relationships with customers.

*Modern and active asset base.* We have a modern and well-maintained fleet of coiled tubing units, pressure pumping equipment, wireline units, well service rigs, snubbing units, fluid transports, frac tanks and other specialized equipment. We believe our ongoing investment in our equipment allows us to better serve the diverse and increasingly challenging needs of our customer base. New equipment is generally less costly to maintain and operate on an annual basis and is more efficient for our customers. Modern equipment reduces the downtime and associated costs and expenditures and enables the increased utilization of our assets. We believe our future expenditures will be used to capitalize on growth opportunities within the areas we currently operate and to build out new platforms obtained through targeted acquisitions.

*Experienced management team with proven track record.* Each member of our operating management team has extensive experience in the oilfield services industry. We believe that their considerable knowledge of and experience in our industry enhances our ability to operate effectively throughout industry cycles. Our management also has substantial experience in identifying, completing and integrating acquisitions. In addition, our management supports local leadership by developing corporate strategy, implementing corporate governance procedures and overseeing a company-wide safety program.

**Overview of Our Segments**

We manage our business through three segments: completion and production services, drilling services and product sales. Within each of these segments, we perform services and deliver products, as detailed in the table below. We constantly monitor the North American market for opportunities to expand our business by building our presence in existing regions and expanding our services and products into attractive, new regions.

Table of Contents

See Note 15 of the notes to the consolidated financial statements included elsewhere in this Annual Report for financial information about our operating segments and about geographic areas.

| Product/Service Offering | North Texas | South Texas | East Texas North Louisiana | Gulf Coast/ South Louisiana | Central & Western Oklahoma | Eastern Oklahoma & Arkansas | DJ Basin (CO) | Western Slope (CO & UT) | Wyoming | North Rockies (MT & ND) | Western Canadian Sedimentary Basin | Mexico | Appalachia (PA) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Completion and Production Services:** | | | | | | | | | | | | | |
| Coiled Tubing | ü | ü | ü | ü | ü | ü | | | ü | ü | | ü | ü |
| Pressure Pumping | ü | | | | | | | | | ü | | | ü |
| Well Servicing | ü | ü | ü | | ü | ü | ü | ü | | ü | | | |
| Snubbing | ü | ü | | | | | | | ü | ü | | | |
| Electric-line | ü | | | ü | ü | ü | ü | | ü | | ü | | ü |
| Slickline | | ü | ü | | | | | | | | ü | ü | |
| Production Optimization | ü | ü | ü | | ü | ü | | ü | ü | | ü | | |
| Production Testing | | | | | | | ü | ü | ü | | ü | ü | |
| Rental Equipment | ü | | ü | | ü | ü | ü | ü | ü | ü | | | |
| Pressure Testing | | | | | | | | ü | ü | | | ü | |
| Fluid Handling | ü | ü | ü | | ü | ü | ü | ü | | ü | | | |
| **Drilling Services:** | | | | | | | | | | | | | |
| Contract Drilling | ü | | | | | | | | | | | | |
| Drilling Logistics | ü | ü | ü | ü | ü | ü | | ü | | ü | | | |
| **Product Sales:** | | | | | | | | | | | | | |
| Fabrication and repair | ü | | | | | | | | | | | | |

ü denotes a service or product currently offered by us in this area.

***Completion and Production Services (84% of Revenue for the Year Ended December 31, 2008)***

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 intervention services, downhole and wellsite services and fluid handling.

***Intervention Services***

We use our intervention assets, which include coiled tubing units, pressure pumping equipment, nitrogen units, well service rigs and snubbing units to perform three major types of services for our customers:

*Completion Services.* As newly drilled oil and gas wells are prepared for production, our operations may include selectively perforating the well casing to access producing zones, stimulating and testing these zones and installing downhole equipment. We provide intervention services and products to assist in the performance of these services. The completion process typically lasts from a few days to several weeks, depending on the nature and type of the completion. Oil and gas producers use our intervention services to complete their wells because we have good equipment, well trained employees, the experience necessary to perform such services and a strong record for safety and reliability.

*Workover Services.* Producing oil and gas wells occasionally require major repairs or modifications, called workovers. These services include extensions of existing wells to drain new formations either through deepening wellbores to new zones or by drilling horizontal lateral wellbores to improve reservoir drainage patterns. In less extensive workovers, we provide services and products to seal off depleted zones in existing wellbores and access previously bypassed productive zones. Other workover services which we provide include: major subsurface repairs, such as casing repair or replacement; recovery of tubing and removal of foreign objects in the wellbore; repairing downhole equipment failures; plugging back the bottom of a well to reduce the amount of water being produced; cleaning out and recompleting a well if production has declined; and repairing leaks in the tubing and casing.

**Table of Contents**

*Maintenance Services.* Maintenance services are required throughout the life of most producing oil and gas wells to ensure efficient and continuous operation. We provide services that include mechanical repairs necessary to maintain production from the well, such as repairing inoperable pumping equipment or replacing defective tubing, and removing debris from the well. Other services include pulling rods, tubing, pumps and other downhole equipment out of the wellbore to identify and repair a production problem.

The key intervention assets we use to perform the above services are as follows:

***Coiled Tubing Units and Nitrogen Units***

We are one of the leading providers of coiled tubing services in North America. We operate a fleet of coiled tubing units, as well as nitrogen units. We use these assets to perform a variety of wellbore applications, including foam washing, acidizing, displacing, cementing, gravel packing, plug drilling, fishing and jetting. Coiled tubing is a key segment of the well service industry today, which allows operators to continue production during service operations without shutting in the well, thereby reducing the risk of formation damage. The growth in deep well and horizontal drilling has increased the market for coiled tubing. We provide coiled tubing services primarily in Oklahoma, Texas, Louisiana, Arkansas, Pennsylvania, Wyoming, North Dakota, Mexico and offshore in the Gulf of Mexico.

*Pressure Pumping Services*

We operate fleets of pressure pumping equipment in the Barnett Shale of north Texas, in the Bakken Shale of North Dakota and in the Marcellus Shale of Pennsylvania through which we provide stimulation and cementing services principally to natural gas drilling and producing companies.

Stimulation services primarily consist of hydraulic fracturing of hydrocarbon bearing formations which lack permeability to permit the natural flow. The fracturing process consists of pumping fluids into a well at pressures that are sufficient enough to fracture the formation. Materials such as sand and synthetic proppants are pumped into the fracture to prop open the fracture, permitting the hydrocarbons in the formation to flow into the wellbore and ultimately to the surface. Various pieces of specialized equipment are used in the process, including a blender, which is used to blend the proppant into the fluid, multiple high pressure pumping units capable of pumping significant volumes at high pressures, and real-time monitoring equipment where the progress of the process is controlled. Our fracturing units are capable of pumping slurries at pressures up to 10,000 pounds per square inch.

Cementing services consist of blending special cement with water and various solid and liquid additives to form a cement slurry that can be pumped into a well between the casing and the wellbore. Cementing services are principally performed in connection with primary cementing, where the casing used to line a wellbore after a well has been drilled is cemented into place. The purpose of primary cementing is to isolate fluids behind the casing between productive formations and non-productive formations that could damage the productivity of the well or damage the quality of freshwater acquifers, seal the casing from corrosive formation fluids, and to provide structural support for the casing string.

*Well Service Rigs*

We own and operate a large fleet of well service rigs, of which a significant number were either recently constructed or have been rebuilt over the past six years. We believe we have a leading market position in the Barnett Shale region of north Texas and in some of the most active basins of the U.S. Rocky Mountain region. We also operate swabbing units, some of which are highly customized hydraulic units which we use to diagnose and remediate gas well production problems. We provide well service rig operations in Wyoming, Colorado, Utah, Montana, North Dakota, Louisiana, Oklahoma and Texas. These rigs are used to perform a variety of completion, workover and maintenance services, such as installations, completions, assisting with perforating, removing defective equipment and sidetracking wells.

*Snubbing Units*

We operate a fleet of snubbing units, several of which are rig assist units. Snubbing services use specialized hydraulic well service units that permit an operator to repair damaged casing, production tubing and downhole production equipment in high-pressure, live-well environments. A snubbing unit makes it possible to remove and replace downhole equipment while maintaining pressure in the well. Applications for snubbing units include live-well completions and workovers, underground blowout control, underbalanced completions, underbalanced drilling and the snubbing of tubing, casing or drillpipe into or out of the wellbore. Our snubbing units operate primarily in Texas and Wyoming.

***Downhole and Wellsite Services***

We provide an array of complementary downhole and wellsite services that we classify into four groups: wireline services; production optimization services; production testing services; and rental, fishing and pressure testing services.

*Wireline Services.* We own and operate a fleet of wireline units in North America and provide both electric-line and slickline services. Truck and skid mounted wireline services are used to evaluate downhole well conditions, to initiate production from a formation by perforating a well s casing, and to provide mechanical services such as setting equipment in the well, or fishing lost equipment out of a well. We provide wireline services in the western Canadian Sedimentary Basin, Colorado, North Dakota, Pennsylvania, Oklahoma, Texas, Louisiana and offshore in the Gulf of Mexico.

With our fleet of wireline equipment we provide the following services:

*Electric-Line Services:*

*Perforating Services.* Perforating involves positioning a perforating gun that contains explosive jet charges down the wellbore next to a productive zone. A detonator is fired and primer cord is ignited, which then detonates the jet charges. The resulting explosion burns a hole through the wellbore casing and cement and into the formation, thus allowing the formation fluid to flow into the wellbore and be produced to the surface. The perforating gun may be deployed in a number of ways. The gun can be conveyed by a conventional wireline cable if the wellbore geometry allows, it may be conveyed on coiled tubing, it may be conveyed on conventional tubing or the gun may be pumped-down to the correct depth in the wellbore.

*Logging Services.* Logging requires the use of a single or multi-conductor, braided steel cable (electric-line), mounted on a hydraulically operated drum, and a specialized logging truck. Electronic instruments are attached to the end of the cable and lowered to the bottom of the well and the line is slowly pulled out of the well, transmitting wellbore data up the cable to the surface where the information is processed by a surface computer system and displayed on a graph in a logging format. This information is used by customers to analyze different downhole formation structures, to detect the presence of oil, gas and water and to check the integrity of the casing or the cement behind the pipe. Logs are also run to detect gas or fluid migration between zones or to the surface.

*Slickline Services.* Slickline services are used primarily for well maintenance. The line used for this application is generally a small single steel line. Typical applications of this service would include bottom hole pressure surveys, running temperature gradients, setting tubing plugs, opening and closing sliding sleeves, fishing operations, plunger lift installations, gas lift installations and other maintenance services that a well might require during its lifecycle.

*Production Optimization Services.* Our production optimization services provide customers with technical solutions to stem declining production that results from liquid loading, reduced bottom-hole pressures or improper wellsite designs. We assist in identifying candidates, designing solutions, executing on-site and following up to ensure continued performance. We have developed proprietary technologies that allow us to enhance recovery for our customers and provide on-going service. Specific services we provide include:

*Plunger Lift Services and Products.* We provide plunger lift candidate selection, installation and maintenance services which may incorporate the use of our patented Pacemaker Plunger Lift System.

**Table of Contents**

Plunger lift systems facilitate the removal of fluids that restrict the production of natural gas wells. Removing fluids that accumulate in wells increases production and in many cases slows decline rates. The proprietary design of our Pacemaker Plunger Lift System incorporates a large bypass area which allows it to make more trips per day and remove more wellbore fluids, versus other plunger lift designs, in wells with certain characteristics.

*Acoustic Pressure Surveys.* We provide acoustic pressure surveys, an analytical technique that assists our customers in determining static reservoir pressure and the existence of near wellbore formation damage.

*Dynamometer Analysis.* Our dynamometer analysis services include the analysis of reciprocating rod pumping systems (pumpjacks) to determine pump performance and provide our customers with critical information for well performance used to optimize the production and recovery of oil and gas.

*Fluid Level Analysis.* We provide fluid level analysis services which record an acoustic pulse as it travels down the wellbore in order to determine the fluid depth.

We offer production optimization services to customers across the United States and in Canada. We provide production optimization services in Canada through our subsidiary, Premier Production Services Ltd.

*Production Testing Services.* Production testing is a service required by exploration and production companies to evaluate and clean out new and existing wells. We use a proprietary technology and service approach and are a leading independent provider in North America. We provide production testing services throughout the western Canadian Sedimentary Basin and also provide production testing services in Wyoming, Utah, Colorado, Texas and Mexico.

Production testing has the following primary applications:

*Well clean-ups or flowbacks* are done shortly after completing or stimulating a well and are designed to remove damaging drilling fluids, completion fluids, sand and other debris. This clean-up prevents damage to the permanent production facilities and flowlines, thereby improving production. Our clean-up offering includes our Green Flowback services, which permit the flow of gas to our customers while performing drill-outs and flowback operations, increasing production, accelerating time to production and eliminating the need to flare gas;

*Exploration well testing* measures how a reservoir performs under various flow conditions. These measurements allow reservoir and production engineers and geologists to understand a well s or reservoir s production capability. Exploration testing jobs can last from a few days to several months; and

*In-line production testing* measures a well s flow rates, oil, gas and water composition, pressure and temperature. These measurements are used by engineers to identify and solve well and reservoir problems. In-line production testing is performed after a well has been completed and is already producing. In-line tests can run from several hours to more than several months.

*Rental Equipment, Fishing and Pressure Testing Services.* Oil and gas producers and drilling contractors often need specialized tools, drillpipe, pressure testing equipment and other equipment and need qualified personnel to operate this equipment. In response to this need, we provide the following services and products:

*Rental Equipment and Services.* We rent specialized tools, equipment and tubular goods for the drilling, completion and workover of oil and gas wells. Items rented include pressure control equipment, drill string equipment, pipe handling equipment, fishing and downhole tools, and other equipment, including stabilizers, power swivels and bottom-hole assemblies.

*Fishing Services.* We provide highly skilled downhole services, including fishing, milling and cutting services, which consist of removing or otherwise eliminating fish or junk (a piece of equipment, a tool, a part of the drill string or debris) in a well that is causing an obstruction. We also install whipstocks to sidetrack wells, provide plugging and abandonment services, pipe recovery and wireline recovery services, foam services and casing patch installation.

*Pressure Testing Services.* We provide specialized pressure testing services which involve the use of truck mounted equipment designed to carry small fluid volumes with high pressure pumps and hydraulic torque equipment. This equipment is primarily used to perform pressure tests on flow line, pressure vessels, lubricators, well heads and casings and tubing strings. The units are also used to assemble and disassemble blowout preventors ( BOPs ) for the drilling and work over sector. We have developed specialized, multi-service pressure testing units that enable one or two employees to complete multiple services simultaneously. We have multi-service pressure testing units that we operate in Colorado, Utah, Wyoming and Mexico.

***Fluid Handling***

Oil and gas operations use and produce significant quantities of fluids. We provide a variety of services to assist our customers to obtain, move, store and dispose of fluids that are involved in the development and production of their reservoirs. We provide fluid handling services in Texas, Oklahoma, Louisiana, Colorado, Wyoming, Arkansas, North Dakota and Montana.

*Fluid Transportation.* We operate specialized transport trucks to deliver, transport and dispose of fluids safely and efficiently. We transport fresh water, completion fluids, produced water, drilling mud and other fluids to and from our customers wellsites. Our assets include U.S. Department of Transportation certified equipment for transportation of hazardous waste.

*Frac Tank Rental.* We operate a fleet of frac tanks that are often used during hydraulic fracturing operations. We use our fleet of fluid transport assets to fill and empty these tanks and we deliver and remove these tanks from the wellsite with our fleet of winch trucks.

*Fluid Disposal.* We own salt water disposal wells in Oklahoma, Texas and Arkansas and one produced water evaporation facility in Wyoming. These facilities are used to dispose of water from fracturing operations and from fluids produced during the routine production of oil and gas. In addition, we operated two mud disposal facilities that are used to store and ultimately dispose of drilling mud.

*Other Services.* We own and operate a fleet of hot oilers and superheaters, which are assets capable of heating high volumes of fluids. We also sell fluids used during well completions, such as fresh water and potassium chloride, and drilling mud, which we move to our customers wellsites using our fluid transportation services.

***Drilling Services (13% of Revenue for the Year Ended December 31, 2008)***

Through our drilling services segment, we deliver services that initiate or stimulate oil and gas production by providing land drilling, specialized rig logistics and site preparation. Our drilling rigs currently operate in and around the Barnett Shale region of north Texas.

***Contract Drilling***

We provide contract drilling services to major oil companies and independent oil and gas producers in north Texas. Contract drilling services are primarily provided under a standard day rate, and, to a lesser extent, footage or turnkey contracts. Drilling rigs vary in size and capability and may include specialized equipment. The majority of our drilling rig fleet is equipped with mechanical power systems and have depth ratings ranging from approximately 8,000 to 15,000 feet. We placed into service several land drilling rigs during 2006 and invested in two drilling rigs in 2007 and an additional two drilling rigs in 2008.

***Drilling Logistics***

We provide a variety of drilling logistic services as follows:

*Drilling Rig Moving.* Through our owned and operated fleet of specialized trucks, we provide drilling rig mobilization services primarily in Louisiana, Texas, North Dakota and Arkansas. Our capabilities allow us to move the largest rigs in the United States. Our operations are strategically located in regions where approximately 50% of the land drilling rigs in the United States are located. We believe our highly skilled personnel position us as one of the leading rig moving companies in the industry.

*Wellsite Preparation and Remediation.* We provide equipment and services to build and reclaim drilling wellsites before and after the drilling operations take place. We build roads, dig pits, clear land, move earth and provide a host of construction services to drilling contractors and to oil and gas producers. Our wellsite preparation and remediation services are in Colorado and Wyoming.

***Product Sales (3% of Revenue for the Year Ended December 31, 2008)***

Through our product sales segment, we provide a variety of equipment used by oil and gas companies throughout the lifecycle of their wells. We sell oilfield service equipment and refurbish used equipment through our Southeast Asian business and a fabrication shop in north Texas.

*Overseas Operations*

We operate an oilfield sales service and rental business based in Singapore. This business sells new and reconditioned equipment used in the construction and upgrade of offshore drilling rigs; rents mud coolers, tubular handling equipment, BOPs and other service tools; and provides machining and repair services.

**Sales and Marketing**

Most sales and marketing activities are performed through our local operations in each geographical region. We believe our local field sales personnel have an excellent understanding of basin-specific issues and customer operating procedures and, therefore, can effectively target marketing activities. We also have a small corporate sales team located in Houston, Texas that supplements our field sales efforts and focuses on large accounts and selling technical services.

**Customers**

Our customers consist of large multi-national and independent oil and gas producers, as well as smaller independent producers and the major land-based drilling contractors in North America. Our top ten customers accounted for approximately 45%, 42% and 37% of our revenue for the years ended December 31, 2008, 2007 and 2006, respectively, with no one customer representing more than 10% of our revenue for each of these years or in the aggregate. We believe we have a broad customer base and wide geographic coverage of operations, which somewhat insulates us from regional or customer specific circumstances.

**Seasonality**

Our completion and production services business generally experiences a decline in sales for our Canadian operations during the second quarter of each year due to seasonality, as weather conditions make oil and gas operations in this region difficult during this period. Our Canadian operations accounted for approximately 5%, 5% and 8% of total revenues from continuing operations during the years ended December 31, 2008, 2007 and 2006, respectively.

**Operating Risk and Insurance**

Our operations are subject to hazards inherent in the oil and gas industry, such as accidents, blowouts, explosions, fires and oil spills that can cause:

personal injury or loss of life;

damage or destruction of property, equipment and the environment; and

suspension of operations.

In addition, claims for loss of oil and gas production and damage to formations can occur in the well services industry. If a serious accident were to occur at a location where our equipment and services are being used, it could result in our being named as a defendant in lawsuits asserting large claims.

Because our business involves the transportation of heavy equipment and materials, we may also experience traffic accidents which may result in spills, property damage and personal injury.

Despite our efforts to maintain high safety standards, we have suffered accidents in the past and anticipate that we will experience accidents in the future. In addition to the property and personal losses from these accidents, the frequency and severity of these incidents affect our operating costs and insurability and our relationships with customers, employees and regulatory agencies. Any significant increase in the frequency or severity of these incidents, or the general level of compensation awards, could adversely affect the cost of, or our ability to obtain, workers compensation and other forms of insurance, and could have other material adverse effects on our financial condition and results of operations.

Although we maintain insurance coverage of types and amounts that we believe to be customary in the industry, we are not fully insured against all risks, either because insurance is not available or because of the high premium costs. We do maintain commercial general liability, workers compensation, business auto, excess auto liability, commercial property, rig physical damage and contractor s equipment, motor truck cargo, umbrella liability and excess liability, non-owned aircraft liability, directors and officers, employment practices liability, fiduciary, commercial crime and kidnap and ransom insurance policies. However, any insurance obtained by us may not be adequate to cover any losses or liabilities and this insurance may not continue to be available or available on terms which are acceptable to us. Liabilities for which we are not insured, or which exceed the policy limits of our applicable insurance, could have a material adverse effect on us. See Item 1A. Risk Factors.

**Competition**

The markets in which we operate are highly competitive. To be successful, a company must provide services and products that meet the specific needs of oil and gas exploration and production companies and drilling services contractors at competitive prices.

We provide our services and products across North America, and we compete against different companies in each service and product line we offer. Our competition includes many large and small oilfield service companies, including the largest integrated oilfield services companies.

Our major competitors for our completion and production services segment include Schlumberger Ltd., BJ Services Company, Halliburton Company, Weatherford International Ltd., Baker Hughes Inc., Key Energy Services, Inc., Basic Energy Services, Inc., Superior Energy Services, Inc., Superior Well Services, Inc., RPC Inc. and a significant number of locally oriented businesses. In our drilling services segment, our primary competitors include Nabors Industries Ltd., Patterson-UTI Energy, Inc., Unit Corporation, Helmerich & Payne and Grey Wolf Inc. Our principal competitors in our product sales segment include National Oilwell Varco, Inc., Smith International, Inc., and various smaller providers of equipment. We believe that the principal competitive factors in the market areas that we serve are quality of service and products, reputation for safety and technical proficiency, availability and price. While we must be competitive in our pricing, we believe our customers select our services and products based on local leadership and basin-expertise that our personnel use to deliver quality services and products.

**Government Regulation**

We operate under the jurisdiction of a number of regulatory bodies that regulate worker safety standards, the handling of hazardous materials, the transportation of explosives, the protection of the environment and driving standards of operation. Regulations concerning equipment certification create an ongoing need for regular maintenance which is incorporated into our daily operating procedures. The oil and gas industry is subject to environmental regulation pursuant to local, state and federal legislation.

Among the services we provide, we operate as a motor carrier and therefore are subject to regulation by the U.S. Department of Transportation and by various state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations, and regulatory safety, financial reporting and certain mergers, consolidations and acquisitions. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment and product handling requirements. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. Some of these possible changes include increasingly stringent environmental regulations, changes in the hours of service regulations which govern the amount of time a driver may drive in any specific period, onboard black box recorder devices or limits on vehicle weight and size.

Interstate motor carrier operations are subject to safety requirements prescribed by the Department of Transportation. To a large degree, intrastate motor carrier operations are subject to safety regulations that mirror federal regulations. Such matters as weight and dimension of equipment are also subject to federal and state regulations. Department of Transportation regulations mandate drug testing of drivers.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state, or local taxes, including taxes on motor fuels, which may increase our costs or adversely impact the recruitment of drivers. We cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted.

**Environmental Matters**

Our operations are subject to numerous foreign, federal, state and local environmental laws and regulations governing the release and/or discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental agencies issue regulations to implement and enforce these laws, for which compliance is often costly and difficult. The violation of these laws and regulations may result in the denial or revocation of permits, issuance of corrective action orders, assessment of administrative and civil penalties, and even criminal prosecution. We believe that we are in substantial compliance with applicable environmental laws and regulations. Further, we do not anticipate that compliance with existing environmental laws and regulations will have a material effect on our consolidated financial statements. However, it is possible that substantial costs for compliance or penalties for non-compliance may be incurred in the future. Moreover, it is possible that other developments, such as the adoption of stricter environmental laws, regulations, and enforcement policies, could result in additional costs or liabilities that we cannot currently quantify.

We generate wastes, including hazardous wastes, that are subject to the federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes. The U.S. Environmental Protection Agency, or EPA, the Nuclear Regulatory Commission, and state agencies have limited the approved methods of disposal for some types of hazardous and nonhazardous wastes. Some wastes handled by us in our field service activities that currently are exempt from treatment as hazardous wastes may in the future be designated as hazardous wastes under RCRA or other applicable statutes. If this were to occur, we would become subject to more rigorous and costly operating and disposal requirements.

The federal Comprehensive Environmental Response, Compensation, and Liability Act, CERCLA or the Superfund law, and comparable state statutes impose liability, without regard to fault or legality of the original conduct, on classes of persons that are considered to have contributed to the release of a hazardous substance into the environment. Such classes of persons include the current and past owners or operators of sites where a hazardous substance was released, and companies that disposed or arranged for disposal of hazardous substances at offsite locations such as landfills. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We currently own, lease, or operate numerous properties and facilities that for many years have been used for industrial activities, including oil and gas production operations. Hazardous substances, wastes, or hydrocarbons may have been released on or under the properties owned or leased by us, or on or under other locations where such substances have been taken for disposal. In addition, some of these properties have been operated by third parties or by previous owners whose treatment and disposal or release of hazardous substances, wastes, or hydrocarbons, was not under our control. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove previously disposed substances and wastes (including substances disposed of or released by prior owners or operators), remediate contaminated property (including groundwater contamination, whether from prior owners or operators or other historic activities or spills), or perform remedial plugging of disposal wells or pit closure operations to prevent future contamination. These laws and regulations may also expose us to liability for our acts that were in compliance with applicable laws at the time the acts were performed.

In the course of our operations, some of our equipment may be exposed to naturally occurring radiation associated with oil and gas deposits, and this exposure may result in the generation of wastes containing naturally occurring radioactive materials or NORM. NORM wastes exhibiting trace levels of naturally occurring radiation in excess of established state standards are subject to special handling and disposal requirements, and any storage vessels, piping, and work area affected by NORM may be subject to remediation or restoration requirements. Because many of the properties presently or previously owned, operated, or occupied by us have been used for oil and gas production operations for many years, it is possible that we may incur costs or liabilities associated with elevated levels of NORM.

The Federal Water Pollution Control Act, also known as the Clean Water Act, and applicable state laws impose restrictions and strict controls regarding the discharge of pollutants into state waters or waters of the United States. The discharge of pollutants into jurisdictional waters is prohibited unless the discharge is permitted by the EPA or applicable state agencies. Many of our properties and operations require permits for discharges of wastewater and/or stormwater, and we have a system for securing and maintaining these permits. In addition, the Oil Pollution Act of 1990 imposes a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages, including natural resource damages, resulting from such spills in waters of the United States. A responsible party includes the owner or operator of a facility. The Federal Water Pollution Control Act and analogous state laws provide for administrative, civil and criminal penalties for unauthorized discharges and, together with the Oil Pollution Act, impose rigorous requirements for spill prevention and response planning, as well as substantial potential liability for the costs of removal, remediation, and damages in connection with any unauthorized discharges.

Our underground injection operations are subject to the federal Safe Drinking Water Act, as well as analogous state and local laws and regulations. Under Part C of the Safe Drinking Water Act, the EPA established the Underground Injection Control program, which established the minimum program requirements for state and local programs regulating underground injection activities. The Underground Injection Control program includes requirements for permitting, testing, monitoring, record keeping and reporting of injection well activities, as well as a prohibition against the migration of fluid containing any contaminant into underground sources of drinking water. State regulations require us to obtain a permit from the applicable regulatory agencies to operate our underground injection wells. We believe that we have obtained the necessary permits from these agencies for our underground injection wells and that we are in substantial compliance with permit conditions and state rules. Nevertheless, these regulatory agencies have the general authority to suspend or modify one or more of these permits if continued operation of one of our underground injection wells is likely to result in pollution of freshwater, substantial violation of permit conditions or applicable rules, or leaks to the environment. Although we monitor the injection process of our wells, any leakage from the subsurface portions of the injection wells could cause degradation of fresh groundwater resources, potentially resulting in cancellation of operations of a well, issuance of fines and penalties from governmental agencies, incurrence of expenditures for remediation of the affected resource and imposition of liability by third parties for property damages and personal injuries. In addition, our sales of residual crude oil collected as part of the saltwater injection process could impose liability on us in the event that the entity to which the oil was transferred fails to manage the residual crude oil in accordance with applicable environmental health and safety laws.

Some of our operations also result in emissions of regulated air pollutants. The federal Clean Air Act and analogous state laws require permits for facilities that have the potential to emit substances into the atmosphere that could adversely affect environmental quality. Failure to obtain a permit or to comply with permit requirements could result in the imposition of substantial administrative, civil and even criminal penalties.

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases and including carbon dioxide and methane, may be contributing to warming of the Earth s atmosphere. In response to such studies, the U.S. Congress is considering legislation to reduce emissions of greenhouse gases. President Obama has expressed support for legislation to restrict or regulate emissions of greenhouse gases. In addition, more than one-third of the states, either individually or through multi-state regional initiatives, already have begun implementing legal measures to reduce emissions of greenhouse gases, primarily through the planned development of emission inventories or regional greenhouse gas cap and trade programs. Depending on the particular program, our customers could be required to purchase and surrender allowances for greenhouse gas emissions resulting from their operations. This requirement could increase our customers operational and compliance costs and result in reduced demand for their products, which would have a material adverse effect on the demand for our services and our business.

Also, as a result of the United States Supreme Court s decision on April 2, 2007 in *Massachusetts, et al. v. EPA*, the EPA may regulate greenhouse gas emissions from mobile sources such as cars and trucks even if Congress does not adopt new legislation specifically addressing emissions of greenhouse gases. The Court s holding in *Massachusetts* that greenhouse gases including carbon dioxide fall under the federal Clean Air Act s definition of air pollutant may also result in future regulation of carbon dioxide and other greenhouse gas emissions from stationary sources. In July 2008, EPA released an Advance Notice of Proposed Rulemaking regarding possible future regulation of greenhouse gas emissions under the Clean Air Act, in response to the Supreme Court s decision in Massachusetts. In the notice, EPA evaluated the potential regulation of greenhouse gases under the Clean Air Act and other potential methods of regulating greenhouse gases. Although the notice did not propose any specific, new regulatory requirements for greenhouse gases, it indicates that federal regulation of greenhouse gas emissions could occur in the near future even if Congress does not adopt new legislation specifically addressing emissions of greenhouse gases. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business, any such new federal, regional or state restrictions on emissions of carbon dioxide or other greenhouse gases that may be imposed in areas in which we conduct business could result in increased compliance costs or additional operating restrictions on our customers, potentially making their products more expensive and reducing demand for them. Such an effect could have a material adverse effect on the demand for our services and our business.

Many foreign nations, including Canada, have agreed to limit emissions of greenhouse gases pursuant to the United Nations Framework Convention on Climate Change, also known as the Kyoto Protocol. In December 2002, Canada ratified the Kyoto Protocol. The Kyoto Protocol requires Canada to reduce its emissions of greenhouse gases to 6% below 1990 levels by 2012. The implementation of the Kyoto Protocol in Canada is expected to affect the operation of all industries in Canada, including the well service industry and its customers in the oil and natural gas industry. On April 26, 2007, the Government of Canada released its Action Plan to Reduce Greenhouse Gases and Air Pollution (the Action Plan) also known as ecoACTION, which includes the regulatory framework for air emissions. This Action Plan covers not only large industry, but regulates the fuel efficiency of vehicles and strengthens energy standards for a number of products. On March 10, 2008, the Government of Canada released details of the Action Plan s regulatory framework, which includes a requirement that all covered industrial sectors, including upstream oil and gas facilities meeting certain threshold requirements, reduce their emissions from 2006 levels by 18% by 2010. The Government of Canada is in the process of developing regulations to implement the Action Plan. As precise details of the implementation of the Action Plan have not yet been finalized, the exact effect on our operations in Canada cannot be determined at this time. It is possible that already stringent air emissions regulations applicable to our operations and the operations of our customers in Canada will be replaced with even stricter requirements prior to 2012. These requirements could increase our and our customers cost of doing business, reduce the demand for the oil and gas our customers produce, and thus have an adverse effect on the demand for our products and services.

We are also subject to the requirements of the federal Occupational Safety and Health Act (OSHA) and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and the public. We believe that our operations are in substantial compliance with the OSHA requirements, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances.

**Employees**

As of December 31, 2008, we had 7,266 employees. Of our total employees, 6,564 were in the United States, 368 were in Canada, 244 were in Mexico and 90 were in Singapore and other locations in Southeast Asia. We are a party to certain collective bargaining agreements in Mexico. Other than these agreements in Mexico, we are not a party to any collective bargaining agreements, and we consider our relations with our employees to be satisfactory.

**Website Access to Our Periodic SEC Reports**

We periodically file or furnish documents to the Securities and Exchange Commission ( SEC ), including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports as required. These reports are linked to and available from our corporate website free of charge, as soon as reasonably practicable after we file such material, or furnish it to the SEC. Our primary internet address is: **http://www.completeproduction.com.** Our website also includes certain corporate governance documentation such as our business ethics policy. As permitted by the SEC rules, we may occasionally provide important disclosures to investors by posting them in the investor relations section of our website. However, the information contained on our website is not incorporated by reference into this Annual Report and should not be considered part of this report.

The information we file with the SEC may also be read and copied at the SEC s Public Reference Room at 100F Street, N.E., Washington, D.C. 20549. In addition, the SEC maintains a website at: **http://www.sec.gov** which contains reports, proxy and other documents regarding our company which are filed electronically with the SEC.

You can also obtain information about us at the New York Stock Exchange ( NYSE ) internet site (www.nyse.com). The NYSE requires the chief executive officer of each listed company to certify annually that he is not aware of any violation by the Company of the NYSE corporate governance listing standards as of the date of the certification, qualifying the certification to the extent necessary. Our chief executive officer submitted such an unqualified annual certification to the NYSE in 2008.

**Forward-looking Statements**

This Annual Report contains certain forward-looking statements within the meaning of the federal securities laws based on our current expectations, assumptions, estimates and projections about us and the oil and gas industry. The words believe, may, will, estimate, continue, anticipate, intend, plan, expect and similar expressions forward-looking statements, although not all forward-looking statements contain these identifying words. All statements other than statements of current or historical fact contained in this Annual Report are forward-looking statements, and as such, 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 stated. For examples of those risks and uncertainties, see the cautionary statements contained in Item 1A. Risk Factors. See Item 1A. Risk Factors and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Overview for a discussion of trends and factors affecting us and our industry. Also see Item 8. Financial Statements and Supplementary Data, Note 15 Segment Reporting for financial information about each of our business segments.

Although we believe that the forward-looking statements contained in this Annual Report on Form 10-K are based upon reasonable assumptions, the forward-looking events and circumstances discussed in this document may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Important factors that may affect our expectations, estimates or projections include:

- competition within our industry;
- general economic and market conditions;

- a decline in or substantial volatility of oil and gas prices, and any related changes in expenditures by our customers;
- the effects of future acquisitions on our business;
- changes in customer requirements in markets or industries we serve;
- our access to current or future financing arrangements;
- our ability to replace or add workers at economic rates;
- environmental and other governmental regulations; and
- the effects of severe weather on our services centers or equipment.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report may not occur, and therefore, our forward-looking statements speak only as of the date of this Annual Report. Unless otherwise required by law, we undertake no obligation and do not intend to update publicly any forward-looking statements, even if new information becomes available or other events occur in the future. These cautionary statements qualify all such forward-looking statements attributable to us or persons acting on our behalf.

## Item 1A. *Risk Factors.*

An investment in our common stock involves a degree of risk. You should carefully consider the following risk factors, together with the other information contained in this Annual Report and other public filings with the Securities and Exchange Commission, before deciding to invest in our common stock. Additional risks and uncertainties not currently known to us or that we currently view as immaterial may also impair our business. If any of these risks develop into actual events, our business, financial condition, results of operations or cash flows could be materially adversely affected, and you could lose all or part of your investment.

### Risks Related to Our Business and Our Industry

***Our business depends on the oil and gas industry and particularly on the level of activity for North American oil and gas. Our markets may be adversely affected by industry conditions that are beyond our control.***

We depend on our customers willingness to make operating and capital expenditures to explore for, develop and produce oil and gas in North America. If these expenditures decline, our business may suffer. Our customers willingness to explore, develop and produce depends largely upon prevailing industry conditions that are influenced by numerous factors over which management has no control, such as:

- the supply of and demand for oil and gas, including current natural gas storage capacity and usage;
- the level of prices, and expectations about future prices, of oil and gas;
- the cost of exploring for, developing, producing and delivering oil and gas;
- the expected rates of declining current production;

the discovery rates of new oil and gas reserves;

available pipeline and other transportation capacity;

weather conditions, including hurricanes that can affect oil and gas operations over a wide area;

domestic and worldwide economic conditions;

political instability in oil and gas producing countries;

technical advances affecting energy consumption;

the price and availability of alternative fuels;

the ability of oil and gas producers to raise equity capital and debt financing; and

merger and divestiture activity among oil and gas producers.

**Table of Contents**

The level of activity in the North American oil and gas exploration and production industry is volatile. Expected trends in oil and gas production activities may not continue and demand for the services provided by us may not reflect the level of activity in the industry. Natural gas prices have recently declined significantly from historical highs and rotary rig counts have declined sharply in the fourth quarter of 2008 and thus far in 2009. We currently expect lower commodity prices and drilling activity levels will negatively impact all three of our business segments in 2009. The expected material decline in oil and gas prices or North American activity levels could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, a decrease in the development rate of oil and gas reserves in our market areas may also have an adverse impact on our business, even in an environment of stronger oil and gas prices.

***Because the oil and gas industry is cyclical, our operating results may fluctuate.***

Oil and gas prices are volatile. Oil commodity prices reached historic highs in 2008 then declined substantially by year end. Henry Hub natural gas prices averaged $8.89 per mcf in 2008, but exceeded $12.00 per mcf in June of 2008, before falling below $6.00 per mcf at year-end. The recent decline in oil and gas prices has and will result in a decrease in the expenditure levels of oil and gas companies and drilling contractors which in turn adversely affects us. We have experienced in the past, and may experience in the future, significant fluctuations in operating results as a result of the reactions of our customers to changes in oil and gas prices. We reported a loss from continuing operations in 2008 of $80.6 million, which resulted from an impairment of goodwill of $272.0 million. Our income from continuing operations for the years ended December 31, 2007 and 2006 was $150.1 million and $125.0 million, respectively.

Substantially all of the service and rental revenue we earn is based upon a charge for a relatively short period of time (an hour, a day, a week) for the actual period of time the service or rental is provided to our customer. By contracting services on a short-term basis, we are exposed to the risks of a rapid reduction in market price and utilization and volatility in our revenues. Product sales are recorded when the actual sale occurs, title or ownership passes to the customer and the product is shipped or delivered to the customer.

***Many of our customers activity levels, spending for our products and services and payment patterns may be impacted by the current deterioration in the credit markets.***

Many of our customers finance their activities through cash flow from operations, the incurrence of debt or the issuance of equity. Recently, there has been a significant decline in the credit markets and the availability of credit. Additionally, many of our customers equity values have substantially declined. The combination of a reduction of cash flow resulting from declines in commodity prices, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in our customers spending for our products and services. For example, a number of our customers have announced reduced capital expenditure budgets for 2009. This reduction in spending could have a material adverse effect on our operations.

In addition, while historically our customer base has not presented significant credit risks, the same factors that may lead to a reduction in our customers spending also may increase our exposure to the risks of nonpayment and nonperformance by our customers. A significant reduction in our customers liquidity may result in a decrease in their ability to pay or otherwise perform on their obligations to us. Any increase in the nonpayment of and nonperformance by our counterparties, either as a result of recent changes in financial and economic conditions or otherwise, could have an adverse impact on our operating results and could adversely affect our liquidity.

***We participate in a capital intensive business. We may not be able to finance future growth of our operations or future acquisitions.***

Historically, we have funded the growth of our operations and our acquisitions from bank debt, private placement of shares, our initial public offering in April 2006, a private placement of debt in December 2006, as well as cash generated by our business. In the future, we may not be able to continue to obtain sufficient bank debt at competitive rates or complete equity and other debt financings, particularly if the recent deterioration in the credit and capital markets persists for a significant period of time. If we do not generate sufficient cash from our business to fund operations, our growth could be limited unless we are able to obtain additional capital through equity or debt financings. Our inability to grow as planned may reduce our chances of maintaining and improving profitability.

***Our indebtedness could restrict our operations and make us more vulnerable to adverse economic conditions.***

As of December 31, 2008, our long-term debt, including current maturities, was $847.7 million. Our level of indebtedness may adversely affect operations and limit our growth, and we may have difficulty making debt service payments on our indebtedness as such payments become due. Our level of indebtedness may affect our operations in several ways, including the following:

- our vulnerability to general adverse economic and industry conditions;
- the covenants that are contained in the agreements that govern our indebtedness limit our ability to borrow funds, dispose of assets, pay dividends and make certain investments;
- any failure to comply with the financial or other covenants of our debt could result in an event of default, which could result in some or all of our indebtedness becoming immediately due and payable; and
- our level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes.

***Impairment of Long-term Assets***

We evaluate our long-term assets including property, plant and equipment, identifiable intangible assets and goodwill in accordance with generally accepted accounting principles in the U.S. In performing this assessment, we project future cash flows on a discounted basis for goodwill, and on an undiscounted basis for other long-term assets, and compare these cash flows to the carrying amount of the related net assets. The cash flow projections are based on our current operating plan, estimates and judgmental assessments. We perform this assessment of potential impairment at least annually, but also whenever facts and circumstances indicate that the carrying value of the net assets may not be recoverable due to various external or internal factors, termed a triggering event. We have recorded goodwill impairment charges of $272.0 million and $13.1 million for the years ended December 31, 2008 and 2007, respectively. If we determine that our estimates of future cash flows were inaccurate or our actual results for 2009 are materially different than expected, we could record additional impairment charges at interim periods during 2009 or in future years, which could have a material adverse effect on our financial position and results of operations.

***There is potential for excess capacity in our industry.***

Because oil and gas prices and drilling activity were recently at historically high levels, oilfield service companies have been acquiring new equipment to meet their customers increasing demand for services. This could result in an increased competitive environment for oilfield service companies, which could lead to lower prices and utilization for our services and could adversely affect our business.

***Our executive officers and certain key personnel are critical to our business and these officers and key personnel may not remain with us in the future.***

Our future success depends upon the continued service of our executive officers and other key personnel. If we lose the services of one or more of our executive officers or key employees, our business, operating results and financial condition could be harmed.

***Our operating history may not be sufficient for investors to evaluate our business and prospects.***

We are a company with a short combined operating history. This may make it more difficult for investors to evaluate our business and prospects and to forecast our future operating results. Our historical combined financial statements are based on the separate businesses of IPS, CES and IEM for the periods prior to the Combination. As a result, the historical and pro forma information may not give you an accurate indication of what our actual results would have been if the Combination had been completed at the beginning of the periods presented or of what our future results of operations are likely to be. Our future results will depend on our ability to efficiently manage our combined operations and execute our business strategy.

***Our inability to control the inherent risks of acquiring and integrating businesses could adversely affect our operations.***

Acquisitions have been, and our management believes acquisitions will continue to be, a key element of our business strategy. We may not be able to identify and acquire acceptable acquisition candidates on favorable terms in the future. We may be required to incur substantial indebtedness to finance future acquisitions and also may issue equity securities in connection with such acquisitions. We may not be able to secure additional indebtedness to fund acquisitions. If we are able to obtain financing, such additional debt service requirements may impose a significant burden on our results of operations and financial condition. The issuance of additional equity securities could result in significant dilution to stockholders. Acquisitions may not perform as expected when the acquisition was made and may be dilutive to our overall operating results. Additional risks we will face include:

- retaining and attracting key employees;
- retaining and attracting new customers;
- increased administrative burden;
- developing our sales and marketing capabilities;
- managing our growth effectively;
- integrating operations;
- operating a new line of business; and
- increased logistical problems common to large, expansive operations.

If we fail to manage these risks successfully, our business could be harmed.

***Our customer base is concentrated within the oil and gas production industry and loss of a significant customer could cause our revenue to decline substantially.***

Our top five customers accounted for approximately 28%, 27% and 23% of our revenue for the years ended December 31, 2008, 2007 and 2006, respectively. Although no single customer accounted for more than 10% of our revenue during the years ended December 31, 2008, 2007 and 2006, our top ten customers represented approximately 45%, 42% and 37% of our revenue for the years then ended. It is likely that we will continue to derive a significant portion of our revenue from a relatively small number of customers in the future. If a major customer decided not to continue to use our services, revenue would decline and our operating results and financial condition could be harmed.

***Our business depends upon our ability to obtain key raw materials and specialized equipment from suppliers.***

Should our current suppliers be unable to provide the necessary raw materials (proppant, cement, explosives) or finished products (such as workover rigs or fluid-handling equipment) or otherwise fail to deliver the products timely and in the quantities required, any resulting delays in the provision of services could have a material adverse effect on our business, financial condition, results of operations and cash flows. During 2008, our industry faced sporadic proppant shortages associated with pressure pumping operations requiring work stoppages which adversely impacted the operating results of several competitors.

***We may be unable to employ a sufficient number of skilled and qualified workers.***

The delivery of our services and products requires personnel with specialized skills and experience who can perform physically demanding work. As a result of the volatility of the oilfield service industry and the demanding nature of the work, workers may choose to pursue employment in fields that offer a more desirable work environment. Our ability to be productive and profitable will depend upon our ability to employ and retain skilled workers. In addition, our ability to expand our operations depends in part on our ability to increase the size of our skilled labor force. The demand for skilled workers is high, and the supply is limited, particularly in the U.S. Rocky Mountain region, which is one of our key regions. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the wage rates that we must pay, or both. If either of these events were to occur, our capacity and profitability could be diminished and our growth potential could be impaired.

***We may not be able to provide services that meet the specific needs of oil and gas exploration and production companies at competitive prices.***

The markets in which we operate are highly competitive and have relatively few barriers to entry. The principal competitive factors in our markets are product and service quality and availability, responsiveness, experience, technology, equipment quality, reputation for safety and price. We compete with large national and multi-national companies that have longer operating histories, greater financial, technical and other resources and greater name recognition than we do. Several of our competitors provide a broader array of services and have a stronger presence in more geographic markets. In addition, we compete with several smaller companies capable of competing effectively on a regional or local basis. Our competitors may be able to respond more quickly to new or emerging technologies and services and changes in customer requirements. Some contracts are awarded on a bid basis, which further increases competition based on price. As a result of competition, we may lose market share or be unable to maintain or increase prices for our present services or to acquire additional business opportunities, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Our operations are subject to hazards inherent in the oil and gas industry.***

Risks inherent to our industry, such as equipment defects, vehicle accidents, explosions and uncontrollable flows of gas or well fluids, can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose us to substantial liability for personal injury, wrongful death, property damage, loss of oil and gas production, pollution and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators. In particular, our customers may elect not to purchase our services if they view our safety record as unacceptable, which could cause us to lose customers and substantial revenues. In addition, these risks may be greater for us because we sometimes acquire companies that have not allocated significant resources and management focus to safety and have a poor safety record.

Our operations have experienced fatalities. Many of the claims filed against us arise from vehicle-related accidents that have in certain specific instances resulted in the loss of life or serious bodily injury. Our safety procedures may not always prevent such damages. Our insurance coverage may be inadequate to cover our liabilities. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable and commercially justifiable and insurance may not continue to be available on terms as favorable as our current arrangements. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by us or a claim at a time when we are not able to obtain liability insurance could have a material adverse effect on our ability to conduct normal business operations and on our financial condition, results of operations and cash flows. Although our senior management is committed to improving Complete s overall safety record, they may not be successful in doing so.

***If we are not able to design, develop, and produce commercially competitive products and to implement commercially competitive services in a timely manner in response to changes in technology, our business and revenue could be materially and adversely affected.***

The market for our services and products is characterized by continual technological developments to provide better and more reliable performance and services. If we are not able to design, develop, and produce commercially competitive products and to implement commercially competitive services in a timely manner in response to changes in technology, our business and revenue could be materially and adversely affected. Likewise, if our proprietary technologies, equipment and facilities, or work processes become obsolete, we may no longer be competitive, and our business and revenue could be materially and adversely affected.

***Our operations may incur substantial liabilities to comply with climate change legislation and regulatory initiatives.***

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases and including carbon dioxide and methane, may be contributing to warming of the Earth s atmosphere. In response to such studies, the U.S. Congress is considering legislation to reduce emissions of greenhouse gases and more than one-third of the states, either individually or through multi-state initiatives, already have begun implementing legal measures to reduce emissions of greenhouse gases. Also, the U.S. Supreme Court s holding in its 2007 decision, *Massachusetts, et al. v. EPA*, that carbon dioxide may be regulated as an air pollutant under the federal Clean Air Act could result in future regulation of greenhouse gas emissions from stationary sources, even if Congress does not adopt new legislation specifically addressing emissions of greenhouse gases. In July 2008, EPA released an Advance Notice of Proposed Rulemaking regarding possible future regulation of greenhouse gas emissions under the Clean Air Act. Although the notice did not propose any specific, new regulatory requirements for greenhouse gases, it indicates that federal regulation of greenhouse gas emissions could occur in the near future. In addition, the Government of Canada has announced a regulatory framework to reduce greenhouse gas emissions, which includes a requirement that all covered industrial sectors, including upstream oil and gas facilities meeting certain threshold requirements, reduce their emissions from 2006 levels by 18% by 2010. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business, any such future laws and regulations could result in increased compliance costs or additional operating restrictions for us and our customers, and could have a material adverse effect on our business or demand for the our services. *See* Item 1. *Environmental Matters* for a more detailed description of our climate-change related risks.

***We are self-insured for certain health care benefits for our employees.***

On January 1, 2007, we began a self-insurance program to pay claims associated with the health care benefits provided to certain of our employees in the United States. Under this program, we continue to use the services of an insurance company which provided our coverage in the prior year to administer the program, and we have purchased a stop-loss policy with this provider which will insure for individual claims which exceed a designated ceiling. Pursuant to this program, we accrue expense based upon expected claims, and make periodic claim payments to our administrator, which facilitates the payment of claims to the medical care providers. As our business grows, we are required to maintain higher self-insured retention levels. There is a risk that our actual claims incurred may exceed the projected claims, and we may incur more expense than expected for health insurance coverage. There is also a risk that we may not adequately accrue for claims that are incurred but not reported. Either of these events could have a material adverse effect on our financial position, results of operations or cash flows.

***If we become subject to product liability claims, it could be time-consuming and costly to defend.***

Since our customers use our products or third party products that we sell through our supply stores, errors, defects or other performance problems could result in financial or other damages to us. Our customers could seek damages from us for losses associated with these errors, defects or other performance problems. If successful, these claims could have a material adverse effect on our business, operating results or financial condition. Our existing product liability insurance may not be enough to cover the full amount of any loss we might suffer. A product liability claim brought against us, even if unsuccessful, could be time-consuming and costly to defend and could harm our reputation.

***We are subject to extensive and costly environmental laws and regulations that may require us to take actions that will adversely affect our results of operations.***

Our business is significantly affected by stringent and complex foreign, federal, state and local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. As part of our business, we handle, transport, and dispose of a variety of fluids and substances used or

Table of Contents

produced by our customers in connection with their oil and gas exploration and production activities. We also generate and dispose of hazardous waste. The generation, handling, transportation, and disposal of these fluids, substances, and waste are regulated by a number of laws, including the Resource Recovery and Conservation Act; the Comprehensive Environmental Response, Compensation, and Liability Act; the Clean Water Act; the Safe Drinking Water Act; and analogous state laws. Failure to properly handle, transport, or dispose of these materials or otherwise conduct our operations in accordance with these and other environmental laws could expose us to liability for governmental penalties, cleanup costs associated with releases of such materials, damages to natural resources, and other damages, as well as potentially impair our ability to conduct our operations. We could be exposed to liability for cleanup costs, natural resource damages and other damages under these and other environmental laws as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Environmental laws and regulations have changed in the past, and they are likely to change in the future. If existing regulatory requirements or enforcement policies change, we may be required to make significant unanticipated capital and operating expenditures.

Any failure by us to comply with applicable environmental laws and regulations may result in governmental authorities taking actions against our business that could adversely impact our operations and financial condition, including the:

- issuance of administrative, civil and criminal penalties;
- denial or revocation of permits or other authorizations;
- imposition of limitations on our operations; and
- performance of site investigatory, remedial or other corrective actions.

The effect of environmental laws and regulations on our business is discussed in greater detail under Environmental Matters included in Item 1 of this Annual Report on Form 10-K.

***The nature of our industry subjects us to compliance with other regulatory laws.***

Our business is significantly affected by state and federal laws and other regulations relating to the oil and gas industry in general, and more specifically with respect to health and safety, waste management and the manufacture, storage, handling and transportation of hazardous materials and by changes in and the level of enforcement of such laws. The failure to comply with these rules and regulations can result in substantial penalties, revocation of permits, corrective action orders and criminal prosecution. The regulatory burden on the oil and gas industry increases our cost of doing business and, consequently, affects our profitability. We may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. It is impossible for management to predict the cost or impact of such laws and regulations on our future operations.

***If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.***

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. Our efforts to maintain internal controls may not be successful, and we may be unable to maintain adequate controls over our financial processes and reporting in the future, including compliance with the obligations under Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to maintain effective controls or to make effective improvements to our internal controls could harm our operating results.

***Conservation measures and technological advances could reduce demand for oil and gas.***

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and gas. Management cannot predict the impact of the changing demand for oil and gas services and products, and any major changes may have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Fluctuations in currency exchange rates in Canada could adversely affect our business.***

We have operations in Canada. As a result, fluctuations in currency exchange rates in Canada could materially and adversely affect our business. For the years ended December 31, 2008, 2007 and 2006, our Canadian operations represented approximately 5%, 5% and 8% of our revenue from continuing operations, respectively. For the years ended December 31, 2008 and 2007, our Canadian operations recorded losses from continuing operations before taxes and minority interest of $26.7 million and $13.5 million, respectively, primarily resulting from goodwill impairment charges. For the year ended December 31, 2006, our Canadian operations represented 3% of our net income from continuing operations before taxes and minority interest.

***We are susceptible to seasonal earnings volatility due to adverse weather conditions in Canada.***

Our operations are directly affected by seasonal differences in weather in Canada. The level of activity in the Canadian oilfield services industry declines significantly in the second calendar quarter, when frost leaves the ground and many secondary roads are temporarily rendered incapable of supporting the weight of heavy equipment. The duration of this period is referred to as spring breakup and has a direct impact on our activity levels in Canada. The timing and duration of spring breakup depend on weather patterns but generally spring breakup occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, we may not be able to access wellsites and our operating results and financial condition may, therefore, be adversely affected. The demand for our services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting operating results. The volatility in weather and temperature in the Canadian oilfield can therefore create unpredictability in activity and utilization rates. As a result, full-year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

***Our operations in Mexico are subject to specific risks, including dependence on Petróleos Mexicanos ( PEMEX ) as the primary customer, exposure to fluctuation in the Mexican peso and workforce unionization.***

Our business in Mexico is substantially all performed for PEMEX pursuant to multi-year contracts. These contracts are generally two years in duration and are subject to competitive bid for renewal. Any failure by us to renew our contracts could have a material adverse effect on our financial condition, results of operations and cash flows.

The PEMEX contracts provide that 70% to 80% of the value of our billings under the contracts is charged to PEMEX in U.S. dollars with the remainder billed in Mexican pesos. The portion billed in U.S. dollars to PEMEX is converted to pesos on the date of payment. Invoices are paid approximately 45 days after the invoice date. As such, we are exposed to fluctuations in the value of the peso. A material decrease in the value of the Mexican peso relative to the U.S. dollar could negatively impact our revenues, cash flows and net income.

Our operations in Mexico are party to a collective labor contract most recently modified on and effective as of October 2008 between Servicios Petrotec S.A. DE C.V., one of our subsidiaries, and Unión Sindical de Trabajadores de la Industria Metálica y Similares, the metal and similar industry workers labor union. We have not experienced work stoppages in the past but cannot guarantee that we will not experience work stoppages in the future. A prolonged work stoppage could negatively impact our revenues, cash flows and net income.

***Our U.S. operations are adversely impacted by the hurricane season in the Gulf of Mexico, which generally occurs in the third calendar quarter.***

Hurricanes and the threat of hurricanes during this period will often result in the shut-down of oil and gas operations in the Gulf of Mexico as well as land operations within the hurricane path. During a shut-down period, we are unable to access wellsites and our services are also shut down. This situation can therefore create unpredictability in activity and utilization rates, which can have a material adverse impact on our business, financial conditions, results of operations and cash flows.

***When rig counts are low, our rig relocation customers may not have a need for our services.***

Many of the major U.S. onshore drilling services contractors have significant capabilities to move their own drilling rigs and related oilfield equipment and to erect rigs. When regional rig counts are high, drilling services contractors exceed their own capabilities and contract for additional oilfield equipment hauling and rig erection capacity. Our rig relocation business activity is highly correlated to the rig count; however, the correlation varies over the rig count range. As rig count drops, some drilling services contractors reach a point where all of their oilfield equipment hauling and rig erection needs can be met by their own fleets. If one or more of our rig relocation customers reach this tipping point, our revenues attributable to rig relocation will decline much faster than the corresponding overall decline in the rig count. This non-linear relationship between our rig relocation business activity and the rig count in the areas in which we have rig relocation operations can increase significantly our earnings volatility with respect to rig relocation.

***Increasing trucking regulations may increase our costs and negatively impact our results of operations.***

Among the services we provide, we operate as a motor carrier and therefore are subject to regulation by the U.S. Department of Transportation and by various state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations and regulatory safety. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment and product handling requirements. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. Some of these possible changes include increasingly stringent environmental regulations, changes in the hours of service regulations which govern the amount of time a driver may drive in any specific period, onboard black box recorder devices or limits on vehicle weight and size.

Interstate motor carrier operations are subject to safety requirements prescribed by the U.S. Department of Transportation. To a large degree, intrastate motor carrier operations are subject to state safety regulations that mirror federal regulations. Such matters as weight and dimension of equipment are also subject to federal and state regulations.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state, or local taxes, including taxes on motor fuels, which may increase our costs or adversely impact the recruitment of drivers. We cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted.

## Risks Related to Our Relationship with SCF

***L.E. Simmons, through SCF, may be able to influence the outcome of stockholder voting and may exercise this voting power in a manner adverse to you.***

SCF owns approximately 13% of our outstanding common stock, excluding shares distributed to SCF s directors prior to December 31, 2008. L.E. Simmons is the sole owner of L.E. Simmons and Associates, Incorporated, the ultimate general partner of SCF. Accordingly, Mr. Simmons, through his ownership of the ultimate general partner of SCF, may be in a position to influence the outcome of matters requiring a stockholder vote, including the election of directors, adoption of amendments to our certificate of incorporation or bylaws or approval of transactions involving a change of control. The interests of Mr. Simmons may differ from yours, and SCF may vote its common stock in a manner that may adversely affect you.

***One of our directors may have a conflict of interest because he is affiliated with SCF. The resolution of this conflict of interest may not be in our or your best interests.***

One of our directors, Andrew L. Waite, is a current officer of L.E. Simmons and Associates, Incorporated, the ultimate general partner of SCF. This may create a conflict of interest because this director has responsibilities to SCF and its owners. His duties as an officer of L.E. Simmons and Associates, Incorporated may conflict with his duties as a director of our company regarding business dealings between SCF and us and other matters. The resolution of this conflict may not always be in our or your best interests.

***We have renounced any interest in specified business opportunities, and SCF and its director nominees on our board of directors generally have no obligation to offer us those opportunities.***

SCF has investments in other oilfield service companies that may compete with us, and SCF and its affiliates, other than our company, may invest in other such companies in the future. We refer to SCF and its other affiliates and its portfolio companies as the SCF group. Our certificate of incorporation provides that, so long as we have a director or officer that is affiliated with SCF (an SCF Nominee ), we renounce any interest or expectancy in any business opportunity in which any member of the SCF group participates or desires or seeks to participate in and that involves any aspect of the energy equipment or services business or industry, other than (i) any business opportunity that is brought to the attention of an SCF Nominee solely in such person s capacity as a director or officer of our company and with respect to which no other member of the SCF group independently receives notice or otherwise identifies such opportunity and (ii) any business opportunity that is identified by the SCF group solely through the disclosure of information by or on behalf of our company. We are not prohibited from pursuing any business opportunity with respect to which we have renounced any interest.

**Risks Related to Our Indebtedness, including Our Senior Notes**

***We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the notes. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements including our amended revolving credit facility and the indenture that will govern the notes. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our amended revolving credit facility and the indenture that will govern the notes will restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;
- the lenders under our amended revolving credit facility could terminate their commitments to loan us money and foreclose against the assets securing their borrowings; and
- we could be forced into bankruptcy or liquidation.

***Covenants in our debt agreements restrict our business in many ways.***

The indenture governing our senior notes contains various covenants that limit our ability and/or our restricted subsidiaries ability to, among other things:

- incur or assume liens or additional debt or provide guarantees in respect of obligations of other persons;
- issue redeemable stock and certain preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase subordinated debt;

Table of Contents

- make loans and investments;
- enter into agreements that restrict distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- enter into certain transactions with affiliates;
- consolidate or merge with or into, or sell substantially all of our assets to, another person; and
- enter into new lines of business.

In addition, our amended revolving credit facility contains restrictive covenants and requires us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by adverse industry conditions and other events beyond our control, and we cannot assure you that we will meet those tests. A breach of any of these covenants could result in a default under our amended revolving credit facility and/or the notes. Upon the occurrence of an event of default under our amended revolving credit facility, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under our amended revolving credit facility could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under our amended revolving credit facility. If the lenders under our amended revolving credit facility accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay indebtedness under our amended revolving credit facility and our other indebtedness, including our senior notes.

Our borrowings under our amended revolving credit facility are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease.

***If we default on our obligations to pay our indebtedness we may not be able to make payments on our senior notes.***

Any default under the agreements governing our indebtedness, including a default under our amended revolving credit facility that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could render us unable to pay principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in our amended revolving credit facility), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our amended revolving credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our amended revolving credit facility to avoid being in default. If we breach our covenants under our amended revolving credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our amended revolving credit facility, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

***We may incur substantially more debt. This could further exacerbate the risks described above.***

We and our subsidiary guarantors may be able to incur substantial additional indebtedness in the future. The terms of the indenture do not fully prohibit us or our subsidiary guarantors from doing so. If we incur any additional indebtedness, including trade payables, that ranks equally with the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with any insolvency,

Table of Contents

liquidation, reorganization, dissolution or other winding up of our company. This may have the effect of reducing the amount of proceeds available to repay the notes. We have a $400 million revolving credit facility with approximately $168.8 million of undrawn availability as of December 31, 2008. All of those borrowings will be secured by substantially all of our assets and will rank effectively senior to the notes and the guarantees. If new debt is added to our current debt levels, the related risks that we and our subsidiary guarantors now face could intensify. The subsidiaries that guarantee our senior notes will also be guarantors under our amended revolving credit facility.

***As a holding company, Complete s main source of cash is distributions from its subsidiaries.***

We conduct our operations primarily through our subsidiaries, and these subsidiaries directly own substantially all of our operating assets. Therefore, our operating cash flow and ability to meet our debt obligations depend principally on the cash flow provided by our subsidiaries in the form of loans, dividends or other payments to us as an equity holder, service provider or lender. The ability of our subsidiaries to make such payments to the parent company will depend on their earnings, tax considerations, legal restrictions and contractual restrictions imposed by their own indebtedness. Although our debt facilities limit the right of certain of our subsidiaries to enter into consensual restrictions on their ability to pay dividends and make other payments to us, these limitations are subject to a number of significant qualifications and exceptions.

In addition, not all of our subsidiaries guarantee our obligation under the senior notes. Creditors of such subsidiaries (including trade creditors) generally will be entitled to payment from the assets of those subsidiaries before those assets can be distributed to us. As a result, our senior notes are effectively subordinated to the prior payment of all of the debts (including trade payables) of our non-guarantor subsidiaries.

## Item 1B. *Unresolved Staff Comments.*

None.

## Item 2. *Properties.*

As of December 31, 2008, we owned 56 offices, facilities and yards, of which 11 were in Texas, 22 were in Oklahoma, two were in Arkansas, one was in North Dakota, one was in Montana, six were in Wyoming, three were in Colorado, three were in Louisiana, three were in Pennsylvania, one was in Alberta, Canada, one was in Utah, one was in Poza Rica, Mexico and one was in Singapore.

As of December 31, 2008, we owned or operated 61 saltwater disposal wells, of which 28 were in Texas, 32 were in Oklahoma and one was in Arkansas. In addition, we owned one drilling mud disposal facility in Oklahoma and one produced water evaporation facility in Wyoming.

In addition, as of December 31, 2008, we leased 232 offices, facilities and yards, of which 70 were in Texas, 28 were in Oklahoma, 27 were in Wyoming, two were in Montana, 10 were in North Dakota, 34 were in Colorado, five were in Louisiana, six were in Arkansas, five were in Utah, one was in Pennsylvania, 29 were in Alberta, Canada, two were in British Columbia, Canada, six were in Mexico and seven were in Singapore. As of December 31, 2008, we leased two drilling mud disposal facilities in Oklahoma.

In addition, we also lease our corporate headquarters in Houston, Texas, as well as administrative offices in Gainesville, Texas; Enid, Oklahoma; Fredrick, Colorado; Eunice, Louisiana; Shelocta, Pennsylvania; Calgary, Alberta, Canada; and additional office space in Houston, Texas.

## Item 3. *Legal Proceedings.*

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

Table of Contents

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

We have historically incurred additional insurance premium related to a cost-sharing provision of our general liability insurance policy, and we cannot be certain that we will not incur additional costs until either existing claims become further developed or until the limitation periods expire for each respective policy year. Any such additional premiums should not have a material adverse effect on our financial position, results of operations or liquidity. We incurred no additional premium related to this cost-sharing provision of our general liability policy in 2008, but paid $1.4 million of additional premium for the year ended December 31, 2007.

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

None.

# PART II

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

We have 200,000,000 authorized shares of $0.01 par value common stock, of which 75,555,508 shares were outstanding at December 31, 2008, including 789,191 shares of non-vested restricted stock for which the forfeiture restrictions have not lapsed. At February 20, 2009, we had 76,867,674 shares of common stock outstanding, of which 1,995,398 shares were non-vested restricted stock subject to forfeiture restrictions. The common shares outstanding at February 20, 2009 were held by 87 record holders, excluding stockholders for whom shares are held in nominee or street name. We had 5,000,000 authorized shares of $0.01 par value preferred stock, of which none was issued and outstanding at December 31, 2008 or February 20, 2009.

On April 20, 2006, we entered into an underwriting agreement in connection with our initial public offering and 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.

The following table presents the high and low sales prices of our common stock reported by the New York Stock Exchange for each of the calendar quarters in 2007 and 2008:

| | CPX Stock Price | |
|---|---|---|
| **Period** | **High** | **Low** |
| Quarter ended March 31, 2007 | $ 21.20 | $ 17.28 |
| Quarter ended June 30, 2007 | $ 27.75 | $ 19.45 |
| Quarter ended September 30, 2007 | $ 26.17 | $ 20.00 |
| Quarter ended December 31, 2007 | $ 22.66 | $ 17.30 |
| Quarter ended March 31, 2008 | $ 22.98 | $ 14.13 |
| Quarter ended June 30, 2008 | $ 37.50 | $ 22.23 |
| Quarter ended September 30, 2008 | $ 37.84 | $ 18.61 |
| Quarter ended December 31, 2008 | $ 20.08 | $ 4.04 |

The year-end closing sales price of our common stock was $17.97 on December 31, 2007, the last trading day of 2007, and $8.15 on December 31, 2008, the last trading day of 2008.

**Issuer Purchases of Equity Securities:**

We made no repurchases of our common stock during the years ended December 31, 2008, 2007 or 2006.

**Equity Compensation Plans:**

The information relating to our equity compensation plans required by Item 5 is incorporated by reference to such information as set forth in Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters contained herein.

**Dividends:**

We have paid no dividends on our outstanding $0.01 par value common stock for the years ended December 31, 2008, 2007 or 2006. We currently do not intend to pay dividends in the foreseeable future, but rather plan to reinvest such funds in our business. Furthermore, our credit facility and the indenture governing our senior notes contain covenants which restrict us from paying future dividends on our common stock.

Table of Contents

**Performance Graph:**

*The information in this section of the Annual Report pertaining to our performance relative to our peers is being furnished but not filed with the SEC, and as such, the information is neither subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act of 1934.*

The following chart presents a comparative analysis of the stock performance of our common stock ( CPX ) relative to an industry index, the Philadelphia Oil Service Sector Index ( OSX ), and a broader market index, Standard & Poor s 500 Index ( S&P ). This analysis assumes a $100 investment in the underlying common stock of CPX, OSX and S&P on April 21, 2006, the date of our initial public offering, through December 31, 2008. This analysis does not purport to be a representation of the actual market performance of our stock or these indexes. This chart has been provided for informational purposes to assist the reader in evaluating the market performance of our common stock compared to other market participants.

Notwithstanding anything to the contrary set forth in our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, which might incorporate future filings made by us under those statutes, the following Stock Performance Graph will not be deemed incorporated by reference into any future filings made by us under those statutes.

**COMPARISON OF 32 MONTH CUMULATIVE TOTAL RETURN***
Among Complete Production Services, Inc, The S & P 500 Index
And The PHLX Oil Service Sector Index

* $100 invested on 4/21/06 in stock or on 3/31/06 in index-including reinvestment of dividends. Fiscal year ending December 31.

Table of Contents

**Item 6. *Selected Financial Data.***

The following table presents selected historical consolidated financial and operating data for the periods shown. The selected consolidated financial data as of December 31, 2004, 2005, 2006, 2007 and 2008 and for each of the years then ended have been derived from our audited consolidated financial statements for those dates and periods, adjusted for discontinued operations, as indicated. The following information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included in this Annual Report.

| | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005(3) | 2006 | 2007 | 2008 |
| | (In thousands) | | | | |
| **Statement of Operations Data:** | | | | | |
| Revenue: | | | | | |
| Completion and production services | $ 190,267 | $ 502,517 | $ 860,508 | $ 1,242,314 | $ 1,545,348 |
| Drilling services | 37,584 | 115,771 | 194,517 | 212,272 | 234,104 |
| Products sales | 8,178 | 11,290 | 29,586 | 40,857 | 59,102 |
| Total | 236,029 | 629,578 | 1,084,611 | 1,495,443 | 1,838,554 |
| Expenses: | | | | | |
| Service and product expenses(2) | 153,274 | 383,502 | 629,346 | 874,563 | 1,133,799 |
| Selling, general and administrative | 37,930 | 99,431 | 144,432 | 179,027 | 198,252 |
| Depreciation and amortization | 19,838 | 46,484 | 75,902 | 131,353 | 181,097 |
| Impairment loss(4) | | | | 13,094 | 272,006 |
| Operating income from continuing operations before interest, taxes and minority interest | 24,987 | 100,161 | 234,931 | 297,406 | 53,400 |
| Write-off of deferred financing fees | | 3,315 | 170 | | |
| Interest expense | 7,471 | 24,460 | 40,645 | 61,328 | 59,729 |
| Interest income | | | (1,387) | (325) | (301) |
| Taxes | 7,148 | 28,606 | 70,516 | 86,851 | 74,568 |
| Income (loss) from continuing operations before minority interest | 10,368 | 43,780 | 124,987 | 149,552 | (80,596) |
| Minority interest | 4,705 | 384 | (49) | (569) | |
| Income (loss) from continuing operations | 5,663 | 43,396 | 125,036 | 150,121 | (80,596) |
| Income (loss) from discontinued operations (net of tax expense of $3,673, $5,114, $9,359, $6,890 and $3,865, respectively)(1) | 8,221 | 10,466 | 14,050 | 11,443 | (4,859) |
| Net income (loss) | $ 13,884 | $ 53,862 | $ 139,086 | $ 161,564 | $ (85,455) |
| Income (loss) from continuing operations per diluted share | $ 0.19 | $ 0.87 | $ 1.84 | $ 2.05 | $ (1.10) |

(1) 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. In August 2006, our Board of Directors authorized and committed to a plan to sell certain manufacturing and production enhancement product sales operations of a subsidiary located in Alberta, Canada, which includes certain assets located in south Texas. This sale was completed on October 31, 2006. We accounted for these disposal groups as 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 these

disposal groups 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 when each disposal group was reclassified as held for sale, and we adjusted the net assets to the lower of carrying value or fair value less selling costs. For a further discussion, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report.

(2) Service and product expenses is the aggregate of service expenses and product expenses.

(3) We paid a dividend of $2.62 per share to our stockholders as of September 12, 2005 in conjunction with the Combination. Our current debt obligations restrict us from paying dividends on our common stock and we have not paid any other dividends in the past five fiscal years.

(4) We recorded an impairment loss of $272.0 million associated with goodwill for various reporting units as of December 31, 2008 in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. For the year ended December 31, 2007, we recorded an impairment loss of $13.1 million associated with our Canadian reporting unit. For a further discussion, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report.

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (In thousands) | | | | |
| **Other Financial Data:** | | | | | |
| EBITDA(5) | $ 44,825 | $ 143,331 | $ 310,663 | $ 441,853 | $ 506,503 |
| Cash flows from operating activities | 34,622 | 76,427 | 187,743 | 338,560 | 350,448 |
| Cash flows from financing activities | 157,630 | 112,139 | 471,376 | 66,643 | 27,990 |
| Cash flows from investing activities | (186,776) | (188,358) | (650,863) | (408,795) | (374,137) |
| Capital expenditures: | | | | | |
| Acquisitions, net of cash acquired(6) | 139,362 | 67,689 | 369,606 | 50,406 | 180,154 |
| Property, plant and equipment | 46,904 | 127,215 | 303,922 | 372,554 | 253,815 |

| | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (In thousands) | | | | |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 11,547 | $ 11,405 | $ 19,874 | $ 13,624 | $ 19,090 |
| Net property, plant and equipment | 227,406 | 371,337 | 752,648 | 1,013,190 | 1,166,453 |
| Goodwill | 139,322 | 280,961 | 541,313 | 549,130 | 341,592 |
| Total assets | 515,153 | 937,653 | 1,740,324 | 2,054,759 | 1,994,877 |
| Long-term debt, excluding current portion | 169,178 | 509,981 | 750,311 | 825,985 | 843,842 |
| Total stockholders equity | 172,080 | 250,761 | 735,221 | 930,323 | 869,116 |

(5) EBITDA consists of net income from continuing operations before interest expense, taxes, depreciation and amortization, minority interest and impairment loss. See Non-GAAP Financial Measures. EBITDA is included in

this Annual Report on Form 10-K because our management considers it an important supplemental measure of our performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We regularly evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates by using EBITDA. In addition, we use EBITDA in evaluating acquisition targets. Management also believes that EBITDA is a useful tool for measuring our ability to meet our future debt service, capital expenditures and working capital requirements, and EBITDA is commonly used by us and our investors to measure our ability to service indebtedness. EBITDA is not a substitute for the GAAP measures of earnings or of cash flow and is not necessarily a measure of our

Table of Contents

ability to fund our cash needs. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA has material limitations as a performance measure because it excludes interest expense, taxes, depreciation and amortization and minority interest. The following table reconciles EBITDA with our net income.

**Reconciliation of EBITDA**

| | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 (In thousands) | 2007 | 2008 |
| Net income (loss) | $ 13,884 | $ 53,862 | $ 139,086 | $ 161,564 | $ (85,455) |
| Plus: interest expense, net | 7,471 | 24,460 | 39,258 | 61,003 | 59,428 |
| Plus: tax expense | 7,148 | 28,606 | 70,516 | 86,851 | 74,568 |
| Plus: depreciation and amortization | 19,838 | 46,484 | 75,902 | 131,353 | 181,097 |
| Plus: minority interest | 4,705 | 384 | (49) | (569) | |
| Plus: impairment loss | | | | 13,094 | 272,006 |
| Minus: income (loss) from discontinued operations (net of tax expense of $3,673, $5,114, $9,359, $6,890 and $3,865, respectively) | 8,221 | 10,465 | 14,050 | 11,443 | (4,859) |
| EBITDA | $ 44,825 | $ 143,331 | $ 310,663 | $ 441,853 | $ 506,503 |

(6) Acquisitions, net of cash acquired, consists only of the cash component of acquisitions. It does not include common stock and notes issued for acquisitions, nor does it include other non-cash assets issued for acquisitions.

**Item 7.** ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included within this Annual Report. 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 statements contained in Item 1A. Risk Factors. Factors that could cause or contribute to such differences include, but are not limited to: market prices for oil and gas, the level of oil and gas drilling, economic and competitive conditions, capital expenditures, regulatory changes and other uncertainties. 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, will, estimate, continue, anticipate, intend, plan, expect and similar express
to identify forward-looking statements. All statements other than statements of current or historical fact contained in this Annual Report are forward-looking statements.

**Overview**

We are a leading provider of specialized services and products focused on helping oil and gas companies develop hydrocarbon reserves, reduce operating costs and enhance production. We focus on basins within North America that we believe have attractive long-term potential for growth, and we deliver targeted, value-added services and products required by our customers within each specific basin. We believe our range of services and products positions us to meet the many needs of our customers at the wellsite, from drilling and completion through production and eventual abandonment. We manage our operations from regional field service facilities located throughout the U.S. Rocky Mountain region, Texas, Oklahoma, Louisiana, Arkansas, Pennsylvania, western Canada, Mexico and Southeast Asia.

We operate in three business segments:

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

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

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

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

*Drilling Services.* Through our drilling services segment, we provide services and equipment that initiate or stimulate oil and gas production by providing land drilling, specialized rig logistics and site preparation throughout our service area. Our drilling rigs currently operate primarily 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 Asian business, and we provide repair work and fabrication services for our customers at a business located in Gainesville, Texas.

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

Our customers include large multi-national and independent oil and gas producers, as well as smaller independent producers and the major land-based drilling contractors in North America (see Customers in Item 1 of this Annual Report on Form 10-K). The primary factor influencing demand for our services and products is the level of drilling complexity and workover activity of our customers, which in turn, depends on current and anticipated future oil and gas prices, production depletion rates and the resultant levels of cash flows generated and allocated by our customers to their drilling and workover budgets. As a result, demand for our services and products is cyclical, substantially depends on activity levels in the North American oil and gas industry and is highly sensitive to current and expected oil and natural gas prices. 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, and historical commodity prices as provided by Bloomberg:

**AVERAGE RIG COUNTS**

| | Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | **12/31/03** | **12/31/04** | **12/31/05** | **12/31/06** | **12/31/07** | **12/31/08** |

| **BHI Rotary Rig Count:** | | | | | | |
|---|---|---|---|---|---|---|
| U.S. Land | 924 | 1,095 | 1,290 | 1,559 | 1,695 | 1,814 |
| U.S. Offshore | 108 | 97 | 93 | 90 | 73 | 65 |
| Total U.S. | 1,032 | 1,192 | 1,383 | 1,649 | 1,768 | 1,879 |
| Canada | 372 | 365 | 455 | 471 | 343 | 382 |
| Total North America | 1,404 | 1,557 | 1,838 | 2,120 | 2,111 | 2,261 |

Source: BHI *(www.BakerHughes.com)*

Table of Contents

North American rotary rig count was 2,000 at December 31, 2008 and 1,701 at February 20, 2009.

| | Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | 12/31/07 | 12/31/08 |
| **Weatherford/AESC Service Rig Count (Active Rigs):** | | | | | | |
| United States | 1,967 | 2,064 | 2,222 | 2,364 | 2,388 | 2,515 |
| Canada | 710 | 755 | 795 | 779 | 596 | 686 |
| Total U.S. and Canada | 2,677 | 2,819 | 3,017 | 3,143 | 2,984 | 3,201 |

Source: Weatherford/AESC Service Rig Count for Active Rigs

Average Service rig counts for active rigs for December 2008 and January 2009 were 2,939 and 2,787, respectively, according to the Weatherford/AESC Service Rig Count for Active Rigs.

**AVERAGE OIL AND GAS PRICES**

| Period | | Average Daily Closing Henry Hub Spot Natural Gas Prices ($/mcf) | Average Daily Closing WTI Cushing Spot Oil Price ($/bbl) |
|---|---|---|---|
| 1/1/99 | 12/31/99 | $ 2.27 | $ 19.30 |
| 1/1/00 | 12/31/00 | 4.31 | 30.37 |
| 1/1/01 | 12/31/01 | 3.97 | 25.96 |
| 1/1/02 | 12/31/02 | 3.37 | 26.17 |
| 1/1/03 | 12/31/03 | 5.49 | 31.06 |
| 1/1/04 | 12/31/04 | 5.90 | 41.51 |
| 1/1/05 | 12/31/05 | 8.89 | 56.56 |
| 1/1/06 | 12/31/06 | 6.73 | 66.09 |
| 1/1/07 | 12/31/07 | 6.97 | 72.23 |
| 1/1/08 | 12/31/08 | 8.89 | 99.92 |

Source: Bloomberg NYMEX prices.

The closing spot price of a barrel of WTI Cushing oil at December 31, 2008 was $44.60 and the closing spot price for Henry Hub natural gas ($/mcf) was $5.63. At February 20, 2009, the closing spot price of a barrel of WTI Cushing oil was $39.44 and the closing spot price for Henry Hub natural gas was $4.22.

We consider the drilling and well service rig counts to be an indication of spending by our customers in the oil and gas industry for exploration and development of new and existing hydrocarbon reserves. These spending levels are a primary driver of our business, and we believe that our customers tend to invest more in these activities when oil and gas prices are at higher levels or are increasing. We evaluate the utilization of our assets as a measure of operating performance. This utilization can be impacted by these and other external and internal factors. See Item 1A. Risk Factors.

We generally charge for our services either on a dayrate or per-stage-completed basis. Depending on the specific service, charges may include one or more of these components: (1) a set-up charge, (2) an hourly service rate based on equipment and labor, (3) a stage- completed charge, (4) an equipment rental charge, (5) a consumables charge, and (6) a mileage and fuel charge. We generally determine the rates charged through a competitive process on a job-by-job basis. Typically, work is performed on a call out basis, whereby the customer requests services on a job-specific basis, but does not guarantee work levels beyond the specific job bid. For contract drilling services, fees are charged based on standard dayrates or, to a lesser extent, as negotiated by footage contracts. Product sales are generated through our Southeast Asian business and through wholesale distributors, using a purchase order process and a pre-determined price book.

Table of Contents

## Outlook

Since our initial public offering, which became effective in April 2006, our growth strategy has been focused on internal growth in the basins in which we currently operate, as we sought to maximize our equipment utilization, add additional like-kind equipment and expand service and product offerings. In addition, we have sought new basins in which to replicate this approach and augmented our internal growth with strategic acquisitions. Throughout 2008, we continued to execute this strategy while evaluating the market trends in the oil and gas industry and communicating with our customers. In late 2008, we noticed a decline in drilling and exploration expenditures by our customers following the significant decline in oil and gas commodity prices. Although we do not know the extent of this downturn for 2009, we expect to decrease our level of internal capital investment for 2009 relative to recent years, and to implement cost-saving measures throughout 2009, while remaining responsive to our customers needs for quality services.

> *Internal Capital Investment.* Our internal expansion activities have generally consisted of adding equipment and qualified personnel in locations where we have established a presence. We have grown our operations in many of these locations by expanding services to current customers, attracting new customers and hiring local personnel with local basin-level expertise and leadership recognition. Depending on customer demand, we will consider adding equipment to further increase the capacity of services currently being provided and/or add equipment to expand the services we provide. We invested $930.3 million in equipment additions over the three-year period ended December 31, 2008, which included $752.0 million for the completion and production services segment, $152.4 million for the drilling services segment, $19.9 million for the product sales segment and $6.0 million related to general corporate operations. We expect to invest significantly less in capital equipment during the year ended December 31, 2009.

> *External Growth.* We use strategic acquisitions as an integral part of our growth strategy. We consider acquisitions that will add to our service offerings in a current operating area or that will expand our geographical footprint into a targeted basin. We have completed several acquisitions in recent years. These acquisitions affect our operating performance period to period. Accordingly, comparisons of revenue and operating results are not necessarily comparable and should not be relied upon as indications of future performance. We have invested an aggregate of $600.2 million in acquisitions over the three-year period ended December 31, 2008. Of this amount, we invested an aggregate of $180.2 million to acquire 4 businesses during 2008 and $49.7 million to acquire 7 businesses during 2007. See Significant Acquisitions.

Natural gas prices have declined from historical highs in 2008 and rotary rig counts have recently begun to decline. The recent change in activity levels are likely the result of a number of macro-economic factors, such as an excess supply of natural gas, lower demand for oil and gas, market expectations of weather conditions and the utilization of heating fuels, the cyclical nature of the oil and gas industry and other general market conditions for the U.S. economy, including the current global financial crisis, which has contributed to significant reductions in available capital and liquidity from banks and other providers of credit. We have experienced a significant decline in utilization of our assets during late 2008 and thus far in 2009, and we anticipate that lower commodity prices and activity levels will continue to adversely impact our near-term performance results due to pricing pressure and lower utilization rates. Due to the deteriorating market conditions, we recorded a non-cash impairment charge of $272.0 million at December 31, 2008 related to the write-down of goodwill for various of our reporting units. In 2007, we recorded a non-cash goodwill impairment charge of $13.1 million for our Canadian reporting unit. Although we cannot determine the depth or duration of the decline in activity in the oil and gas industry, we believe the overall long-term outlook for North American oilfield activity and our business remains favorable, especially in the basins in which we operate.

Our business continues to be impacted by seasonality and inclement weather including the effects of the normal second quarter Canadian break-up, as well as the impact of Gulf of Mexico tropical weather systems.

We, and many of our competitors, have invested in new equipment, some of which requires long lead times to manufacture. As more of this equipment is available to be placed into service and oilfield activities decline, there will be excess capacity in the industry, which we believe may negatively impact our utilization rates and pricing for certain service offerings . In addition, as new equipment enters the market, we must compete for employees to crew the equipment, which puts inflationary pressure on labor costs. Our equipment fleet is relatively new, as we have made significant investments in new equipment over the past few years. We continue to monitor our equipment utilization and poll our customers to assess demand levels. As equipment enters the marketplace or competition for existing customers increases, we believe our customers will rely upon service providers with local knowledge and expertise, which we believe we have and which constitutes a fundamental aspect of our growth strategy.

**Significant Acquisitions**

During 2008, we acquired substantially all the assets or all of the equity interests in four oilfield service companies, for $180.2 million in cash, resulting in goodwill of approximately $71.2 million. Several of these acquisitions are subject to final working capital adjustments.

On February 29, 2008, we acquired substantially all of the assets of KR Fishing & Rental, Inc. for $9.5 million in cash, resulting in goodwill of $6.4 million. KR Fishing & Rental, Inc. is a provider of fishing, rental and foam unit services in the Piceance Basin and the Raton Basin, and is located 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 outstanding common stock of Frac Source Services, Inc. a provider of pressure pumping services to customers in the Barnett Shale of north Texas, for $62.4 million in cash, net of cash acquired, which includes a working capital adjustment of $1.6 million and recorded goodwill of $15.4 million. Upon closing this transaction, we entered into a contract with one of our major customers to provide pressure pumping services in the Barnett Shale utilizing three frac fleets under a contract with a term that extends up to three years from the date each fleet is placed into service. We spent an additional $20.0 million in 2008 on capital equipment related to these contracted frac fleets. Thus, our total investment in this operation was approximately $82.4 million. We believe this acquisition expands our pressure pumping business in north Texas and that the related contract provides a stable revenue stream from which to expand our pressure pumping business outside of this region.

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

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

Other recent acquisitions which are deemed to be significant include:

*Arkoma.* On June 30, 2006, we acquired certain operating assets of J&M Rental Tool, Inc dba Arkoma Machine & Fishing Tools, Arkoma Machine Shop, Inc. and N&M Supply, LLC, collectively referred to as Arkoma , a provider of rental tools, machining and fishing services in the Fayetteville Shale and Arkoma

Basin, located in Ft. Smith, Arkansas. We paid $18.0 million in cash to acquire Arkoma and recorded goodwill totaling $9.0 million, which has been allocated entirely to the completion and production services business segment. This acquisition provided a platform to further expand our presence in the Fayetteville Shale and Arkoma Basin and supplements our completion and production services business in that region.

*Turner.* On July 28, 2006, we acquired all of the outstanding equity interests of the Turner group of companies (Turner Energy Services, LLC, Turner Energy SWD, LLC, T. & J. Energy, LLC, T. & J. SWD, LLC and Loyd Jones Well Service, LLC) for $54.3 million in cash, after a final working capital adjustment. The Turner Group of Companies ( Turner ) is based in the Texas panhandle in Canadian, Texas, and owns a fleet of well service rigs, and provides other wellsite services such as fishing, equipment rental, fluid handling and salt water disposal services. We recorded goodwill totaling $16.0 million associated with this purchase. We have included the accounts of Turner in our completion and production services business segment from the date of acquisition. We believe this acquisition supplements our completion and production services business in the Mid-continent region.

*Pinnacle.* On August 1, 2006, we acquired substantially all of the assets of Pinnacle Drilling Co., L.L.C. ( Pinnacle ), a drilling company located in Tolar, Texas, for $32.8 million in cash, which includes $1.1 million related to equipment refurbishment. Pinnacle operates three drilling rigs, two in the Barnett Shale region of north Texas and one in east Texas. We recorded goodwill totaling $1.0 million associated with this purchase. We finalized our purchase price allocation for Pinnacle during 2007 and received $0.6 million from the seller related to pre-acquisition contingencies which resulted in a reduction of goodwill of $0.6 million. We have included the accounts of Pinnacle in our drilling services business segment from the date of acquisition. This acquisition increases our presence in the Barnett Shale of north Texas and the Bossier Trend of east Texas and expands our capacity to drill deep and horizontal wells, which are sought by our customers in this region.

*Femco.* On October 19, 2006, we acquired substantially all of the assets of Femco Services, Inc., R&S Propane, Inc. and Webb Dozer Service, Inc. (collectively, Femco ), a group of companies located in Lindsay, Oklahoma for $36.0 million in cash. Femco provides fluid handling, frac tank rental, propane distribution and fluid disposal services throughout southern central Oklahoma. We recorded goodwill totaling $11.2 million associated with this purchase. We have included the accounts of Femco in our completion and production services business segment from the date of acquisition. We believe this acquisition expands our presence in the Fayetteville Shale and enhances our completion and production services business in the Mid-continent region.

*Pumpco.* On November 8, 2006, we acquired all the outstanding equity interests of Pumpco, a company located in Gainesville, Texas for approximately $144.6 million in cash, net of cash acquired, and 1,010,566 shares of our common stock. We also assumed approximately $30.3 million of debt outstanding under Pumpco s existing credit facility. Pumpco provides pressure pumping, stimulation and cementing services used in the development and completion of gas and oil wells in the Barnett Shale play of north Texas. We recorded goodwill totaling $148.6 million associated with this acquisition. The purchase price allocation for Pumpco was finalized in 2007 which resulted in a reclassification of $2.0 million from goodwill to other intangible assets, and a reduction of goodwill of $3.1 million related the deferred tax liabilities acquired which were deemed unnecessary based on our 2006 tax return filings in 2007. We have included the accounts of Pumpco in our completion and production services business from the date of acquisition. This acquisition expanded our presence in the Barnett Shale and expands the service offerings of our completion and product services business to include pressure pumping.

In addition, we completed several other smaller acquisitions in 2007 and 2006, each of which has contributed to the expansion of our business into new geographic regions or enhanced our service and product offerings.

We have accounted for our acquisitions using the purchase method of accounting, whereby the purchase price is allocated to the fair value of net assets acquired, including intangibles and property, plant and equipment at depreciated replacement costs with the excess to goodwill. Results of operations related to each of the acquired companies have been included in our combined operations as of the date of acquisition.

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

On October 31, 2006, we completed the sale of another disposal group which included certain manufacturing and production enhancement product operations of a subsidiary located in Alberta, Canada, as well as operations in south Texas, for approximately $19.3 million in cash, with an additional amount subject to a working capital adjustment, and a $2.0 million Canadian dollar denominated note which matures on October 31, 2009 and accrues interest at a specified Canadian bank prime rate plus 1.50% per annum. We sold this disposal group to Paintearth Energy Services, Inc., an oilfield service company located in Calgary, Alberta, Canada, that employs two of our former employees as key managers. The carrying value of the related net assets was $21.7 million on October 31, 2006. We recorded a loss on the sale of this disposal group totaling approximately $0.6 million, which included a transaction gain associated with the release of cumulative translation adjustment associated with this business, and a $1.0 million charge to expense related to capital taxes in Canada. The sales agreement allowed Paintearth Energy Services, Inc. to use our subsidiary s trade name for a period of 120 days from November 1, 2006 through February 28, 2007. On January 30, 2008, we amended the terms of the Paintearth note receivable to extend the maturity date through October 2011 and amended the interest rate for each of the calendar years within the remaining term.

**Marketing Environment**

We operate in a highly competitive industry. Our competition includes many large and small oilfield service companies. As such, we price our services and products to remain competitive in the markets in which we operate, adjusting our rates to reflect current market conditions as necessary. We examine the rate of utilization of our equipment as one measure of our ability to compete in the current market environment.

**Critical Accounting Policies and Estimates**

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

In the selection of our critical accounting policies, the objective is to properly reflect our financial position and results of operations for each reporting period in a consistent manner that can be understood by the reader of our financial statements. Our accounting policies and procedures are explained in note 1 of the notes to the consolidated financial statements contained elsewhere in this Annual Report on Form 10-K. We consider an estimate to be critical if it is subjective and if changes in the estimate using different assumptions would result in a material impact on our financial position or results of operations.

We have identified the following as the most critical accounting policies and estimates, and have provided: (1) a description, (2) information about variability and (3) our historical experience, including a sensitivity analysis, if applicable.

*Revenue Recognition*

We recognize service revenue as services are performed and when realized or earned. Revenue is deemed to be realized or earned when we determine that the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectibility is reasonably assured. These services are generally provided over a relatively short period of time pursuant to short-term contracts at pre-determined dayrate fees, or on a day-to-day basis. Revenue and costs related to drilling contracts are recognized as work progresses. Progress is measured as revenue is recognized based upon dayrate charges. For certain contracts, we may receive lump-sum payments from our customers related to the mobilization of rigs and other drilling equipment. Under these arrangements, we defer revenues and the related cost of services and recognize them over the term of the drilling contract. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Revenues associated with product sales are recorded when product title is transferred to the customer.

Under current GAAP, revenue is to be recognized when it is realized or realizable and earned. The SEC s rules and regulations provide additional guidance for revenue recognition under specific circumstances, including bill and hold transactions. There is a risk that our results of operations could be misstated if we do not record revenue in the proper accounting period.

The nature of our business has been such that we generally bill for services over a relatively short period of time and record revenues as products are sold. We did not record material adjustments resulting from revenue recognition issues for the years ended December 31, 2008, 2007 and 2006.

*Impairment of Long-Lived Assets*

We evaluate potential impairment of long-lived assets and intangibles, excluding goodwill and other intangible assets without defined services lives, when indicators of impairment are present, as defined in SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If such indicators are present, we project the fair value of the assets by estimating the undiscounted future cash in-flows to be derived from the long-lived assets over their remaining estimated useful lives, as well as any salvage value. Then, we compare this fair value estimate to the carrying value of the assets and determine whether the assets are deemed to be impaired. For goodwill and other intangible assets without defined service lives, we apply the provisions of SFAS No. 142, Goodwill and Other Intangible Assets, which requires an annual impairment test, whereby we estimate the fair value of the asset by discounting future cash flows at a projected cost of capital rate. If the fair value estimate is less than the carrying value of the asset, an additional test is required whereby we apply a purchase price analysis consistent with that described in SFAS No. 141. If impairment is still indicated, we would record an impairment loss in the current reporting period for the amount by which the carrying value of the intangible asset exceeds its projected fair value.

Our industry is highly cyclical and the estimate of future cash flows requires the use of assumptions and our judgment. Periods of prolonged down cycles in the industry could have a significant impact on the carrying value of these assets and may result in impairment charges. If our estimates do not approximate actual performance or if the rates we used to discount cash flows vary significantly from actual discount rates, we could overstate our assets and an impairment loss may not be timely identified.

We tested goodwill for impairment for each of the years ended December 31, 2008, 2007 and 2006. Management prepared a discounted cash flow analysis to determine the fair market value of each reportable unit as of the testing date, October 1 of each year. Projected cash flows were based on certain management assumptions related to expected growth, capital investment and terminal value, discounted at a market-participant weighted average cost of capital, refined to reflect our current and anticipated capital structure. Based on this analysis, management determined that goodwill was impaired in 2008 and 2007. In accordance with SFAS No. 142, management performed a step-two analysis to calculate the amount by which the carrying value of the reporting units exceeded the projected fair market value of such units as of the annual testing date. As a result of this testing in 2007, management recorded an impairment charge which reduced goodwill in Canada by $13.4 million. This annual testing was performed in 2008 and yielded another impairment for this Canadian subsidiary as of the test date. However, due to a decline in the overall U.S. debt and equity markets and concerns over the availability of credit, we determined that a triggering event, as that term is defined in SFAS No. 142, had occurred during the fourth quarter of 2008. Therefore, we performed our impairment calculations again as of December 31, 2008, incorporating our most recent assumptions of future earnings and cash flows. Based on this testing, we determined that the goodwill associated with most of our reporting units had been impaired. We recorded an impairment charge of $272.0 million at December 31, 2008. In calculating this impairment charge, management made assumptions about future earnings by reportable unit, which may differ from actual future earnings for these operations. A significant decline in expected future cash flow, a further erosion of market conditions or a lower-than-expected recovery of the oil and gas industry activity levels in future years, could result in an additional impairment charge. A 10% impairment of total goodwill at December 31, 2008 would have decreased our operating income by $34.2 million for the year then ended.

***Stock Options and Other Stock-Based Compensation***

We have issued stock-based compensation to certain employees, officers and directors in the form of stock options and non-vested restricted stock. We adopted SFAS No. 123R, Share-Based Payment, on January 1, 2006, which impacted our accounting treatment of employee stock options. As required by SFAS No. 123R, we continue to account for stock-based compensation for grants made prior to September 30, 2005, the date of our initial filing with the SEC, using the minimum value method prescribed by APB No. 25, whereby no compensation expense is recognized for stock-based compensation grants that have an exercise price equal to the fair value of the stock on the date of grant. However, for grants of stock-based compensation between October 1, 2005 and December 31, 2005 (prior to adoption of SFAS No. 123R), we have utilized the modified prospective transition method to record expense associated with these options. Under this transition method, we did not record compensation expense associated with these stock option grants during the period October 1, 2005 through December 31, 2005, but will provide pro forma disclosure of this expense as appropriate. However, we will recognize expense related to these grants over the remaining vesting period, based upon a calculated fair value. For grants of stock-based compensation on or after January 1, 2006, we apply the prospective transition method under SFAS No. 123R, whereby we recognize expense associated with new awards of stock-based compensation, as determined using a Black-Scholes pricing model over the expected term of the award. In addition, we record compensation expense associated with non-vested restricted stock which has been granted to certain of our directors, officers and employees. In accordance with SFAS No. 123R, we calculate compensation expense on the date of grant (number of options granted multiplied by the fair value of our common stock on the date of grant) and recognize this expense, adjusted for forfeitures, ratably over the applicable vesting period.

GAAP permits the use of various models to determine the fair value of stock options and the variables used for the model are highly subjective. For purposes of determining compensation expense associated with stock options granted after January 1, 2006, we are required to determine the fair value of the stock options by applying a pricing model which includes assumptions for expected term, discount rate, stock volatility, expected forfeitures and a dividend rate. The use of different assumptions or a different model may have a material impact on our financial disclosures.

For years ended on or before December 31, 2005, we determined the value of our stock options by applying the minimum value method permitted by APB No. 25 and, in connection with estimating compensation expense that would be required to be recognized under SFAS No. 123, Accounting for Stock-Based Compensation, we used a Black-Scholes model including assumptions for expected term (ranging from 3 to 4.5 years as of December 31, 2005), risk- free rate (based upon published rates for U.S. Treasury notes with a similar term), zero dividend rate and a volatility rate of zero. For the years ended December 31, 2007 and 2006, we applied a Black-Scholes model with similar assumptions, except we estimated our stock volatility by examining the volatility rates of several peer companies, we estimated a forfeiture rate based upon our historical experience and we estimated the expected term of the options using a probability analysis. Beginning in July 2008, we used our historical volatility rate as an assumption to determine the grant date fair value of our stock option grants during the third and fourth quarters of 2008. For the years ended December 31, 2008 and 2007, we have recorded compensation expense totaling $5.4 million and

$4.4 million, respectively, related to our stock option grants and $6.9 million and $3.1 million, respectively, related to our non-vested restricted stock.

### *Allowance for Bad Debts and Inventory Obsolescence*

We record trade accounts receivable at billed amounts, less an allowance for bad debts. Inventory is recorded at cost, less an allowance for obsolescence. To estimate these allowances, management reviews the underlying details of these assets as well as known trends in the marketplace, and applies historical factors as a basis for recording these allowances. If market conditions are less favorable than those projected by management, or if our historical experience is materially different from future experience, additional allowances may be required.

There is a risk that management may not detect uncollectible accounts or unsalvageable inventory in the correct accounting period.

Bad debt expense has been less than 1% of sales for the years ended December 31, 2008, 2007 and 2006. If bad debt expense had increased by 1% of sales for the years ended December 31, 2008, 2007 and 2006, net income would have declined by $11.9 million, $9.7 million and $6.9 million, respectively. Our obsolescence and other inventory reserves were approximately 2%, 7% and 4% of our inventory balances at December 31, 2008, 2007 and 2006, respectively. A 1% increase in inventory reserves, from 2% to 3%, at December 31, 2008 would have decreased net income by $0.3 million for the year then ended.

### *Property, Plant and Equipment*

We record property, plant and equipment at cost less accumulated depreciation. Major betterments to existing assets are capitalized, while repairs and maintenance costs that do not extend the service lives of our equipment are expensed. We determine the useful lives of our depreciable assets based upon historical experience and the judgment of our operating personnel. We generally depreciate the historical cost of assets, less an estimate of the applicable salvage value, on the straight-line basis over the applicable useful lives. Upon disposition or retirement of an asset, we record a gain or loss if the proceeds from the transaction differ from the net book value of the asset at the time of the disposition or retirement.

GAAP permits various depreciation methods to recognize the use of assets. Use of a different depreciation method or different depreciable lives could result in materially different results. If our depreciation estimates are not correct, we could over- or understate our results of operations, such as recording a disproportionate amount of gains or losses upon disposition of assets. There is also a risk that the useful lives we apply for our depreciation calculation will not approximate the actual useful life of the asset. We believe our estimates of useful lives are materially correct and that these estimates are consistent with industry averages.

We evaluate property, plant and equipment for impairment when there are indicators of impairment. There have been no significant impairment charges related to our long-term assets during the years ended December 31, 2008, 2007 and 2006. Depreciation and amortization expense for the years ended December 31, 2008 and 2007 represented 16% and 15% of the average depreciable asset base for the respective years. An increase in depreciation relative to the depreciable base of 1%, from 16% to 17%, would have reduced net income by approximately $7.1 million for the year ended December 31, 2008.

### *Self Insurance*

On January 1, 2007, we began a self-insurance program to pay claims associated with health care benefits provided to certain of our employees in the United States. Pursuant to this program, we have purchased a stop-loss insurance policy from an insurance company. Our accounting policy for this self-insurance program is to accrue expense based upon the number of employees enrolled in the plan at pre-determined rates. As claims are processed and paid, we compare our claims history to our expected claims in order to estimate incurred but not reported claims. If our estimate of claims incurred but not reported exceeds our current accrual, we record additional expense during the current period. There is a risk that we may not estimate our incurred but not reported claims correctly or that our stop-loss provision may not be adequate to insure us against material losses in the future. At December 31, 2008, we accrued $4.4 million pursuant to this self-insurance program. A 10% increase in this self-insurance accrual would reduce our net income for the year ended December 31, 2008 by $0.3 million.

### *Deferred Income Taxes*

Our income tax expense includes income taxes related to the United States, Canada and other foreign countries, including local, state and provincial income taxes. We account for tax ramifications using SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, we record deferred income tax assets and liabilities based upon temporary differences between the carrying amount and tax basis of our assets and liabilities and measure tax expense using enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in tax rates is recognized in income in the period of the change. Furthermore, SFAS No. 109 requires us to record a valuation allowance for any net deferred income tax assets which we believe are likely to not be used through future operations. As of December 31, 2008, 2007 and 2006, we recorded a valuation allowance of less than $1.0 million related to certain deferred tax assets in Canada. If our estimates and assumptions related to our deferred tax position change in the future, we may be required to record additional valuation allowances against our deferred tax assets and our effective tax rate may increase, which could adversely affect our financial results. As of December 31, 2008, we did not provide deferred U.S. income taxes on approximately $12.0 million of undistributed earnings of our foreign subsidiaries in which we intend to indefinitely reinvest. Upon distribution of these earnings in the form of dividends or otherwise, we may be subject to U.S. income taxes and foreign withholding taxes. On January 1, 2007, we adopted Financial Interpretation No. 48 ( FIN 48 ), which provides guidance to account for uncertain tax positions. During 2008, we performed an evaluation of our tax positions pursuant to Financial Interpretation No. 48 ( FIN 48 ) and determined that this pronouncement did not have a material impact on our financial position, results of operations and cash flows.

There is a risk that estimates related to the use of loss carry forwards and the realizability of deferred tax accounts may be incorrect, and that the result could materially impact our financial position and results of operations. In addition, future changes in tax laws or GAAP requirements could result in additional valuation allowances or the recognition of additional tax liabilities.

Historically, we have utilized net operating loss carry forwards to partially offset current tax expense, and we have recorded a valuation allowance to the extent we expect that our deferred tax assets will not be utilized through future operations. Deferred income tax assets totaled $20.0 million at December 31, 2008, against which we recorded a valuation allowance of $0.3 million, leaving a net deferred tax asset of $19.7 million deemed realizable. Changes in our valuation allowance would affect our net income on a dollar for dollar basis.

### *Discontinued Operations*

We account for discontinued operations in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 requires that we classify the assets and liabilities of a disposal group as held for sale if the following criteria are met: (1) management, with appropriate authority, commits to a plan to sell a disposal group; (2) the asset is available for immediate sale in its current condition; (3) an active program to locate a buyer and other actions to complete the sale have been initiated; (4) the sale is probable; (5) the disposal group is being actively marketed for sale at a reasonable price; and (6) actions required to complete the plan of sale indicate it is unlikely that significant changes to the plan of sale will occur or that the plan will be withdrawn. Once deemed held for sale, we no longer depreciate the assets of the disposal group. Upon sale, we calculate the gain or loss associated with the disposition by comparing the carrying value of the assets less direct costs of the sale with the proceeds received. In conjunction with the sale, we settle inter-company balances between us and the disposal group and allocate interest expense to the disposal group for the period the assets were held for sale. In the statement of operations, we present discontinued operations, net of tax effect, as a separate caption below net income from continuing operations.

Table of Contents

**Results of Operations for the Years Ended December 31, 2008 and 2007**

The following tables set forth our results of continuing operations, including amounts expressed as a percentage of total revenue, for the periods indicated (in thousands, except percentages).

| | Year Ended 12/31/08 | Year Ended 12/31/07 (In thousands) | Change 2008/ 2007 | Percent Change 2008/ 2007 |
|---|---|---|---|---|
| **Revenue:** | | | | |
| Completion and production services | $ 1,545,348 | $ 1,242,314 | $ 303,034 | 24% |
| Drilling services | 234,104 | 212,272 | 21,832 | 10% |
| Product sales | 59,102 | 40,857 | 18,245 | 45% |
| Total | $ 1,838,554 | $ 1,495,443 | $ 343,111 | 23% |
| **EBITDA:** | | | | |
| Completion and production services | $ 473,376 | $ 398,628 | $ 74,748 | 19% |
| Drilling services | 58,743 | 61,418 | (2,675) | (4)% |
| Product sales | 12,677 | 9,943 | 2,734 | 27% |
| Corporate | (38,293) | (28,136) | (10,157) | 36% |
| Total | $ 506,503 | $ 441,853 | $ 64,650 | 15% |

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

EBITDA consists of net income from continuing operations before interest expense, taxes, depreciation and amortization, minority interest and impairment loss. EBITDA is a non-cash measure of performance. We use EBITDA as the primary internal management measure for evaluating performance and allocating additional resources. See the discussion of EBITDA at Note 3 under Item 6 ( Selected Financial Data ) of this Annual Report. The following table reconciles EBITDA for the years ended December 31, 2008 and 2007 to the most comparable GAAP measure, operating income (loss).

**Reconciliation of EBITDA to Most Comparable GAAP Measure Operating Income (Loss)**

| Year Ended December 31, 2008 | Completion and Production Services | Drilling Services | Product Sales | Corporate | Total |
|---|---|---|---|---|---|
| EBITDA, as defined | $ 473,376 | $ 58,743 | $ 12,677 | $ (38,293) | $ 506,503 |
| Depreciation and amortization | $ 156,198 | $ 19,961 | $ 2,537 | $ 2,401 | $ 181,097 |
| Impairment loss | $ 243,203 | $ 27,410 | $ 1,393 | $ | $ 272,006 |

| | | | | | |
|---|---|---|---|---|---|
| Operating income (loss) | $ 73,975 | $ 11,372 | $ 8,747 | $ (40,694) | $ 53,400 |
| **Year Ended December 31, 2007** | | | | | |
| EBITDA, as defined | $ 398,628 | $ 61,418 | $ 9,943 | $ (28,136) | $ 441,853 |
| Depreciation and amortization | $ 112,836 | $ 14,572 | $ 2,064 | $ 1,881 | $ 131,353 |
| Impairment loss | $ 13,094 | $ | $ | $ | $ 13,094 |
| Operating income (loss) | $ 272,698 | $ 46,846 | $ 7,879 | $ (30,017) | $ 297,406 |

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

***Year Ended December 31, 2008 Compared to the Year ended December 31, 2007***

*Revenue*

Revenue from continuing operations for the year ended December 31, 2008 increased by $343.1 million, or 23%, to $1,838.6 million from $1,495.4 million for the year ended December 31, 2007. This increase by segment was as follows:

*Completion and Production Services.* Segment revenue increased $303.0 million, or 24%, primarily due to revenues earned as a result of additional capital investment in our pressure pumping, coiled tubing, well servicing, rental and fluid handling businesses in 2007 and 2008. We experienced favorable results for our pressure pumping, fluid handling, well service and U.S. and Mexican coiled tubing businesses when comparing 2008 to 2007. Revenues for our pressure pumping business increased due to: (1) the successful integration of a business acquired in April 2008, and (2) the expansion of services into the Bakken Shale area of North Dakota. During 2007 and 2008, we completed a series of small acquisitions which provided incremental revenues for 2008 compared to 2007 due to the timing of those acquisitions. Revenue increases were partially offset by a general decline in oilfield activity which began during the fourth quarter of 2008 and pricing pressures in certain service offerings during the latter half of 2007 and throughout 2008.

*Drilling Services.* Segment revenue increased $21.8 million, or 10%, for the year, primarily due to higher utilization rates and additional capital invested in our contract drilling business in 2007 and 2008. In early 2008, we experienced lower pricing for our drilling services and lower utilization rates in our rig logistics operations primarily due to an increase in equipment placed into service by our competitors. However, utilization improved during the second and third quarters of 2008, before declining in the fourth quarter due to a general decline in oilfield activity by our customers.

*Product Sales.* Segment revenue increased $18.2 million, or 45%, for the year, primarily due to the sales mix and the timing of product sales and equipment refurbishment for our Southeast Asian business, which tends to be project-specific. We also had a larger volume of third-party sales at our repair and fabrication shop in north Texas during 2008 as compared to 2007.

*Service and Product Expenses*

Service and product expenses include labor costs associated with the execution and support of our services, materials used in the performance of those services and other costs directly related to the support and maintenance of equipment. These expenses increased $259.2 million, or 30%, to $1,133.8 million for the year ended December 31, 2008 from $874.6 million for the year ended December 31, 2007. The following table summarizes service and product expenses as a percentage of revenues for the years ended December 31, 2008 and 2007:

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

| | Years Ended | | |
|---|---|---|---|
| **Segment:** | **12/31/08** | **12/31/07** | **Change** |
| Completion and Production services | 61% | 58% | 3% |
| Drilling services | 67% | 61% | 6% |

| | | | |
|---|---|---|---|
| Product sales | 71% | 68% | 3% |
| Total | 62% | 58% | 4% |

Service and product expenses as a percentage of revenue increased to 62% for the year ended December 31, 2008 compared to 58% for the year ended December 31, 2007. Margins by business segment were impacted by acquisitions, pricing and utilization.

*Completion and Production Services.* The increase in service and product expenses as a percentage of revenue for this business segment reflects pricing pressure for many of our service lines throughout 2008, resulting in less favorable operating margins on a year-over-year basis. We incurred higher labor and fuel costs during 2008, although fuel costs began to decline in the fourth quarter of 2008, and we incurred higher sand and cement costs in our pressure pumping business. Start-up costs associated with mobilizing a frac fleet in the Bakken Shale area of North Dakota also impacted our operating margins. Cost increases were partially offset by the mix of services provided in 2008 compared to 2007, a full-year s benefit of capital invested throughout 2007, additional equipment placed into service during 2008 and several acquisitions. In late 2008, we experienced lower utilization rates and an increase in pricing pressure in several service lines due to a general decline in oilfield activity which may stem from lower commodity prices and concerns over the broader U.S. economy and the availability of credit for investment by our customers.

*Drilling Services.* The increase in service and product expenses as a percentage of revenue for this business segment represented a decline in margin during 2008 compared to 2007 due to: (1) lower pricing for our contract drilling and drilling logistics businesses on a year-over-year basis; (2) higher operating costs associated primarily with labor and fuel; and (3) lower utilization of our equipment due primarily to more market competition.

*Product Sales.* The increase in service and product expenses as a percentage of revenue for the products segments was primarily due to the mix of products sold, specifically the timing of equipment sales and refurbishment associated with our Southeast Asian operations which tend to be project specific and can fluctuate between periods depending upon the nature of the projects in process, and third-party repair and fabrication work performed at our shop in north Texas.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses include salaries and other related expenses for our selling, administrative, finance, information technology and human resource functions. Selling, general and administrative expenses increased $19.3 million, or 11%, for the year ended December 31, 2008 to $198.3 million from $179.0 million during the year ended December 31, 2007. These expense increases included: (1) costs associated with businesses acquired in 2008, including additional employee headcount, property rental expense and insurance expense; (2) costs associated with 2007 acquisitions, which provided a full-year of selling, general and administrative expense for 2008; (3) incremental costs of approximately $5.0 million related to stock-based compensation in 2008 compared to the prior year; and (4) costs associated with the retirement of an executive officer during the fourth quarter of 2008 and other severance costs. As a percentage of revenues, selling, general and administrative expense declined to 11% for the year ended December 31, 2008 as compared to 12% for the year ended December 31, 2007.

*Depreciation and Amortization*

Depreciation and amortization expense increased $49.7 million, or 38%, to $181.1 million for the year ended December 31, 2008 from $131.4 million for the year ended December 31, 2007. The increase in depreciation and amortization expense was the result of equipment placed into service in 2008, a portion of which was purchased in 2007. Capital expenditures for equipment in 2008 totaled $253.8 million. In addition, we recorded depreciation and amortization expense related to businesses acquired in 2007 and 2008, as well as assets purchased and placed into service throughout 2007, which contributed a full year of depreciation expense in 2008 compared to a partial year of depreciation expense in 2007. In addition, we incurred incremental amortization expense associated with intangible assets related to businesses acquired in 2008, particularly customer relationship intangibles which totaled $14.0 million. As a percentage of revenue, depreciation and amortization expense increased to 10% for the year ended December 31, 2008 compared to 9% for the year ended December 31, 2007.

*Impairment Loss*

We recorded an impairment loss of $272.0 million related to the write-down of goodwill associated with several of our reporting units, as defined in SFAS No. 142, based upon a discounted cash flow analysis of expected future earnings associated with these businesses. This analysis was impacted significantly by the overall decline in oilfield activity in late 2008 and the expected slowdown in activities in the short-term, due in part to concerns of excess supply of commodities, a general decline in the U.S. economy and concerns over the availability of credit for our customers to continue investment in drilling and exploration activities in the short-term. We recorded an impairment charge of $13.1 million for the year ended December 31, 2007 related to our Canadian operations.

*Interest Expense*

Interest expense was $59.7 million and $61.3 million for the years ended December 31, 2008 and 2007, respectively. The decrease in interest expense was attributable primarily to a decline in the average borrowing rate in 2008 for variable rate borrowings, primarily our revolving credit facilities in the U.S. and Canada. This decline in interest rates was partially offset by an increase in the average debt balance outstanding throughout 2008 compared to 2007. These borrowings were used primarily for business acquisitions and equipment purchases during 2008. The weighted-average interest rate of borrowings outstanding at December 31, 2008 and 2007 was approximately 7.0% and 7.7%, respectively.

*Taxes*

Tax expense is comprised of current income taxes and deferred income taxes. The current and deferred taxes added together provide an indication of an effective rate of income tax.

Our tax rate for the year ended December 31, 2008 was impacted significantly by a $272.0 million impairment of goodwill which had a limited tax basis, as the majority of the goodwill arose through stock purchase transactions with little or no tax basis. We received no tax benefit from the $13.1 million impairment of goodwill recorded at December 31, 2007. Excluding the impact of the goodwill impairment charges, our effective tax rates for the years ended December 31, 2008 and 2007 would have been 35.5% and 34.8%, respectively. The difference in the tax rates was attributable to the impact of the domestic production activities deduction and the effect of changes in earnings in the various tax jurisdictions in which we operate.

*Minority Interest*

Prior to December 31, 2007, an unrelated third party owned a 50% interest in the assets of Premier Integrated Technologies, Inc. ( Premier ), a company that we acquired on January 1, 2005, and have consolidated in our accounts since the date of acquisition. This amount represents the minority owner s share of Premier s earnings for the applicable periods. On December 31, 2007, we acquired the remaining 50% interest in this company.

**Results of Operations for the Years Ended December 31, 2007 and 2006**

The following tables set forth our results of continuing operations, including amounts expressed as a percentage of total revenue, for the periods indicated (in thousands, except percentages).

| | Year Ended 12/31/07 | Year Ended 12/31/06 | Change 2007/ 2006 | Percent Change 2007/ 2006 |
|---|---|---|---|---|
| | | (In thousands) | | |
| **Revenue:** | | | | |
| Completion and production services | $ 1,242,314 | $ 860,508 | $ 381,806 | 44% |
| Drilling services | 212,272 | 194,517 | 17,755 | 9% |
| Product sales | 40,857 | 29,586 | 11,271 | 38% |

| | | | | |
|---|---|---|---|---|
| Total | $ 1,495,443 | $ 1,084,611 | $ 410,832 | 38% |
| **EBITDA:** | | | | |
| Completion and production services | $ 398,628 | $ 252,621 | $ 146,007 | 58% |
| Drilling services | 61,418 | 70,428 | (9,010) | (13)% |
| Product sales | 9,943 | 8,536 | 1,407 | 16% |
| Corporate | (28,136) | (20,922) | (7,214) | 34% |
| Total | $ 441,853 | $ 310,663 | $ 131,190 | 42% |

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

EBITDA consists of net income from continuing operations before interest expense, taxes, depreciation and amortization, minority interest and impairment loss. EBITDA is a non-cash measure of performance. We use EBITDA as the primary internal management measure for evaluating performance and allocating additional resources. See the discussion of EBITDA at Note 3 under Item 6 ( Selected Financial Data ) of this Annual Report. The following table reconciles EBITDA for the years ended December 31, 2007 and 2006 to the most comparable GAAP measure, operating income (loss).

**Reconciliation of EBITDA to Most Comparable GAAP Measure Operating Income (Loss)**

| | Completion and Production Services | Drilling Services | Product Sales | Corporate | Total |
|---|---|---|---|---|---|
| **Year Ended December 31, 2007** | | | | | |
| EBITDA, as defined | $ 398,628 | $ 61,418 | $ 9,943 | $ (28,136) | $ 441,853 |
| Depreciation and amortization | $ 112,836 | $ 14,572 | $ 2,064 | $ 1,881 | $ 131,353 |
| Impairment loss | $ 13,094 | $ | $ | $ | $ 13,094 |
| Operating income (loss) | $ 272,698 | $ 46,846 | $ 7,879 | $ (30,017) | $ 297,406 |
| **Year Ended December 31, 2006** | | | | | |
| EBITDA, as defined | $ 252,621 | $ 70,428 | $ 8,536 | $ (20,922) | $ 310,663 |
| Depreciation and amortization | $ 64,393 | $ 9,069 | $ 834 | $ 1,606 | $ 75,902 |
| Write-off of deferred costs | $ | $ | $ | $ (170) | $ (170) |
| Operating income (loss) | $ 188,228 | $ 61,359 | $ 7,702 | $ (22,358) | $ 234,931 |

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

**Year Ended December 31, 2007 Compared to the Year ended December 31, 2006**

*Revenue*

Revenue for the year ended December 31, 2007 increased by $410.8 million, or 38%, to $1,495.4 million from $1,084.6 million for the year ended December 31, 2006. This increase by segment was as follows:

*Completion and Production Services.* Segment revenue increased $381.8 million, or 44%, primarily due to: (1) higher activity levels in the U.S. and Mexico; (2) an increase in revenues earned as a result of additional capital investments in the coiled tubing, well servicing, pressure pumping, rental and fluid-handling businesses in 2007, as well as the benefit of a full-year of operations for equipment placed into service throughout 2006; (3) investment in acquisitions during 2006, each of which provided incremental revenues for 2007 compared to 2006; and (4) a series of acquisitions during the year ended December 31, 2007 which contributed to the overall 2007 results. These favorable results were partially offset by a decline in the general activity level of the oil and gas industry in Canada throughout 2007. We began to experience some pricing pressures in certain service offerings during the latter half of 2007.

*Drilling Services.* Segment revenue increased $17.8 million, or 9%, for the year, primarily due to additional capital invested in contract drilling and our drilling logistics businesses during 2006 and into 2007, somewhat offset by lower pricing and lower utilization of our equipment in 2007 compared to 2006, due primarily to an increase in new equipment placed into service by our competitors in the markets that we serve.

*Product Sales.* Segment revenue increased $11.3 million, or 38%, for the year, fueled primarily by increased product sales and equipment refurbishment attributable to our business in Southeast Asia.

*Service and Product Expenses*

Service and product expenses include labor costs associated with the execution and support of our services, materials used in the performance of those services and other costs directly related to the support and maintenance of equipment. These expenses increased $245.2 million, or 39%, to $874.6 million for the year ended December 31, 2007 from $629.3 million for the year ended December 31, 2006. The following table summarizes service and product expenses as a percentage of revenues for the years ended December 31, 2007 and 2006:

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

| | Years Ended | | |
|---|---|---|---|
| **Segment:** | **12/31/07** | **12/31/06** | **Change** |
| Completion and Production services | 58% | 59% | (1)% |
| Drilling services | 61% | 54% | 7% |
| Product sales | 68% | 56% | 12% |
| Total | 58% | 58% | |

Service and product expenses as a percentage of revenue were consistent for the years ended December 31, 2007 and 2006. However, margins by business segment were impacted by acquisitions, pricing and utilization.

*Completion and Production Services.* The decline in service and product expenses as a percentage of revenue for this business segment reflects: (1) a full-year s benefit in 2007 of capital invested throughout 2006, with additional equipment placed into service during 2007 and (2) the benefit of a full-year of margin contribution from our pressure pumping business in 2007 compared to only two-months contribution in 2006 due to timing of the acquisition. We experienced favorable margins in 2007 compared to 2006 for our well service, coiled tubing, fluid handling and rental businesses. However, in late 2007, we began to experience lower pricing for certain of these services in some of our operating regions, as well as a general decline in activity levels in Canada which impacted our operating margins, reducing our overall margin improvements to only 1% year-over-year. In addition, we experienced higher labor and fuel costs which partially offset the incremental margin contribution of our completion and production services businesses during 2007 compared to 2006.

*Drilling Services.* The increase in service and product expenses as a percentage of revenue for this business segment represented a decline in margin during 2007 compared to 2006 due to: (1) lower pricing for our contract drilling and drilling logistics businesses, and (2) lower utilization of our equipment, specifically impacting our drilling rigs business, due to downtime associated with maintenance, and more market competition, as our competitors deployed additional rigs into the markets we serve. In addition, we incurred costs associated with relocating a portion of our rig logistics business to areas with more favorable market conditions.

*Product Sales.* The increase in service and product expenses as a percentage of revenue for the products segments was primarily due to the mix of products sold and the timing of equipment sales and refurbishment associated with our Southeast Asian operations, as the results for the year ended December 31, 2006 were impacted by several higher-margin projects which were completed prior to 2007.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses include salaries and other related expenses for our selling, administrative, finance, information technology and human resource functions. Selling, general and administrative expenses increased $34.6 million, or 24%, for the year ended December 31, 2007 to $179.0 million from $144.4 million during the year ended December 31, 2006. These expense increases included: (1) costs associated with businesses acquired in 2007, including additional employee headcount, property rental expense and insurance expense; (2) costs associated with 2006 acquisitions which provided a full-year of selling, general and administrative expense for 2007; (3) consulting costs associated with our Sarbanes-Oxley compliance documentation and testing, outside accounting, tax and legal services and information technology initiatives; (4) incremental costs of approximately $3.2 million related to stock-based compensation in 2007 compared to 2006; and (5) a charge of approximately $1.4 million associated with the cost-sharing provision of a general liability insurance policy. As a percentage of revenues, selling, general and administrative expense declined to 12% for the year ended December 31, 2007 compared to 13% for the year ended December 31, 2006.

*Depreciation and Amortization*

Depreciation and amortization expense increased $55.5 million, or 73%, to $131.4 million for the year ended December 31, 2007 from $75.9 million for the year ended December 31, 2006. The increase in depreciation and amortization expense was the result of equipment placed into service in 2007, a portion of which was purchased in 2006 and throughout 2007. Capital expenditures for equipment in 2007 totaled $372.6 million. In addition, we recorded depreciation and amortization expense related to businesses acquired in 2006 and 2007, as well as assets purchased and placed into service throughout 2006, which contributed a full year of depreciation expense in 2007 compared to a partial year of depreciation expense in 2006. As a percentage of revenue, depreciation and amortization expense increased to 9% for the year ended December 31, 2007 compared to 7% for the year ended December 31, 2006.

*Impairment Loss*

We recorded an impairment loss of $13.1 million related to the write-down of goodwill associated with our Canadian operations during 2007 based upon a discounted cash flow analysis of expected future earnings associated with this business.

*Interest Expense*

Interest expense was $61.3 million and $40.6 million for the years ended December 31, 2007 and 2006, respectively. The increase in interest expense was attributable to an increase in the average amount of debt outstanding, including amounts borrowed to fund acquisitions, capital expenditures, our semi-annual interest payments associated with the 8% senior notes and our quarterly tax payments. In addition, during December 2006, we issued our 8% senior notes and used the proceeds to retire all outstanding borrowings under the term loan portion of our credit facility. These senior notes required interest at higher fixed interest rates compared to the lower variable rates on the previously outstanding term loan facility. The weighted-average interest rate of borrowings outstanding at December 31, 2007 and 2006 was approximately 7.7% and 7.8%, respectively.

*Interest Income*

Interest income was $0.3 million and $1.4 million for the years ended December 31, 2007 and 2006. In 2007, interest income was earned primarily on excess cash invested in overnight securities throughout the year. For 2006, interest income was earned on the investment of proceeds from our initial public offering in a bond fund prior to use of the proceeds for acquisitions, capital investments in equipment and other general corporate purposes.

*Taxes*

Tax expense is comprised of current income taxes and deferred income taxes. The current and deferred taxes added together provide an indication of an effective rate of income tax.

Tax expense was 36.7% and 36.1% of pretax income for the years ended December 31, 2007 and 2006, respectively. The effective tax rate for 2007 was impacted by the impairment loss of $13.1 million in Canada, which was not deductible for tax purposes. Excluding the impact of the impairment loss, the effective tax rate for 2007 would have been 34.8%. The decline in the effective tax rate in 2007, as adjusted, compared to 2006, was due to lower state tax rates, lower income tax rates in Canada, return to actual adjustments in 2007 and the incremental benefit of the domestic production activities deduction.

*Minority Interest*

Minority interest was comprised entirely of an ownership interest by an unrelated third party in the assets of Premier Integrated Technologies, Inc. ( Premier ), a company that we acquired on January 1, 2005. We have consolidated Premier in our accounts since the date of acquisition and record minority interest to reflect the ownership held by this third party. On December 31, 2007, we acquired the remaining 50% interest in this company.

**Liquidity and Capital Resources**

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

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

On April 26, 2006, we sold 13,000,000 shares of our $.01 par value common stock in an initial public offering at an initial offering price to the public of $24.00 per share, which provided proceeds of approximately $292.5 million net of underwriters fees. We used these funds to retire principal and interest outstanding under our U.S. revolving credit facility on April 28, 2006 totaling approximately $127.5 million, to pay transaction costs of approximately $3.9 million and invested the remaining funds in tax-free and tax-advantaged municipal bonds and similar financial instruments. Of this amount, we utilized $141.6 million associated with acquisitions, including Arkoma, Turner and Pinnacle, and the remainder was used for other general corporate purposes. As of September 2006, all proceeds from our initial public offering had been utilized.

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2008** | **2007** | **2006** |

| | | | |
|---|---|---|---|
| Cash flows provided by (used in): | | | |
| Operating activities | $ 350,448 | $ 338,503 | $ 187,743 |
| Investing activities | (374,137) | (408,795) | (650,863) |
| Financing activities | 27,990 | 66,643 | 471,376 |

Net cash provided by operating activities increased $11.9 million for the year ended December 31, 2008 compared to the year ended December 31, 2007, and increased $150.8 million for the year ended December 31, 2007 compared to the year ended December 31, 2006. These increases in net cash provided by operating activities were primarily due to increases in gross receipts as a result of increased revenues. Our gross receipts increased throughout the three years ended December 31, 2008 as demand for our services grew, we invested in more equipment and logged incremental billable hours, while we continued to expand our current business and enter new markets through acquisitions. We expect to continue to evaluate acquisition opportunities for the foreseeable future. This analysis will entail a review of available funds which will include our current operating cash flows, as well as other factors.

Net cash used in investing activities decreased $34.7 million for the year ended December 31, 2008 compared to the prior year, and decreased $242.1 million for the year ended December 31, 2007 compared to the year ended December 31, 2006, primarily due to declines in the use of funds for acquisitions. We invested $180.2 million, $50.4 million and $369.6 million in business acquisitions for the years ended December 31, 2008, 2007 and 2006, respectively. During 2008, these acquisitions were relatively large operations in recently active basins such as the Marcellus Shale and Haynesville Shale, as well as a targeted acquisition of a pressure pumping business in north Texas. For 2007, our acquired businesses were generally smaller, niche companies which complemented our existing operations. For 2006, we used a portion of the proceeds from our initial public offering to purchase businesses that expanded our geographic reach in areas where we have operations and into new basins within North America. In addition, we invested heavily in new equipment throughout this three-year period, but to a lesser extent during 2008 due to concerns of over-capacity in the industry and a general slowdown in oilfield activity in late 2008. We sold non-strategic businesses in 2008 and 2006 and received proceeds of $50.2 million and $19.3 million, respectively. In addition, in 2006 we invested $165.0 million in short-term investments, which were sold and used for the following purposes: (1) to acquire a series of businesses; (2) to make scheduled principal and interest payments on our credit facility; (3) to pay estimated federal income taxes; and (4) for other general corporate purposes. Significant capital equipment expenditures in 2008 included pressure pumping equipment, well service rigs, coiled tubing equipment and two drilling rigs. Significant capital equipment expenditures in 2007 included five coiled tubing units and over forty well service rigs, as well as additional pressure pumping units. Significant capital equipment expenditures in 2006 included coiled tubing units, pressure pumping equipment, well services rigs, fluid-handling equipment, rental equipment and drilling rigs. See Significant Acquisitions above.

Net cash provided by financing activities decreased by $38.7 million for the year ended December 31, 2008 compared to the prior year, and declined $404.7 million for the year ended December 31, 2007 compared to 2006. The primary source of funds from financing activities for 2008 was net borrowings under our revolving credit facilities of $20.8 million, as well as funds obtained from the issuance of our common stock in connection with employee stock option exercises. The primary source of funds from financing activities in 2007 was net borrowings under our revolving credit facilities to fund capital expenditures, acquisitions, semi-annual interest payments on our senior notes and quarterly federal income tax payments. However, in 2006, the primary source of funds from financing activities was the receipt of the net proceeds from our initial public offering in April 2006, which provided approximately $288.6 million. In addition, we received net proceeds of $636.6 million from the issuance of 8.0% senior notes in December 2006, and we borrowed under our revolving credit facilities to fund various business acquisitions. The primary use of funds from financing activities was to repay $127.5 million outstanding under our U.S. revolving credit facility as of April 2006, with subsequent borrowings and repayments under this revolving credit facility throughout the year ended December 31, 2006, and the repayment of $419.0 million under our term loan facility in 2006, the majority of which was repaid in December 2006 from the proceeds of our senior note issuance. Our long-term debt balances, including current maturities, were $847.6 million and $826.4 million as of December 31, 2008 and 2007, respectively.

We expect to spend significantly less than we have in recent years for investment in capital expenditures, excluding acquisitions, during the year ended December 31, 2009. We believe that our operating cash flows and borrowing capacity will be sufficient to fund our operations for the next 12 months.

In addition, we do not anticipate completing acquisitions for cash consideration until market conditions stabilize, but will continue to evaluate acquisitions of complementary companies. We will evaluate each acquisition opportunity based upon the circumstances and our financing capabilities at that time.

### *Dividends*

We did not pay dividends on our $0.01 par value common stock during the years ended December 31, 2008, 2007 and 2006. We do not intend to pay dividends in the foreseeable future, but rather plan to reinvest such funds in our business. Furthermore, our credit facility contains restrictive debt covenants which preclude us from paying future dividends on our common stock.

### *Description of Our Indebtedness*

*Senior Notes*

On December 6, 2006, we issued 8.0% senior notes with a face value of $650.0 million through a private placement of debt. These notes have a maturity of 10 years, with a maturity date of December 15, 2016, and require semi-annual interest payments, paid in arrears and calculated based on an annual rate of 8.0%, on June 15 and December 15 of each year, 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) limit our ability to purchase or redeem stock or subordinated debt; (6) limit our ability to enter into transactions with affiliates; (7) limit our ability to merge with or into other companies or transfer all or substantially all our assets; and (8) limit our ability to enter into sale and leaseback transactions. We have the option to redeem all or part of these notes on or after December 15, 2011. We can redeem 35% of these notes on or before December 15, 2009 using the proceeds of certain equity offerings. Additionally, we may redeem some or all of the notes prior to December 15, 2011 at a price equal to 100% of the principal amount of the notes plus a make-whole premium. We paid semi-annual interest payments of $26.0 million on June 15 and December 15, 2008 related to these notes, and $27.3 million and $26.0 million on June 15, 2007 and December 15, 2007, respectively.

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.

*Credit Facility*

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

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

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 December 31, 2008. However, there can be no assurance as to our future compliance in light of the very uncertain industry conditions. See Risk Factors Risks Related to Our Business and Our Industry and Risk Factors Risk Related to Our Indebtedness, including Our Senior Notes.

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

All of the obligations under the U.S. portion of the Credit Agreement are secured by first priority liens on substantially all of the assets of our U.S. subsidiaries as well as a pledge of approximately 66% of the stock of our first-tier foreign subsidiaries. Additionally, all of the obligations under the U.S. portion of the Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries. All of the obligations under the Canadian portions of the Credit Agreement are secured by first priority liens on substantially all of the assets of our subsidiaries. Additionally, all of the obligations under the Canadian portions of the Credit Agreement are guaranteed by us as well as certain of our subsidiaries.

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

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

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

Borrowings of $186.0 million and $7.5 million were outstanding under the U.S. and Canadian revolving credit facilities at December 31, 2008, respectively. The U.S. revolving credit facility bore interest at 3.50% at December 31, 2008, and the Canadian revolving credit facility bore interest at rates ranging from 3.75% to 4.00%, or a weighted average of 3.8% at December 31, 2008. For the year ended December 31, 2008, the weighted average interest rate on borrowings under the amended Credit Agreement was approximately 3.92%. In addition, there were letters of credit outstanding which totaled $37.7 million under the U.S. revolving portion of the facility that reduced the available borrowing capacity at December 31, 2008 to $136.3 million. The available borrowing capacity under the Canadian revolving portion of the facility was $32.5 million at December 31, 2008. In addition, we incurred fees of 1.25% of the total amount outstanding under our letter of credit arrangements. During October

2008, we borrowed approximately $106.0 million under our U.S. revolving credit facility to purchase two businesses. As of February 13, 2009, we had $126.8 million outstanding under our Credit Agreement.

In accordance with the subordinated notes issued in conjunction with the acquisition of Parchman in February 2005, all principal and interest under these note arrangements totaling $5.0 million was repaid as of May 2, 2006.

***Other Arrangements***

We received $7.4 million from customers in 2005 as advance payments on the construction and operation of two drilling rigs for our contract drilling operations in north Texas. The drilling rigs were completed and placed into service in October 2005 and January 2006. Revenue was recognized over the agreed service contract. All revenue under these contracts was recognized prior to December 31, 2006.

***Outstanding Debt and Operating Lease Commitments***

The following table summarizes our known contractual obligations as of December 31, 2008 (in thousands):

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **2009** | **2010-2011** | **2012-2013** | **Thereafter** |
| Long-term debt, including capital (finance) lease obligations | $ 843,931 | $ 164 | $ 193,767 | $ | $ 650,000 |
| Interest on 8% senior notes issued December 6, 2006 | 411,667 | 52,000 | 104,000 | 104,000 | 151,667 |
| Purchase obligations(1) | 41,196 | 41,196 | | | |
| Operating lease obligations | 70,513 | 20,849 | 26,766 | 14,732 | 8,166 |
| Other long-term obligations(2) | 3,714 | 3,639 | 75 | | |
| Total contractual obligations | $ 1,371,021 | $ 117,848 | $ 324,608 | $ 118,732 | $ 809,833 |

(1) Purchase obligations were pursuant to non-cancelable equipment purchase orders outstanding as of December 31, 2008. We have no significant purchase orders which extend beyond one year.

(2) Other long-term obligations include amounts due under subordinated note arrangements with maturity dates beginning in 2009 and loans relating to equipment purchases which mature at various dates through September 2010.

We have entered into agreements to purchase certain equipment for use in our business, which are included as purchase obligations in the table above to the extent that these obligations represent firm non-cancelable commitments. The manufacture of this equipment requires lead-time and we generally are committed to accept this equipment at the time of delivery, unless arrangements have been made to cancel delivery in accordance with the purchase agreement terms. We spent $253.8 million for equipment purchases and other capital expenditures during the year ended December 31, 2008, which does not include amounts paid in connection with acquisitions.

We expect to continue to acquire complementary companies and evaluate potential acquisition targets. We may use cash from operations, proceeds from future debt or equity offerings and borrowings under our amended revolving credit facility for this purpose.

***Off-Balance Sheet Arrangements***

We have entered into operating lease arrangements for our light vehicle fleet, certain of our specialized equipment and for our office and field operating locations in the normal course of business. The terms of the facility leases range from monthly to five years. The terms of the light vehicle leases range from three to four years. The terms of the specialized equipment leases range from two to six years. Annual payments pursuant to these leases are included above in the table under Outstanding Debt and Operating Lease Commitments.

Table of Contents

### 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 December 31, 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.

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

**Item 7A.** ***Quantitative and Qualitative Disclosures About Market Risk.***

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

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

For the years ended December 31, 2008 and 2007, approximately 5% and 5% of our revenues from continuing operations, respectively, and 3% and 6% of our total assets, respectively, were denominated in Canadian dollars, our functional currency in Canada. As a result, a material decrease in the value of the Canadian dollar relative to the U.S. dollar may negatively impact our revenues, cash flows and net income. Each one percentage point change in the value of the Canadian dollar would have impacted our revenues for the year ended December 31, 2008 by approximately $0.9 million, or $0.6 million net of tax. We do not currently use hedges or forward contracts to offset this risk.

Our Mexican operation uses the U.S. dollar as its functional currency, and as a result, all transactions and translation gains and losses are recorded currently in the financial statements. The balance sheet amounts are translated into U.S. dollars at the exchange rate at the end of the month and the income statement amounts are translated at the average exchange rate for the month. We estimate that a hypothetical one percentage point change in the value of the Mexican peso relative to the U.S. dollar would have impacted our revenues for the year ended December 31, 2008 by approximately $0.6 million, or $0.4 million, net of tax. Currently, we conduct a portion of our business in Mexico in the local currency, the Mexican peso.

Approximately 23% of our debt at December 31, 2008 is structured under floating rate terms and, as such, our interest expense is sensitive to fluctuations in the prime rates in the U.S. and Canada. Based on the debt structure in place as of December 31, 2008, a 100 basis point increase in interest rates relative to our floating rate obligations would increase interest expense by approximately $1.9 million per year and reduce operating cash flows by approximately $1.2 million, net of tax.

**Item 8.** ***Financial Statements and Supplementary Data.***

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and
Stockholders of Complete Production Services, Inc.:

We have audited the accompanying consolidated balance sheets of Complete Production Services, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive income (loss) stockholders equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Complete Production Services, Inc. as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Complete Production Services, Inc. and its subsidiaries internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 27, 2009, expressed an unqualified opinion that Complete Production Services, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting.

**/s/ Grant Thornton LLP**

Houston, Texas
February 27, 2009

Table of Contents

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and
Stockholders of Complete Production Services, Inc.:

We have audited Complete Production Services, Inc s. internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Complete Production Services, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Complete Production Services, Inc. s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Complete Production Services, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Complete Production Services, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations and comprehensive income (loss), stockholders equity, and cash flows for each of the three years in the period ended December 31, 2008, and our report dated February 27, 2009 expressed an unqualified opinion on those consolidated financial statements.

**/s/ Grant Thornton LLP**

Houston, Texas
February 27, 2009

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Consolidated Balance Sheets**
**December 31, 2008 and 2007**

| | 2008 | 2007 |
|---|---|---|
| | (In thousands, except share data) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 19,090 | $ 13,624 |
| Trade accounts receivable, net of allowance for doubtful accounts of $5,976 and $5,487, respectively | 343,353 | 305,682 |
| Inventory, net of obsolescence reserve of $710 and $1,670, respectively | 41,891 | 29,877 |
| Prepaid expenses | 21,472 | 23,743 |
| Tax receivable | 21,328 | 5,092 |
| Current assets of discontinued operations | | 50,307 |
| Total current assets | 447,134 | 428,325 |
| Property, plant and equipment, net | 1,166,453 | 1,013,190 |
| Intangible assets, net of accumulated amortization of $9,985 and $5,762, respectively | 23,262 | 10,606 |
| Deferred financing costs, net of accumulated amortization of $4,186 and $2,455, respectively | 12,463 | 14,194 |
| Goodwill | 341,592 | 549,130 |
| Other long-term assets | 3,973 | 6,264 |
| Long-term assets of discontinued operations | | 33,050 |
| Total assets | $ 1,994,877 | $ 2,054,759 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Current maturities of long-term debt | $ 3,803 | $ 398 |
| Accounts payable | 57,483 | 56,407 |
| Accrued liabilities | 37,585 | 52,572 |
| Accrued payroll and payroll burdens | 31,293 | 24,050 |
| Accrued interest | 2,754 | 4,553 |
| Notes payable | 1,353 | 15,354 |
| Taxes payable | | 6,506 |
| Current deferred tax liabilities | 1,289 | |
| Current liabilities of discontinued operations | | 9,705 |
| Total current liabilities | 135,560 | 169,545 |
| Long-term debt | 843,842 | 825,985 |
| Deferred income taxes | 146,359 | 126,821 |
| Long-term liabilities of discontinued operations | | 2,085 |

| | | |
|---|---|---|
| Total liabilities | 1,125,761 | 1,124,436 |
| Commitments and contingencies | | |
| Stockholders equity: | | |
| Common stock, $0.01 par value per share, 200,000,000 shares authorized, 74,766,317 (2007 72,509,511) issued | 748 | 725 |
| Preferred stock, $0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding | | |
| Additional paid-in capital | 623,988 | 581,404 |
| Retained earnings | 232,080 | 317,535 |
| Treasury stock, 35,570 shares at cost | (202) | (202) |
| Accumulated other comprehensive income | 12,502 | 30,861 |
| Total stockholders equity | 869,116 | 930,323 |
| Total liabilities and stockholders equity | $ 1,994,877 | $ 2,054,759 |

See accompanying notes to consolidated financial statements.

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Consolidated Statements of Operations**
**Years Ended December 31, 2008, 2007 and 2006**

| | Year Ended December 31, 2008 | 2007 | 2006 |
|---|---|---|---|
| | (In thousands, except per share data) | | |
| Revenue: | | | |
| Service | $ 1,779,452 | $ 1,454,586 | $ 1,055,025 |
| Product | 59,102 | 40,857 | 29,586 |
| | 1,838,554 | 1,495,443 | 1,084,611 |
| Service expenses | 1,091,885 | 846,942 | 612,800 |
| Product expenses | 41,914 | 27,621 | 16,546 |
| Selling, general and administrative expenses | 198,252 | 179,027 | 144,432 |
| Depreciation and amortization | 181,097 | 131,353 | 75,902 |
| Impairment loss | 272,006 | 13,094 | |
| Income from continuing operations before interest, taxes and minority interest | 53,400 | 297,406 | 234,931 |
| Interest expense | 59,729 | 61,328 | 40,645 |
| Interest income | (301) | (325) | (1,387) |
| Write-off of deferred financing costs | | | 170 |
| Income (loss) from continuing operations before taxes and minority interest | (6,028) | 236,403 | 195,503 |
| Taxes | 74,568 | 86,851 | 70,516 |
| Income (loss) from continuing operations before minority interest | (80,596) | 149,552 | 124,987 |
| Minority interest | | (569) | (49) |
| Income (loss) from continuing operations | (80,596) | 150,121 | 125,036 |
| Income (loss) from discontinued operations (net of tax expense of $3,865, $6,890 and $9,359, respectively) | (4,859) | 11,443 | 14,050 |
| Net income (loss) | $ (85,455) | $ 161,564 | $ 139,086 |
| Earnings (loss) per share information: | | | |
| Continuing operations | $ (1.10) | $ 2.09 | $ 1.90 |
| Discontinued operations | $ (0.06) | $ 0.15 | $ 0.21 |
| Basic earnings (loss) per share | $ (1.16) | $ 2.24 | $ 2.11 |
| Continuing operations | $ (1.10) | $ 2.05 | $ 1.84 |
| Discontinued operations | $ (0.06) | $ 0.15 | $ 0.20 |

| | | | |
|---|---|---|---|
| Diluted (loss) earnings per share | $ (1.16) | $ 2.20 | $ 2.04 |
| | | | |
| Weighted average shares: | | | |
| Basic | 73,600 | 71,991 | 65,843 |
| Diluted | 73,600 | 73,352 | 68,075 |

See accompanying notes to consolidated financial statements.

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Consolidated Statements of Comprehensive Income (Loss)**
**Years Ended December 31, 2008, 2007 and 2006**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2008 | 2007 | 2006 |
| | | (In thousands) | |
| Net income (loss) | $ (85,455) | $ 161,564 | $ 139,086 |
| Change in cumulative translation adjustment | (18,359) | 15,129 | (808) |
| Comprehensive income (loss) | $ (103,814) | $ 176,693 | $ 138,278 |

See accompanying notes to consolidated financial statements.

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Consolidated Statement of Stockholders Equity**
**Years Ended December 31, 2008, 2007 and 2006**

| | Number of Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Deferred Compensation | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|---|---|---|
| | (In thousands, except share data) | | | | | | | |
| Balance at December 31, 2005 | 55,531,510 | $ 555 | $ 220,786 | $ 16,885 | $ (202) | $ (3,803) | $ 16,540 | $ 250,761 |
| Adoption of SFAS No. 123R | | | (3,803) | | | 3,803 | | |
| Net income | | | | 139,086 | | | | 139,086 |
| Cumulative translation adjustment | | | | | | | (808) | (808) |
| Issuance of common stock: | | | | | | | | |
| Net proceeds from initial public offering | 13,000,000 | 130 | 288,505 | | | | | 288,635 |
| Acquisition of Parchman | 1,000,000 | 10 | 23,490 | | | | | 23,500 |
| Acquisition of MGM | 164,210 | 2 | 3,857 | | | | | 3,859 |
| Acquisition of Pumpco | 1,010,566 | 10 | 21,414 | | | | | 21,424 |
| Exercise of stock options | 506,405 | 5 | 1,810 | | | | | 1,815 |
| Expense related to employee stock options | | | 1,848 | | | | | 1,848 |
| Excess tax benefit from share-based compensation | | | 2,333 | | | | | 2,333 |
| Vested restricted stock | 205,782 | 2 | (2) | | | | | |
| Amortization of non-vested restricted stock | | | 2,768 | | | | | 2,768 |
| Balance at December 31, | 71,418,473 | $ 714 | $ 563,006 | $ 155,971 | $ (202) | $ | $ 15,732 | $ 735,221 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2006 | | | | | | | | |
| Net income | | | | 161,564 | | | | 161,564 |
| Cumulative translation adjustment | | | | | | | 15,129 | 15,129 |
| Issuance of common stock: | | | | | | | | |
| Exercise of stock options | 934,094 | 9 | 4,170 | | | | | 4,179 |
| Expense related to employee stock options | | | 4,426 | | | | | 4,426 |
| Excess tax benefit from share-based compensation | | | 6,662 | | | | | 6,662 |
| Vested restricted stock | 156,944 | 2 | (2) | | | | | |
| Amortization of non-vested restricted stock | | | 3,142 | | | | | 3,142 |
| Balance at December 31, 2007 | 72,509,511 | $ 725 | $ 581,404 | $ 317,535 | $ (202) | $ | $ 30,861 | $ 930,323 |
| Net loss | | | | (85,455) | | | | (85,455) |
| Cumulative translation adjustment | | | | | | | (18,359) | (18,359) |
| Issuance of common stock: | | | | | | | | |
| Acquisition of AWS | 588,292 | 6 | 8,848 | | | | | 8,854 |
| Acquisition Double Jack shares | 7,234 | | 225 | | | | | 225 |
| Exercise of stock options | 1,238,819 | 13 | 12,001 | | | | | 12,014 |
| Expense related to employee stock options | | | 5,436 | | | | | 5,436 |
| Excess tax benefit from share-based compensation | | | 9,144 | | | | | 9,144 |
| Vested restricted stock | 422,461 | 4 | (4) | | | | | |
| Amortization of non-vested restricted stock | | | 6,934 | | | | | 6,934 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2008 | 74,766,317 | $ | 748 | $ | 623,988 | $ | 232,080 | $ | (202) | $ | | $ | 12,502 | $ | 869,116 |

See accompanying notes to consolidated financial statements.

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Consolidated Statements of Cash Flows**
**Years Ended December 31, 2008, 2007 and 2006**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2008 | 2007 | 2006 |
| | (In thousands) | | |
| Cash provided by: | | | |
| Net income (loss) | $ (85,455) | $ 161,564 | $ 139,086 |
| Items not affecting cash: | | | |
| Depreciation and amortization | 183,091 | 135,961 | 79,813 |
| Deferred income taxes | 24,738 | 38,099 | 30,907 |
| Impairment loss | 272,006 | 13,094 | |
| Write-off of deferred financing fees | | | 170 |
| Loss on sale of discontinued operations | 6,935 | | 603 |
| Minority interest | | (569) | (49) |
| Excess tax benefit from share-based compensation | (9,144) | (6,662) | (2,333) |
| Non-cash compensation expense | 12,370 | 7,568 | 4,616 |
| Provision for bad debt expense | 4,344 | 7,277 | 2,329 |
| Other | 5,734 | 3,391 | 1,564 |
| Changes in operating assets and liabilities, net of effect of acquisitions: | | | |
| Accounts receivable | (22,433) | (29,255) | (105,203) |
| Inventory | (10,522) | (11,132) | (11,511) |
| Prepaid expenses and other current assets | 6,376 | 1,520 | (1,201) |
| Accounts payable | (10,199) | (8,063) | 14,819 |
| Accrued liabilities and other | (27,393) | 25,710 | 34,133 |
| Net cash provided by operating activities | 350,448 | 338,503 | 187,743 |
| Investing activities: | | | |
| Business acquisitions, net of cash acquired | (180,154) | (50,406) | (369,606) |
| Additions to property, plant and equipment | (253,815) | (367,659) | (303,922) |
| Purchase of short-term securities | | | (165,000) |
| Proceeds from sale of short-term securities | | | 165,000 |
| Proceeds from sale of fixed assets | 7,666 | 9,270 | 3,355 |
| Collection of notes receivable | 2,016 | | |
| Proceeds from sale of disposal group | 50,150 | | 19,310 |
| Net cash used in investing activities | (374,137) | (408,795) | (650,863) |
| Financing activities: | | | |
| Issuances of long-term debt | 350,115 | 343,790 | 608,703 |
| Repayments of long-term debt | (329,282) | (268,769) | (1,053,789) |
| Repayments of notes payable | (14,001) | (18,846) | (13,589) |
| Borrowings under senior notes | | | 650,000 |
| Proceeds from issuances of common stock | 12,014 | 4,179 | 291,674 |
| Deferred financing fees | | (373) | (13,956) |
| Excess tax benefit from share-based compensation | 9,144 | 6,662 | 2,333 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net cash provided by financing activities | | 27,990 | | 66,643 | | 471,376 |
| Effect of exchange rate changes on cash | | 1,165 | | (2,601) | | 213 |
| Change in cash and cash equivalents | | 5,466 | | (6,250) | | 8,469 |
| Cash and cash equivalents, beginning of period | | 13,624 | | 19,874 | | 11,405 |
| Cash and cash equivalents, end of period | $ | 19,090 | $ | 13,624 | $ | 19,874 |
| Supplemental cash flow information: | | | | | | |
| Cash paid for interest, net of interest capitalized | $ | 58,812 | $ | 59,164 | $ | 35,947 |
| Cash paid for taxes | $ | 71,365 | $ | 56,468 | $ | 40,132 |
| Significant non-cash investing and financing activities: | | | | | | |
| Common stock issued for acquisitions | $ | 9,079 | $ | | $ | 48,783 |
| Assets received as proceeds from sale of disposal group | $ | 7,987 | $ | | $ | |
| Debt acquired in acquisition | $ | 429 | $ | | $ | 30,784 |
| Capital expenditures in accrued payables/expenses | $ | | $ | 4,895 | $ | |

See accompanying notes to consolidated financial statements.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements**
**(In thousands, except share and per share data)**

**1. General:**

***(a) Nature of operations:***

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

References to Complete , the Company , we , our and similar phrases are used throughout these financial statements a relate collectively to Complete Production Services, Inc. and its consolidated affiliates.

On April 20, 2006, we entered into an underwriting agreement in connection with our initial public offering and 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. See Note 12, Stockholders Equity.

***(b) Basis of presentation:***

Our consolidated financial statements are expressed in U.S. dollars and have been prepared by us in accordance with accounting principles generally accepted in the United States ( GAAP ). 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. On an ongoing basis, we review our estimates, 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.

These audited 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 December 31, 2008 and 2007 and the statements of operations, the statements of comprehensive income, the statements of stockholders equity and the statements of cash flows for each of the three years in the period ended December 31, 2008. We believe that these financial statements contain all adjustments necessary so that they are not misleading. Certain reclassifications have been made to 2006 and 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 years ended December 31, 2007 and 2006, we reclassified $13,466 and $7,723, respectively, from selling, general and administrative expense to cost of services. This reclassification was made to allocate payroll benefit costs to the cost of services in an effort to insure that these costs and their impact on gross margin were aligned consistently throughout our operating units. In addition, we changed the presentation of capitalized interest at one of our subsidiaries for the year ended December 31, 2007, which resulted in a decrease in interest income and an offsetting decrease in interest expense totaling $1,311. This change had no impact on net interest expense as previously disclosed.

In May 2008, our Board of Directors authorized and committed to a plan to sell certain operations in the Barnett Shale region of north Texas, consisting primarily of our supply store business, as well as certain non-strategic drilling logistics assets and other completion and production services assets. On May 19, 2008, we sold these operations to a company owned by a former officer of one of our subsidiaries, for which we received proceeds of $50,150 and assets with a fair market value of $7,987. In August 2006, our Board of Directors authorized and committed to a plan to sell certain manufacturing and production enhancement operations of a subsidiary located in Alberta, Canada, which includes certain assets located in south Texas. Accordingly, we have revised our financial statements for all periods presented to classify the related results of operations of these disposal groups as discontinued operations. See Note 14, Discontinued Operations.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

## 2. Significant accounting policies:

### *(a) Basis of preparation:*

Our consolidated financial statements include the accounts of the legal entities discussed above and their wholly owned subsidiaries. All material inter-company balances and transactions have been eliminated in consolidation.

### *(b) Foreign currency translation:*

Assets and liabilities of foreign subsidiaries, whose functional currencies are the local currency, are translated from their respective functional currencies to U.S. dollars at the balance sheet date exchange rates. Income and expense items are translated at the average rates of exchange prevailing during the year. Foreign exchange gains and losses resulting from translation of account balances are included in income or loss in the year in which they occur. The adjustment resulting from translating the financial statements of such foreign subsidiaries into U.S. dollars is reflected as a separate component of stockholders equity.

### *(c) Revenue recognition:*

We recognize service revenue when it is realized and earned. We consider revenue to be realized and earned when the services have been provided to the customer, the product has been delivered, the sales price has been fixed or determinable and collectibility is reasonably assured. Generally services are provided over a relatively short time.

Revenue and costs on drilling contracts are recognized as work progresses. Progress is measured and revenues recognized based upon agreed day-rate charges. For certain contracts, we may receive additional lump-sum payments for the mobilization of rigs and other drilling equipment. Consistent with the drilling contract day-rate revenues and charges, revenues and related direct costs incurred for the mobilization are deferred and recognized over the term of the related drilling contract. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred.

We recognize revenue under service contracts as services are performed. We had no significant unearned revenues associated with long-term service contracts as of December 31, 2008 and 2007.

### *(d) Cash and cash equivalents:*

Short-term investments with maturities of less than three months are considered to be cash equivalents and are recorded at cost, which approximates fair market value. For purposes of the consolidated statements of cash flows, we consider all investments in highly liquid debt instruments with original maturities of three months or less to be cash equivalents. We invest excess cash in overnight investments which are accounted for as cash equivalents.

### *(e) Trade accounts receivable:*

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses incurred in our existing accounts receivable. We determine the allowance based on historical write-off experience, account aging and our assumptions about the oil and gas industry economic cycle. We review our allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. All other balances are reviewed on a pooled basis. Account balances are charged off against the allowance after all appropriate means of collection have been exhausted and the potential for recovery is considered remote. Considering our customer base, we do not believe that we have any significant concentrations of credit risk other than our concentration in the oil and gas industry. We have no significant off balance-sheet credit exposure related to our customers.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

***(f) Inventory:***

Inventory, which consists of finished goods and materials and supplies held for resale, is carried at the lower of cost and market. Market is defined as net realizable value for finished goods and as replacement cost for manufacturing parts and materials. Cost is determined on a first-in, first-out basis for refurbished parts and an average cost basis for all other inventories and includes the cost of raw materials and labor for finished goods. We record a reserve for excess and obsolete inventory based upon specific identification of items based on periodic reviews of inventory on hand.

***(g) Property, plant and equipment:***

Property, plant and equipment are carried at cost less accumulated depreciation. Major betterments are capitalized. Repairs and maintenance that do not extend the useful life of equipment are expensed.

Depreciation is provided over the estimated useful life of each asset as follows:

| Asset | Basis | Rate |
|---|---|---|
| Buildings | straight-line | 39 years |
| Field Equipment | | |
| Wireline, optimization and coiled tubing equipment | straight-line | 10 years |
| Gas testing equipment | straight-line | 15 years |
| Drilling rigs | straight-line | 20 years |
| Well-servicing rigs | straight-line | 10 to 25 years |
| Pressure pumping equipment | straight-line | 10 years |
| Office furniture and computers | straight-line | 3 to 7 years |
| Leasehold improvements | straight-line | Shorter of 5 years or the life of the lease |
| Vehicles and other equipment | straight-line | 3 to 10 years |

***(h) Intangible assets:***

Intangible assets, consisting of acquired customer relationships, service marks, non-compete agreements, acquired patents and technology, are carried at cost less accumulated amortization, which is calculated on a straight-line basis over a period of 2 to 10 years depending on the asset s estimated useful life. The weighted average amortization period for these intangible assets was approximately 4 years as of December 31, 2008.

***(i) Impairment of long-lived assets:***

In accordance with Statement of Financial Accounting Standards ( SFAS ) No. 144, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. When assets are determined to be held for sale, they are separately presented in the appropriate asset and liability sections of the balance sheet and reported at the lower of the carrying amount or fair value less cost to sell, and are no longer depreciated.

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

***(j) Asset retirement obligations:***

We account for asset retirement obligations in accordance with SFAS No. 143, Accounting for Asset Retirement Obligations , pursuant to which we would record the fair value of an asset retirement obligation as a liability in the period in which a legal obligation is incurred associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. Furthermore, we would record a corresponding asset to depreciate over the contractual term of the underlying asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation would be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. There were no significant retirement obligations recorded at December 31, 2008 and 2007.

***(k) Deferred financing costs:***

Deferred financing costs associated with long-term debt under revolving credit facilities and senior notes are carried at cost and are expensed over the term of the applicable long-term debt facility or the term of the notes.

***(l) Goodwill:***

Goodwill represents the excess of costs over the fair value of the assets and liabilities of businesses acquired. We apply the provisions of SFAS No. 142, which requires an impairment test at least annually or more frequently if indicators of impairment are present, whereby we estimate the fair value of the asset by discounting future cash flows at a projected cost of capital rate. If the fair value estimate is less than the carrying value of the asset, an additional test is required whereby we apply a purchase price analysis consistent with that described in SFAS No. 141. If impairment is still indicated, we would record an impairment loss in the current reporting period for the amount by which the carrying value of the intangible asset exceeds its implied fair value, as described in SFAS No. 142. We recorded an impairment loss for the years ended December 31, 2008 and 2007. See Note 15, Segment Information and Note 2, Significant Accounting Policies Fair Value Measurement. Based upon this testing, goodwill was not deemed to be impaired during the year ended December 31, 2006.

***(m) Deferred income taxes:***

We follow the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based upon temporary differences between the carrying amount and tax basis of our assets and liabilities and measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period in which the change occurs. We record a valuation reserve when we believe that it is more likely than not that any deferred tax asset created will not be realized.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

***(n) Financial instruments:***

The financial instruments recognized in the balance sheet consist of cash and cash equivalents, trade accounts receivable, bank operating loans, accounts payable and accrued liabilities, long-term debt, convertible debentures and senior notes. The fair value of all financial instruments approximates their carrying amounts due to their current maturities or market rates of interest, except the senior notes which were issued in December 2006 with a fixed 8% coupon rate. At December 31, 2008 and 2007, the fair value of these notes was $409,500 and $627,250, respectively, based on the published closing price.

## COMPLETE PRODUCTION SERVICES, INC.

### Notes to Consolidated Financial Statements (Continued)

*(o) Per share amounts:*

We use the treasury stock method described in SFAS No. 128 to calculate the dilutive effect of stock options, stock warrants, convertible debentures and non-vested restricted stock. This method requires that we compare the presumed proceeds from the exercise of options and other dilutive instruments, including the expected tax benefit to us, to the exercise price of the instrument, and assume that we used the net proceeds to purchase shares of our common stock at the average price during the period. These assumed shares are then included in the calculation of the diluted weighted average shares outstanding for the period, if not deemed to be anti-dilutive.

*(p) Stock-based compensation:*

We have stock-based compensation plans for our employees, officers and directors to acquire common stock. For grants of stock options prior to January 1, 2006, stock options were accounted for under Accounting Principles Board ( APB ) No. 25, Accounting for Stock Issued to Employees, whereby no compensation expense was recorded if stock options were issued at fair value on the date of grant. Accordingly, we did not recognize compensation expense associated with these stock option grants which would have been required under SFAS No. 123. We adopted SFAS No. 123R on January 1, 2006. Pursuant to SFAS No. 123R, 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 applied the modified-prospective transition method to account for grants of stock options between September 30, 2005, the date of our initial filing with the Securities and Exchange Commission, and December 31, 2005. For stock options granted on or after January 1, 2006, we use the prospective transition method of SFAS No. 123R to account for these grants and record compensation expense. See Note 12, Stockholders Equity.

*(q) Research and development:*

Research and development costs are charged to income as period costs when incurred.

*(r) Contingencies:*

Liabilities for loss contingencies, including environmental remediation costs not within the scope of SFAS No. 143 arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

*(s) Measurement uncertainty:*

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of the consolidated financial statements in accordance with U.S. GAAP necessarily requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates including those related to bad debts, inventory obsolescence, property plant and equipment useful lives, goodwill, intangible assets, income taxes, contingencies and litigation on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Under different assumptions or conditions, the actual results could differ, possibly materially, from those previously estimated. Many of the conditions impacting these assumptions are estimates outside of our control.

***(t) Fair Value Measurement:***

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, a pronouncement which provides guidance for using fair value to measure assets and liabilities by providing a definition of fair value, stating that fair value should be based upon assumptions market participants would use to price an asset or liability, and

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

establishing a hierarchy that prioritizes the information used to determine fair value, whereby quoted market prices in active markets would be given highest priority with lowest priority given to data provided by the reporting entity based on unobservable facts. SFAS No. 157 requires disclosure of significant fair value measurements by level within the prescribed hierarchy. We adopted SFAS No. 157 on January 1, 2007, and have applied its guidance prospectively.

We generally apply fair value valuation techniques on a non-recurring basis associated with: (1) valuing assets and liabilities acquired in connection with business combinations accounted for pursuant to SFAS No. 141; (2) valuing potential impairment loss related to goodwill and indefinite-lived intangible assets accounted for pursuant to SFAS No. 142; and (3) valuing potential impairment loss related to long-lived assets accounted for pursuant to SFAS No. 144. We generally do not hold trading securities, and we were not party to significant derivative contract arrangements during the years ended December 31, 2008 and 2007. We acquired several businesses during 2008. To determine the fair value of the assets acquired, primarily fixed assets, we obtained assistance from an independent appraiser to compare the value of the assets to comparable assets in the market to determine the fair value as of the date of the acquisition. Furthermore, we applied an income method approach to value identifiable intangible assets associated with these acquisitions including customer relationships, trade names and non-compete agreements. These fixed assets and definite-lived intangible assets were evaluated pursuant to SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and determined to not be impaired as of December 31, 2008. We evaluated our goodwill and indefinite-lived intangible assets in accordance with the recoverability tests prescribed by SFAS No. 142 as of our annual testing date and determined that goodwill associated with one of our reporting units was deemed to be impaired. However, due a general decline in the overall U.S. debt and equity markets during the fourth quarter of 2008, we determined that a triggering event had occurred as of December 31, 2008, as defined in SFAS No. 142. As such, we performed the impairment testing as of December 31, 2008 and determined that several of our reportable units were deemed to be impaired as of that date.

In performing the two-step goodwill impairment test prescribed by SFAS No. 142, we compared the fair value of each of our reportable units to its carrying value. We estimated the fair value of our reportable units by considering both the income approach and market approach. Under the market approach, the fair value of the reportable unit is based on market multiple and recent transaction values of peer companies. Under the income approach, the fair value of the reportable unit is based on the present value of estimated future cash flows using the discounted cash flow method. The discounted cash flow method is dependent on a number of unobservable inputs including projections of the amounts and timing of future revenues and cash flows, assumed discount rates and other assumptions. Based upon this testing, we determined that goodwill associated with reporting units within each of our business segments was impaired, which triggered step two. For step two, we calculated the implied fair value of goodwill and compared it to the carrying amount of that goodwill, by examining the fair value of the tangible and intangible property of these reportable units. The inputs for this model were largely unobservable estimates from management based on historical performance. Due to modifications and the highly customized nature of the property, plant and equipment of this reportable unit, collecting specific market price data to assess the fair value of these assets was not feasible, although general market data was obtained. Thus, the primary source for our assessment of value was based on management s estimates and projections. The result of this analysis was a calculated goodwill impairment of $272,284, of which $272,006 was recorded as an impairment loss in the accompanying statement of operations at December 31, 2008. This impairment charge was allocated $243,481 to the completion and production services business segment, $27,410 to the drilling services business segment and $1,393 to the products business segment. This impairment was deemed necessary due to an overall decline in oil and gas exploration and production activity in late 2008 and relatively low activity expected during the short-term. We intend to continue to hold our investment in these reportable units for the foreseeable future.

COMPLETE PRODUCTION SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

The following tabular presentation is presented in accordance with SFAS No. 157 for quantitative presentation of our significant fair value measurements at December 31, 2008:

| Description | Carrying Value Prior to Impairment Charge | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Gains (Losses) |
|---|---|---|---|---|---|
| Goodwill | 613,876 | | | $ 341,592 | $ (272,284) |
| | 613,876 | | | $ 341,592 | $ (272,284) |

In accordance with SFAS No. 142, goodwill with a carrying amount of $613,876 was written down to its implied fair value of $341,592, resulting in an impairment charge of $272,284, of which $272,006 was recorded as an impairment loss and $277 was recorded as a charge to cumulative translation adjustment in the accompanying balance sheet as of December 31, 2008. For the year ended December 31, 2007, we recorded an impairment charge of $13,360, of which $13,094 was recorded as an impairment loss and $266 was recorded as a charge to cumulative translation adjustment in the accompanying balance sheet as of December 31, 2007.

**3. Business combinations:**

***(a) Acquisitions During the Year Ended December 31, 2008:***

During the year ended December 31, 2008, we acquired substantially all the assets or all of the equity interests in four oilfield service companies, for $180,154 in cash, resulting in goodwill of $71,209. Several of these acquisitions are subject to final working capital adjustments.

(i) On February 29, 2008, we acquired substantially all of the assets of KR Fishing & Rental, Inc. ( KR Fishing & Rental ) for $9,464 in cash, 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 located in Rangely, Colorado. We believe this acquisition complements our completion and production services business in the Rocky Mountain region.

(ii) On April 15, 2008, we acquired all the outstanding common stock of Frac Source Services, Inc. ( Frac Source ), a provider of pressure pumping services to customers in the Barnett Shale of north Texas, for $62,359 million in cash, net of cash acquired, which includes a working capital adjustment of $1,600 and recorded goodwill of $15,431. Upon closing this transaction, we entered into a contract with one of our major customers to provide pressure pumping services in the Barnett Shale utilizing three frac fleets under a contract with a term that extends up to three years from the date each fleet is placed into service. We spent an additional $20,000 in 2008 on capital equipment related to these contracted frac fleets. Thus, our total investment in this operation was approximately $82,400. We believe this acquisition expands our pressure pumping business in north Texas and that the related contract provides a stable revenue stream from which to expand our pressure pumping business outside of this region.

(iii) On October 3, 2008, we acquired all of the membership interests of TSWS Well Services, LLC ( TSWS ), 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 $57,163 in cash, and prepaid an additional $1,000 related to an employee retention bonus pool. We also recorded goodwill totaling $21,911. The purchase price allocation associated with this acquisition has not yet been completed. We believe this acquisition extends our geographic reach into the Haynesville Shale area.

(iv) On October 4, 2008, we acquired substantially all of the assets of Appalachian Well Services, Inc. and its wholly-owned subsidiary ( AWS ), each of which is based in Shelocta, Pennsylvania. This business provides pressure pumping, e-line and coiled tubing services in the Appalachian region, and includes a service

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

area which extends through portions of Pennsylvania, West Virginia, Ohio and New York. As consideration for the purchase, we paid $50,168 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 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. We recorded goodwill of approximately $27,456 associated with this acquisition. 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.

We accounted for 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 each of these acquisitions were included in our accounts and results of operations since the date of acquisition, and goodwill associated with these acquisitions 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 December 31, 2008, several of which are yet to be finalized:

| | KR Fishing & Rental | Frac Source | TSWS | AWS | Totals |
|---|---|---|---|---|---|
| Net assets acquired: | | | | | |
| Property, plant and equipment | $ 2,673 | $ 41,172 | $ 28,852 | $ 24,140 | $ 96,837 |
| Non-cash working capital | 50 | (2,085) | 1,000 | 3,226 | 2,191 |
| Intangible assets | 330 | 6,810 | 6,400 | 4,200 | 17,740 |
| Deferred tax asset | | 1,031 | | | 1,031 |
| Goodwill | 6,411 | 15,431 | 21,911 | 27,456 | 71,209 |
| Net assets acquired | $ 9,464 | $ 62,359 | $ 58,163 | $ 59,022 | $ 189,008 |
| Consideration: | | | | | |
| Cash, net of cash and cash equivalents acquired | $ 9,464 | $ 62,359 | $ 58,163 | $ 50,168 | $ 180,154 |
| Debt assumed in acquisition | | | | 8,854 | 8,854 |
| Total consideration | $ 9,464 | $ 62,359 | $ 58,163 | $ 59,022 | $ 189,008 |

The purchase price of each of the businesses that we acquire is negotiated as an arm s length transaction with the seller. We generally evaluate acquisition targets based on an earnings multiple approach, whereby we consider precedent transactions which we have undertaken and those of others in our industry.

In accordance with SFAS No. 157, we determined the fair value of assets and liabilities acquired through these business acquisitions as of the acquisition date by retaining third-party consultants to perform valuation techniques related to identifiable intangible assets and to evaluate property, plant and equipment acquired based upon, at minimum, the replacement cost of the assets. Working capital items were deemed to be acquired at fair market value. Of the total intangible assets acquired, $14,010 related to customer relationship intangibles determined by applying an income approach over the expected term, allowing for customer attribution at an assumed rate. We considered these factors when determining the goodwill impairment recorded at December 31, 2008 pursuant to SFAS No. 142. Of the businesses acquired in 2008, an insignificant portion of the goodwill associated with the acquisitions of TSWS and AWS was deemed impaired at December 31, 2008.

Table of Contents

COMPLETE PRODUCTION SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

***(b) Acquisitions During the Year Ended December 31, 2007:***

During the year ended December 31, 2007, we acquired substantially all the assets or all of the equity interests in six oilfield service businesses, and the remaining 50% interest in our Canadian joint venture, for $49,691 in cash, resulting in goodwill of $19,391. Several of these acquisitions were subject to final working capital adjustments. These acquisitions in 2007 were as follows:

(v) On January 4, 2007, we acquired substantially all of the assets of a company located in LaSalle, Colorado, which provides frac tank rental and fresh water hauling services to customers in the Wattenburg Field of the DJ Basin, which supplements our fluid handling and rental business in the Rocky Mountain region.

(vi) On February 28, 2007, we acquired substantially all of the assets of a company located in Greeley, Colorado, which provides fluid handling and fresh frac water heating services to customers in the Wattenburg Field of the DJ Basin, which also supplements our fluid handling business in the Rocky Mountain region.

(vii) On April 1, 2007, we acquired substantially all of the assets of a company located in Borger, Texas, which provides fluid handling and disposal services to customers in the Texas panhandle. We believe this acquisition complements certain operations that we acquired in 2006 within the Texas panhandle area and broadens our ability to provide fluid handling and disposal services throughout the Mid-continent region.

(viii) On June 8, 2007, we acquired all the membership interests in a business located in Rangely, Colorado, which provides rig workover and roustabout services to customers in the Rangely Weber Sand Unit and northern Piceance Basin area. This acquisition expands our geographic reach in the northern Piceance Basin, expands our workover rig capabilities and provides a beneficial customer relationship.

(ix) On October 18, 2007, we acquired all of the outstanding common stock of a company located in Kilgore, Texas, which provides remedial cement and acid services used in pressure pumping operations to customers throughout the east Texas region. This acquisition supplements our pressure pumping business and expands our presence in east Texas.

(x) On November 30, 2007, we acquired substantially all of the assets of a company located in Greeley, Colorado, which is an e-line service provider to customers in the Wattenberg Field of the DJ Basin. This acquisition supplements our completion and production services business in the Rocky Mountain region.

(xi) On December 31, 2007, we acquired the remaining 50% interest in our joint venture in Canada for approximately $1,600. This transaction resulted in a decrease in goodwill of $595, as the amount paid was less than the minority interest liability related to this operation just prior to the acquisition. This company provides optimization services in the Canadian market.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

We accounted for 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 each of these acquisitions were included in our accounts and results of operations since the date of acquisition, and goodwill associated with these acquisitions was allocated entirely to the completion and production services business segment. We do not deem these acquisitions to be significant to our consolidated operations for the year ended December 31, 2007. The following table summarizes our purchase price allocations for these acquisitions as of December 31, 2007:

| | |
|---|---|
| Net assets acquired: | |
| Property, plant and equipment | $ 25,081 |
| Non-cash working capital | 1,397 |
| Minority interest liability | 2,188 |
| Intangible assets | 2,144 |
| Long-term deferred tax liabilities | (510) |
| Goodwill | 19,391 |
| Net assets acquired | $ 49,691 |
| Consideration: | |
| Cash, net of cash and cash equivalents acquired | $ 49,691 |

The purchase price of each of the businesses that we acquire is negotiated as an arm s length transaction with the seller. We generally evaluate acquisition targets based on an earnings multiple approach, whereby we consider precedent transactions which we have undertaken and those of others in our industry. To determine the fair value of assets acquired, we generally retain third-party consultants to perform valuation techniques related to 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.

***(c) Acquisitions During the Year Ended December 31, 2006:***

*(i) Outpost Office Inc. ( Outpost ):*

On January 3, 2006, we acquired all of the operating assets of Outpost Office Inc., an oilfield equipment rental company based in Grand Junction, Colorado, for $6,542 in cash, and recorded goodwill of $2,348, which has been allocated entirely to the completion and production services business segment. We believe this acquisition supplemented our completion and production services business in the Rocky Mountain Region.

*(ii) The Rosel Company ( Rosel ):*

On January 25, 2006, we acquired all the equity interests of The Rosel Company, a cased-hole and open-hole electric-line business based in Liberal, Kansas, for $11,953, in cash, net of cash acquired and debt assumed, and recorded goodwill of $7,997 resulting from this acquisition, which has been allocated entirely to the completion and production services business segment. We believe this acquisition expanded our presence in the Mid-continent region and enhanced our completion and production services business.

*(iii) The Arkoma Group of Companies ( Arkoma ):*

On June 30, 2006, we acquired certain operating assets of J&M Rental Tool, Inc. dba Arkoma Machine & Fishing Tools, Arkoma Machine Shop, Inc. and N&M Supply, LLC, collectively referred to as The Arkoma Group of Companies, a provider of rental tools, machining and fishing services in the Fayetteville Shale and Arkoma Basin, located in Ft. Smith, Arkansas. We paid $18,002 in cash to acquire Arkoma, subject to a final working capital adjustment, and recorded goodwill totaling $8,993, which has been allocated entirely to the completion and

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

production services business segment. We believe this acquisition provides a platform to further expand our presence in the Fayetteville Shale and Arkoma Basin and supplement our completion and production services business in that region.

*(iv) CHB Holdings Partnership, Ltd. ( CHB ):*

On July 17, 2006, we acquired all the assets of CHB Holdings Partnership, Ltd., a fluid handling and disposal services business located in Henderson, Texas, for $12,738 in cash, and recorded goodwill of $8,087, which was allocated entirely to the completion and production services business segment. We believe this acquisition is complementary to our fluid handling business in the Bossier Trend region of east Texas.

*(v) Turner Group of Companies ( Turner ):*

On July 28, 2006, we acquired all of the outstanding equity interests of the Turner Group of Companies (Turner Energy Services, LLC, Turner Energy SWD, LLC, T. & J. Energy, LLC, T. & J. SWD, LLC and Lloyd Jones Well Service, LLC) for $54,328 in cash, after a final working capital adjustment, and recorded goodwill totaling $16,046. The Turner Group of Companies ( Turner ) is based in the Texas panhandle in Canadian, Texas, and owns a fleet of well service rigs, and provides other wellsite services such as fishing, equipment rental, fluid handling and salt water disposal services. We included the accounts of Turner in our completion and production services business segment and believe that Turner supplements our completion and production business in the Mid-continent region.

*(vi) Quinn Well Control Ltd. ( Quinn ):*

On July 31, 2006, we acquired certain assets of Quinn Well Control Ltd., a slick line business located in Grande Prairie, Alberta, Canada, for $8,876 in cash and recorded goodwill of $4,247. We included the accounts of Quinn in our completion and production services business segment. We believe this acquisition enhances our Canadian slick-line business and expands our geographic reach in northern Alberta and northeast British Columbia.

*(vii) Pinnacle Drilling Co., L.L.C. ( Pinnacle ):*

On August 1, 2006, we acquired substantially all of the assets of Pinnacle Drilling Co., L.L.C., a drilling company located in Tolar, Texas, for $31,703 in cash and recorded goodwill totaling $1,049. In addition, we paid $1,073 in cash related to this equipment during the fourth quarter of 2006. In 2007, we received $579 from the seller related to certain pre-acquisition contingencies, resulting in a decrease in goodwill. Pinnacle operates three drilling rigs, two in the Barnett Shale region in north Texas and one in east Texas. We included the accounts of Pinnacle in our drilling services business segment. We believe this acquisition increased our presence in the Barnett Shale of north Texas and the Bossier Trend of east Texas and expands our capacity to drill deep and horizontal wells, which are sought by our customers in this region.

*(viii) Oilfield Airfoam and Rentals I, LP ( Airfoam ):*

On August 15, 2006, we acquired substantially all of the assets of Oilfield Airfoam and Rentals I, LP, a fishing and rental services business located in Pocola, Oklahoma, with operations in eastern Oklahoma and western Arkansas, for $6,939 in cash and recorded goodwill totaling $3,115. We paid an additional $1,180 in cash for capital equipment in process at the time of the acquisition but not received until October 2006. We included Airfoam in our completion and production services business segment. We believe this acquisition complements our completion services business in the Fayetteville Shale.

*(ix) Scientific Microsystems Inc. ( SMI ):*

On August 31, 2006, we acquired all the outstanding common stock of Scientific Microsystems, Inc., for $2,900 in cash at closing and an additional $200 final working capital adjustment, and recorded goodwill totaling

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

$1,774. SMI is located in Waller, Texas, and is a manufacturer of a conventional line of plunger lift systems and related controllers, and a provider of related engineering services. In 2007, we paid $800 pursuant to an earn-out agreement with the former owners of SMI, based upon certain defined operating targets for the period from the date of acquisition through September 30, 2007. We included SMI in our completion and production services business segment. We believe the artificial lift systems manufactured by SMI complements our proprietary Pacemaker Plunger[tm] product.

*(x) Drilling Fluid Services, LLC ( DFS ) and KCL Company, LLC ( KCL ):*

On September 15, 2006, we acquired substantially all of the assets of Drilling Fluid Services, LLC and KCL Company, LLC, each of which is located in Greeley, Colorado, and provide chemicals used for completion services to customers in the Wattenberg Field of the Denver-Julesburg Basin in Colorado. We paid a total of $4,250 in cash, or $2,125 each, to acquire DFS and KCL, and recorded goodwill of $1,872 and $1,847, respectively. We have included the operations of DFS and KCL in our completion and production services business segment. We believe these companies complement our completion and production services business in the Rocky Mountain region.

*(xi) Anderson Water Well Service, Ltd. ( Anderson ):*

On September 29, 2006, we acquired substantially all of the assets of Anderson Water Well Service, Ltd., located in Bridgeport, Texas, for $10,760 in cash and we recorded goodwill totaling $7,914. In addition, we issued 38,268 shares of our non-vested restricted stock to the former owners of Anderson, valued at the closing price of our common stock on September 29, 2006, or an aggregate of $755, which will be expensed ratably through September 29, 2008. Anderson drills wells to source water used for hydraulic fractures in the Barnett Shale. We have included the operations of Anderson in our completion and production services business segment. We believe the acquisition of Anderson strengthens our current water well-drilling business in the Barnett Shale area.

*(xii) Jim Lee Trucking, Inc. ( Jim Lee ):*

On October 13, 2006, we acquired substantially all the assets of Jim Lee Trucking, Inc. ( Jim Lee ), a company located in Rock Springs, Wyoming, for $5,000 in cash and we recorded goodwill totaling $3,842. Jim Lee is engaged in the business of hauling barite and other additives for customers in the Greater Green River Basin. We included the accounts of Jim Lee in our completion and production services business segment from the date of acquisition. We believe this acquisition is complementary to our completion and production services business in the Rocky Mountain region.

*(xiii) Brothers Group of Companies ( Brothers ):*

On October 13, 2006, we acquired substantially all the assets of Brothers Industries, Ltd., Brothers Well Service, Ltd., Brothers Trucking Service, Ltd., Brothers Supply Company, Ltd., and BWS Vacuum Service, Ltd., collectively the Brothers Industries Group of Companies ( Brothers ) for $6,936 in cash and we recorded goodwill totaling $2,859. Brothers is located in El Campo, Texas, and provides various completion and production services, and has supply store operations. We included the accounts of Brothers in our completion and production services business segment from the date of acquisition. We believe this acquisition supplements our completion and production services business in the Texas region and expands our availability of products throughout the geographic regions we serve.

*(xiv) Femco Group of Companies ( Femco ):*

On October 19, 2006, we acquired substantially all the assets of Femco Services, Inc., R&S Propane, Inc. and Webb Dozer Service, Inc. (collectively, Femco ), a group of companies located in Lindsay, Oklahoma for $35,991 in cash, and we recorded goodwill totaling $11,189. Femco provides fluid handling, frac tank rental, propane distribution and fluid disposal services throughout southern central Oklahoma. We included the accounts of Femco

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

in our completion and production services business segment from the date of acquisition. We believe this acquisition expands our presence in the Fayetteville Shale and enhances our completion and production services business in the Mid-continent region.

*(xv) Pumpco Services, Inc. ( Pumpco ):*

On November 8, 2006, we acquired Pumpco Services, Inc., a provider of pressure pumping services in the Barnett Shale play of north Texas, which owns and operates a fleet of pressure pumping units. Consideration for the acquisition included $144,635 in cash, net of cash received, and the issuance of 1,010,566 shares of our common stock, which was valued at the closing price listed on the New York Stock Exchange on November 8, 2006. The number of shares issued was negotiated with the seller, a related party. A fairness opinion was obtained from a third-party as to the value assigned to the common stock of Pumpco, which was used by us to negotiate the purchase price. In addition, Pumpco had debt outstanding of approximately $30,250 at the time of the acquisition. We recorded goodwill totaling $148,551 associated with this acquisition. We included the accounts of Pumpco in our completion and production services business segment from the date of acquisition. This acquisition allowed us to enter the pressure pumping business in the active Barnett Shale region of north Texas. In 2007, we reclassified $2,017 of the goodwill associated with the Pumpco acquisition to identifiable intangible assets and began amortizing this cost over the estimated lives of the related intangible assets. In addition, we reduced the goodwill balance by an additional $3,136 related to deferred tax liabilities which were deemed no longer necessary based on our 2006 tax return filings in 2007.

Results for each of these acquisitions have been included in our accounts and results of operations since the date of acquisition. The following tables summarize the purchase price allocations as of December 31, 2006 by geographic area, as indicated.

| **Texas US:** | **CHB** | **Pinnacle** | **Anderson** | **SMI** | **Brothers** | **Pumpco** | **Totals** |
|---|---|---|---|---|---|---|---|
| Net assets acquired: | | | | | | | |
| Property, plant and equipment | $ 4,319 | $ 31,452 | $ 2,842 | $ 169 | $ 4,201 | $ 45,976 | $ 88,959 |
| Non-cash working capital | | | | 564 | (424) | 5,441 | 5,581 |
| Intangible assets | 332 | 275 | 4 | 393 | 300 | 1,000 | 2,304 |
| Deferred tax liabilities | | | | | | (4,659) | (4,659) |
| Goodwill | 8,087 | 1,049 | 7,914 | 1,774 | 2,859 | 148,551 | 170,234 |
| Net assets acquired | $ 12,738 | $ 32,776 | $ 10,760 | $ 2,900 | $ 6,936 | $ 196,309 | $ 262,419 |
| Consideration: | | | | | | | |
| Cash, net of cash and cash equivalents acquired | $ 12,738 | $ 32,776 | $ 10,760 | $ 2,900 | $ 6,936 | $ 144,635 | $ 210,745 |
| Debt assumed in acquisition | | | | | | 30,250 | 30,250 |
| | | | | | | 21,424 | 21,424 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Common stock issued for acquisition (1,010,566 shares) | | | | | | | |
| Total consideration | $ 12,738 | $ 32,776 | $ 10,760 | $ 2,900 | $ 6,936 | $ 196,309 | $ 262,419 |

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

| **Mid-continent US:** | **Arkoma** | **Turner** | **Airfoam** | **Rosel** | **Femco** | **Totals** |
|---|---|---|---|---|---|---|
| Net assets acquired: | | | | | | |
| Property, plant and equipment | $ 6,099 | $ 31,313 | $ 4,829 | $ 5,615 | $ 20,226 | $ 68,082 |
| Non-cash working capital | 2,496 | 6,914 | | 379 | 4,426 | 14,215 |
| Intangible assets | 414 | 55 | 175 | 341 | 150 | 1,135 |
| Deferred tax liabilities | | | | (1,845) | | (1,845) |
| Goodwill | 8,993 | 16,046 | 3,115 | 7,997 | 11,189 | 47,340 |
| Net assets acquired | $ 18,002 | $ 54,328 | $ 8,119 | $ 12,487 | $ 35,991 | $ 128,927 |
| Consideration: | | | | | | |
| Cash, net of cash and cash equivalents acquired | $ 18,002 | $ 54,328 | $ 8,119 | $ 11,953 | $ 35,991 | $ 128,393 |
| Debt assumed in acquisition | | | | 534 | | 534 |
| Total consideration | $ 18,002 | $ 54,328 | $ 8,119 | $ 12,487 | $ 35,991 | $ 128,927 |

| | Rocky Mountains US | | | | Canada | |
|---|---|---|---|---|---|---|
| **Other:** | **Outpost** | **KCL** | **DFS** | **Jim Lee** | **Quinn** | **Totals** |
| Net assets acquired: | | | | | | |
| Property, plant and equipment | $ 4,297 | $ 225 | $ 200 | $ 1,008 | $ 4,066 | $ 9,796 |
| Non-cash working capital | (225) | | | | 45 | (180) |
| Intangible assets | 122 | 53 | 53 | 150 | 518 | 896 |
| Goodwill | 2,348 | 1,847 | 1,872 | 3,842 | 4,247 | 14,156 |
| Net assets acquired | $ 6,542 | $ 2,125 | $ 2,125 | $ 5,000 | $ 8,876 | $ 24,668 |
| Consideration: | | | | | | |
| Cash, net of cash and cash equivalents acquired | $ 6,542 | $ 2,125 | $ 2,125 | $ 5,000 | $ 8,876 | $ 24,668 |

| **Overall Summary:** | **Texas** | **Mid-Continent** | **Rocky Mountains** | **Canada** | **Totals** |
|---|---|---|---|---|---|
| Net assets acquired: | | | | | |
| Property, plant and equipment | $ 88,959 | $ 68,082 | $ 5,730 | $ 4,066 | $ 166,837 |
| Non-cash working capital | 5,581 | 14,215 | (225) | 45 | 19,616 |
| Intangible assets | 2,304 | 1,135 | 378 | 518 | 4,335 |

| | | | | | |
|---|---|---|---|---|---|
| Deferred tax liabilities | (4,659) | (1,845) | | | (6,504) |
| Goodwill | 170,234 | 47,340 | 9,909 | 4,247 | 231,730 |
| Net assets acquired | $ 262,419 | $ 128,927 | $ 15,792 | $ 8,876 | $ 416,014 |
| Consideration: | | | | | |
| Cash, net of cash and cash equivalents acquired | $ 210,745 | $ 128,393 | $ 15,792 | $ 8,876 | $ 363,806 |
| Debt assumed in acquisition | 30,250 | 534 | | | 30,784 |
| Common stock issued for acquisition (1,010,566 shares) | 21,424 | | | | 21,424 |
| Total consideration | $ 262,419 | $ 128,927 | $ 15,792 | $ 8,876 | $ 416,014 |

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

***(d) Pro Forma Results:***

We calculated the pro forma impact of the businesses we acquired on our operating results for the years ended December 31, 2008 and 2007. The following pro forma results give effect to each of these acquisitions, assuming that each occurred on January 1, 2008 and 2007, as applicable.

We derived the pro forma results of these acquisitions based upon historical financial information obtained from the sellers and certain management assumptions. In addition, we assumed debt service costs related to these acquisitions based upon the actual cash investments, calculated at a rate of 7% per annum, less an assumed tax benefit calculated at our statutory rate of 35%. Each of these acquisitions related to our continuing operations, and, thus, had no pro forma impact on discontinued operations presented on the accompanying statements of operations.

The following pro forma results do not purport to be indicative of the results that would have been obtained had the transactions described above been completed on the indicated dates or that may be obtained in the future.

| | Pro Forma Results For the Year Ended December 31, | |
|---|---|---|
| | 2008 | 2007 |
| Revenue | $ 1,905,518 | $ 1,587,040 |
| Income before taxes and minority interest | $ 4,244 | $ 245,693 |
| Net income (loss) from continuing operations | $ (74,090) | $ 156,535 |
| Net income (loss) | $ (78,949) | $ 167,978 |
| Earnings (loss) per share: | | |
| Basic | $ (1.07) | $ 2.33 |
| Diluted | $ (1.07) | $ 2.29 |

## 4. Accounts receivable:

| | 2008 | 2007 |
|---|---|---|
| Trade accounts receivable | $ 292,777 | $ 251,361 |
| Related party receivables(a) | 11,631 | 8,048 |
| Unbilled revenue | 39,749 | 41,334 |
| Notes receivable | 283 | 3,378 |
| Other receivables | 4,889 | 7,048 |
| | 349,329 | 311,169 |
| Allowance for doubtful accounts | 5,976 | 5,487 |

| | | |
|---|---|---|
| | $ 343,353 | $ 305,682 |

(a) See Note 19, Related Party Transactions.

The following table summarizes the change in our allowance for doubtful accounts for the years ended December 31, 2008, 2007 and 2006:

| Year Ended | Balance at Beginning of Period | Additions Charged to Expense | Write-offs or Adjustments | Balance at End of Period |
|---|---|---|---|---|
| 2008 | $ 5,487 | $ 4,344 | $ (3,855) | $ 5,976 |
| 2007 | $ 2,181 | $ 6,613 | $ (3,307) | $ 5,487 |
| 2006 | $ 1,872 | $ 2,102 | $ (1,793) | $ 2,181 |

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

## 5. Inventory:

| | 2008 | 2007 |
|---|---|---|
| Finished goods | $ 20,915 | $ 22,235 |
| Manufacturing parts, materials and fuel | 16,353 | 9,055 |
| Work in process | 5,333 | 257 |
| | 42,601 | 31,547 |
| Inventory reserves | 710 | 1,670 |
| | $ 41,891 | $ 29,877 |

## 6. Property, plant and equipment:

| December 31, 2008 | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Land | $ 10,078 | $ | $ 10,078 |
| Building | 20,155 | 2,097 | 18,058 |
| Field equipment | 1,314,104 | 359,385 | 954,719 |
| Vehicles | 152,297 | 49,826 | 102,471 |
| Office furniture and computers | 16,069 | 6,736 | 9,333 |
| Leasehold improvements | 23,679 | 3,193 | 20,486 |
| Construction in progress | 51,308 | | 51,308 |
| | $ 1,587,690 | $ 421,237 | $ 1,166,453 |

| December 31, 2007 | Cost | Accumulated 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 December 31, 2008 and 2007 primarily included progress payments to vendors for equipment to be delivered in future periods and component parts to be used in final assembly of operating equipment, which in all cases were not yet placed into service at the time. For the years ended December 31, 2008 and 2007, we recorded capitalized interest of $4,458 and $3,922, 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.

COMPLETE PRODUCTION SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

## 7. Intangible assets:

| Description | Term (In months) | As of December 31, 2008 Historical Cost | Accumulated Amortization | Net Book Value | As of December 31, 2007 Historical Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|---|---|---|---|
| Patents and trademarks | 60 to 120 | $ 5,448 | $ 864 | $ 4,584 | $ 4,026 | $ 937 | $ 3,089 |
| Contractual agreements | 24 to 120 | 10,555 | 5,284 | 5,271 | 9,150 | 3,621 | 5,529 |
| Customer lists and other | 36 to 60 | 17,244 | 3,837 | 13,407 | 3,192 | 1,204 | 1,988 |
| Totals | | $ 33,247 | $ 9,985 | $ 23,262 | $ 16,368 | $ 5,762 | $ 10,606 |

We recorded amortization expense associated with intangible assets of continuing operations totaling $5,248, $2,918 and $1,662 for the years ended December 31, 2008, 2007 and 2006, respectively. We expect to record amortization expense associated with these intangible assets for the next five years approximating: 2009 $5,782; 2010 $7,630; 2011 $5,123; 2012 $3,000; and 2013 $1,619.

## 8. Deferred financing costs:

| | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| **December 31, 2008** | | | |
| Deferred financing costs | $ 16,649 | $ 4,186 | $ 12,463 |
| **December 31, 2007** | | | |
| Deferred financing costs | $ 16,649 | $ 2,455 | $ 14,194 |

We incurred deferred financing costs during 2006 related to the issuance of our senior notes in December 2006 totaling $13,414 and $718 associated with the amendment of our existing term loan and revolving credit facility.

We assumed the debt of Pumpco upon acquisition on November 11, 2006. In December 2006, we retired all outstanding borrowings under the Pumpco term loan facility and incurred a $170 charge to expense the remaining unamortized deferred financing costs.

## 9. Taxes:

Tax expense (benefit) from continuing operations consisted of:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Domestic: | | | |
| Current income taxes | $ 44,754 | $ 43,687 | $ 38,107 |
| Deferred income taxes | 24,738 | 38,786 | 27,138 |
| | 69,492 | 82,473 | 65,245 |
| Foreign: | | | |
| Current income taxes | 9,256 | 7,148 | 3,585 |
| Deferred income taxes (benefit) | (4,180) | (2,770) | 1,686 |
| | 5,076 | 4,378 | 5,271 |
| Tax expense continuing operations | $ 74,568 | $ 86,851 | $ 70,516 |

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

We operate in several tax jurisdictions. A reconciliation of the U.S. federal income tax rate of 35% for the years ended December 31, 2008, 2007 and 2006 to our effective income tax rate follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Expected provision for taxes: | $ (2,110) | $ 82,728 | $ 68,412 |
| Increase (decrease) resulting from foreign tax rate differential | 280 | 2,626 | (1,756) |
| (Increase) decrease in foreign deferred taxes | 746 | (760) | |
| State taxes, net of federal benefit | 5,021 | 6,501 | 4,995 |
| Non-deductible expenses | 70,619 | (2,296) | (1,282) |
| Other, net | 12 | (1,948) | 147 |
| Tax expense continuing operations | $ 74,568 | $ 86,851 | $ 70,516 |

The net deferred income tax liability from continuing operations was comprised of the tax effect of the following temporary differences:

| | 2008 | 2007 |
|---|---|---|
| Deferred income tax assets: | | |
| Net operating loss | $ 1,746 | $ 445 |
| Goodwill and intangible assets | 5,086 | |
| Accrued liabilities and other | 8,089 | 3,500 |
| Stock-based compensation costs | 5,105 | 3,843 |
| | 20,026 | 7,788 |
| Less valuation allowance | (270) | (290) |
| | 19,756 | 7,498 |
| Deferred income tax liabilities: | | |
| Property, plant and equipment | (153,148) | (119,182) |
| Goodwill | | (10,417) |
| Other | (14,256) | (4,720) |
| | (167,404) | (134,319) |
| Net deferred income tax liability | $ (147,648) | $ (126,821) |

The net deferred income tax liability consisted of:

| | 2008 | 2007 |
|---|---|---|
| Domestic | $ (143,793) | $ (119,055) |
| Foreign | (3,855) | (7,766) |
| | $ (147,648) | $ (126,821) |

Net operating loss carryforwards are included in the determination of our deferred tax asset at December 31, 2008. We will need to generate future taxable income of approximately $5,465 in order to fully utilize our net operating loss carryforwards.

We had U.S. loss carryforwards of $2,535 at December 31, 2008 and no U.S. loss carryforwards at December 31, 2007. We have a $2,930 foreign non-capital loss carryforward at December 31, 2008, compared to $1,534 at December 31, 2007.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

No deferred income taxes were provided on $11,989 of undistributed earnings of foreign subsidiaries as of December 31, 2008, as we intend to indefinitely reinvest these funds. Upon distribution of these earnings in the form of dividends or otherwise, we may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of taxes that may be payable on the eventual distribution of these earnings after consideration of available foreign tax credits.

We adopted FASB Interpretation No. 48 entitled Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, referred to as FIN 48, as of January 1, 2007. FIN 48 clarifies the accounting for uncertain tax positions that may have been taken by an entity. Specifically, FIN 48 prescribes a more-likely-than-not recognition threshold to measure a tax position taken or expected to be taken in a tax return through a two-step process: (1) determining whether it is more likely than not that a tax position will be sustained upon examination by taxing authorities, after all appeals, based upon the technical merits of the position; and (2) measuring to determine the amount of benefit/expense to recognize in the financial statements, assuming taxing authorities have all relevant information concerning the issue. The tax position is measured at the largest amount of benefit/expense that is greater than 50 percent likely of being realized upon ultimate settlement. This pronouncement also specifies how to present a liability for unrecognized tax benefits in a classified balance sheet, but does not change the classification requirements for deferred taxes. Under FIN 48, if a tax position previously failed the more-likely-than-not recognition threshold, it should be recognized in the first subsequent financial reporting period in which the threshold is met. Similarly, a position that no longer meets this recognition threshold should no longer be recognized in the first financial reporting period in which the threshold is no longer met.

We performed an examination of our tax positions and calculated the cumulative amount of our estimated exposure by evaluating each issue to determine whether the impact exceeded the 50 percent threshold of being realized upon ultimate settlement with the taxing authorities. Based upon this examination, we determined that the aggregate exposure under FIN 48 did not have a material impact on our financial statements during the years ended December 31, 2008 and 2007. Therefore, we have not recorded an adjustment to our financial statements related to the adoption of FIN 48. We will continue to evaluate our tax positions in accordance with FIN 48, and recognize any future impact under FIN 48 as a charge to income in the applicable period in accordance with the standard. Our tax filings for tax years 2005 to 2007 remain open for examination by taxing authorities.

Our accounting policy related to income tax penalties and interest assessments is to accrue for these costs and record a charge to selling, general and administrative expense for tax penalties and a charge to interest expense for interest assessments during the period that we take an uncertain tax position through resolution with the taxing authorities or the expiration of the applicable statute of limitations. We did not record any significant amounts related to penalties and interest during the years ended December 31, 2008, 2007 and 2006.

In May 2007, the FASB issued FASB Staff Position FIN 48-1, an amendment to FIN 48, which provides guidance on how an entity is to determine whether a tax position has effectively settled for purposes of recognizing previously unrecognized tax benefits. Specifically, this guidance states that an entity would recognize a benefit when a tax position is effectively settled using the following criteria: (1) the taxing authority has completed its examination including all appeals and administrative reviews; (2) the entity does not plan to appeal or litigate any aspect of the tax position; and (3) it is remote that the taxing authority would examine or reexamine any aspect of the tax position, assuming the taxing authority has full knowledge of all relevant information relative to making their assessment on the position. We will apply this guidance going forward, as applicable.

**10. Notes payable:**

On January 5, 2006, we entered into a note agreement with our insurance broker to finance our annual insurance premiums for the policy year beginning December 1, 2005 through November 30, 2006. As of December 31, 2005, we recorded a note payable totaling $14,584 and an offsetting prepaid asset which included a broker s fee. We amortized the prepaid asset to expense over the policy term, and incurred finance charges totaling $268 as interest expense related to this arrangement during 2006. This policy was renewed for the policy term

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

beginning December 1, 2006 through November 30, 2007, pursuant to which we recorded a note payable and an offsetting prepaid asset totaling $17,087 as of December 31, 2006, which included a broker s fee. Of this liability, $10,190 was paid on January 5, 2007, and the remainder was paid during the policy term. We entered into a new 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 this prepaid asset, we recorded $3,257 as a long-term asset at December 31, 2007. At December 31, 2008, this note balance totaled $1,353 and was classified as a current liability.

**11. Long-term debt:**

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

| | 2008 | 2007 |
|---|---|---|
| U.S. revolving credit facility(a) | $ 186,000 | $ 160,000 |
| Canadian revolving credit facility(a) | 7,495 | 12,219 |
| 8% senior notes(b) | 650,000 | 650,000 |
| Subordinated seller notes(c) | 3,450 | 3,450 |
| Capital leases and other(d) | 700 | 714 |
| | 847,645 | 826,383 |
| Less: current maturities of long-term debt and capital leases | 3,803 | 398 |
| | $ 843,842 | $ 825,985 |

(a) We maintain a senior secured credit facility (the Credit Agreement ) with Wells Fargo Bank, National Association, as U.S. Administrative Agent, and certain other financial institutions. The Credit Agreement provides for a $360,000 U.S. revolving credit facility that matures in 2011 and a $40,000 Canadian revolving credit facility (with Integrated Production Services, Ltd., one of our wholly-owned subsidiaries, as the borrower thereof) that matures in 2011. The U.S. revolving credit facility includes a provision for a commitment increase clause, as defined in the Credit Agreement, which permits us to effect up to two separate increases in the aggregate commitments under the facility by designating a participating lender to increase its commitment, by mutual agreement, in increments of at least $50,000, with the aggregate of such commitment increases not to exceed $100,000, and in accordance with other provisions as stipulated in the amendment. Certain portions of the credit facilities are available to be borrowed in U.S. dollars, Canadian dollars, Pounds Sterling, Euros and other currencies approved by the lenders.

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

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

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 December 31, 2008.

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

All of the obligations under the U.S. portion of the Credit Agreement are secured by first priority liens on substantially all of the assets of our U.S. subsidiaries as well as a pledge of approximately 66% of the stock of our first-tier foreign subsidiaries. Additionally, all of the obligations under the U.S. portion of the Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries. All of the obligations under the Canadian portions of the Credit Agreement are secured by first priority liens on substantially all of the assets of our subsidiaries. Additionally, all of the obligations under the Canadian portions of the Credit Agreement are guaranteed by us as well as certain of our subsidiaries.

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

All borrowings outstanding under the term loan portion of the amended Credit Agreement bore interest at 7.66% through 2006 until the term loan was retired in December 2006. There were no borrowings outstanding under the term loan portion of the facility at December 31, 2008 and 2007. Borrowings under the U.S. revolving facility bore interest at 3.50% and the Canadian revolving credit facility bore interest at rates ranging from 3.75% to 4.00%, or a weighted average of 3.80% at December 31, 2008. For the years ended December 31, 2008 and 2007, the weighted average interest rates on average borrowings under the amended Credit Facility were approximately 3.92% and 6.56%, respectively. 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 December 31, 2008. We incurred fees of 1.25% of the total amount outstanding under letter of credit arrangements through December 31, 2008. Our available borrowing capacity under the U.S. and Canadian revolving facilities at December 31, 2008 was $136,301 and $32,505, respectively.

(b) On December 6, 2006, we issued 8.0% senior notes with a face value of $650,000 through a private placement of debt. The notes mature in 10 years, on December 15, 2016, and require semi-annual interest payments, paid in arrears and calculated based on an annual rate of 8.0%, on June 15 and December 15, of each year, commencing on June 15, 2007. There was no discount or premium associated with the issuance of these notes. The senior notes are guaranteed by all of our current domestic subsidiaries. The senior notes have covenants which, among other things: (1) limit the amount of additional indebtedness we can incur; (2) limit restricted payments such as a dividend; (3) limit our ability to incur liens or encumbrances; (4) limit our ability to purchase, transfer or dispose of significant assets; (5) limit our ability to purchase or redeem stock or subordinated debt; (6) limit our ability to enter into transactions with affiliates; (7) limit our ability to merge with or into other companies or transfer all or substantially all of our assets; and (8) limit our ability to enter into sale and leaseback transactions. We have the option to redeem all or part of these notes on or after December 15, 2011. 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. We used the net proceeds from this note issuance to repay all outstanding borrowings under the term loan portion of our credit facility which totaled

COMPLETE PRODUCTION SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

approximately $415,800, to repay all of the outstanding indebtedness assumed in connection with the acquisition of Pumpco which totaled approximately $30,250 and to repay approximately $192,000 of the outstanding indebtedness under the U.S. revolving credit portion of the credit facility. We paid semi-annual interest payments of $26,000 on June 15 and December 15, 2008 related to these notes, and $27,300 and $26,000 on June 15, 2007 and December 31, 2007, respectively.

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 these 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.

(c) On February 11, 2005, we issued subordinated notes totaling $5,000 to certain sellers of Parchman common shares in connection with the acquisition of Parchman. These notes were unsecured, subordinated to all present and future senior debt and bore interest at 6.0% during the first three years of the note, 8.0% during year four and 10.0% thereafter. The notes matured in early May 2006. On May 3, 2006, we repaid all principal and accrued interest outstanding pursuant to these note agreements totaling $5,029.

We issued subordinated seller notes totaling $3,450 in 2004 related to certain business acquisitions. These notes bear interest at 6% and mature in March 2009.

(d) Included in other outstanding debt at December 31, 2008 was: (1) capital leases totaling $436 which are collateralized by specific assets and bear interest at various rates averaging approximately 8.0% for the years ended December 31, 2008 and 2007; (2) a $145 mortgage loan related to property in Wyoming, which requires annual principal payments of approximately $60, accrues interest at 6.0% and matures in 2012; and (3) loans totaling $119 related to equipment purchases with terms a term of 5 years extending through 2009.

At December 31, 2008, principal maturities under our long-term debt facilities (including capital leases) for the next five years were: 2009 $3,803; 2010 $266; 2011 $193,576; 2012 $0; and 2013 $0. Our senior notes mature in 2016, at a face value of $650,000.

## 12. Stockholders equity:

### *(a) Authorized Share Capital:*

On September 12, 2005, our authorized share capital was increased to 200,000,000 shares of common stock from 24,000,000 shares of common stock with par value of $0.01 per share and to 5,000,000 shares of preferred stock from 1,000 shares of preferred stock with a par value of $0.01 per share.

### *(b) Initial Public Offering:*

On April 26, 2006, we sold 13,000,000 shares of our common stock, $.01 par value per share, in our initial public offering. These shares were offered to the public at $24.00 per share, and we recorded proceeds of approximately

$292,500 after underwriter fees of $19,500. In addition, we incurred transaction costs of $3,865 associated with the issuance that were netted against the proceeds of the offering. Our stock began trading on the New York Stock Exchange on April 21, 2006. We used approximately $127,500 of the proceeds from this offering to retire principal and interest outstanding under the U.S. revolving credit facility as of April 28, 2006. Of the remaining funds, approximately $165,000 was invested in tax-free or tax-advantaged municipal bond funds and similar financial instruments with a term of less than one year. We liquidated these short-term investments during 2006 to purchase capital assets, to acquire complementary businesses and for other general corporate purposes. We considered our short-term investments as held for sale in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, as they did not appreciate or depreciate with changes in market value but rather provided only investment income.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

The following table summarizes the pro forma impact of our initial public offering on earnings per share for the year ended December 31, 2006, assuming the 13,000,000 shares had been issued on January 1, 2006. No pro forma adjustments have been made to net income as reported.

| | 2006 |
|---|---|
| Net income as reported | $ 139,086 |
| Basic earnings per share, as reported: | |
| Continuing operations | $ 1.90 |
| Discontinued operations | $ 0.21 |
| | $ 2.11 |
| Basic earnings per share, pro forma: | |
| Continuing operations | $ 1.79 |
| Discontinued operations | $ 0.20 |
| | $ 1.99 |
| Diluted earnings per share, as reported: | |
| Continuing operations | $ 1.84 |
| Discontinued operations | $ 0.20 |
| | $ 2.04 |
| Diluted earnings per share, pro forma: | |
| Continuing operations | $ 1.73 |
| Discontinued operations | $ 0.20 |
| | $ 1.93 |

***(c) Stock-based Compensation:***

We maintain each of the option plans previously maintained by our predecessor companies. Under the three option plans, stock-based compensation could be granted to employees, officers and directors to purchase up to 2,540,485 common shares, 3,003,463 common shares and 986,216 common shares, respectively. The exercise price of each option is based on the fair value of the individual company s stock at the date of grant. Options may be exercised over a five or ten-year period and generally a third of the options vest on each of the first three anniversaries from the grant date. Upon exercise of stock options, we issue our common stock.

In November 2006, we assumed the stock option plan of Pumpco, which included 145,000 outstanding employee stock options at an exercise price of $5.00 per share. The exercise price of these stock options was $5.00 per share, which was below market price at the date of grant pursuant to the agreed-upon conversion rate negotiated as part of the acquisition. These options vest ratably over a three-year term. Upon exercise of these Pumpco stock options, we issue shares of our common stock.

We adopted SFAS No. 123R on January 1, 2006. This pronouncement requires that 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.

*(i) Employee Stock Options Granted Prior to September 30, 2005:*

As required by SFAS No. 123R, we continue to account for stock-based compensation for grants made prior to September 30, 2005, the date of our initial filing with the Securities and Exchange Commission, using the intrinsic

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

value method prescribed by APB No. 25, whereby no compensation expense is recognized for stock-based compensation grants that have an exercise price equal to the fair value of the stock on the date of grant.

*(ii) Employee Stock Options Granted Between October 1, 2005 and December 31, 2005:*

For grants of stock-based compensation between October 1, 2005 and December 31, 2005 (prior to adoption of SFAS No. 123R), we have utilized the modified prospective transition method to record expense associated with these stock-based compensation instruments. Under this transition method, beginning January 1, 2006, we began to recognize expense related to these option grants over the applicable vesting period, with expense calculated by applying a Black-Scholes pricing model with the following assumptions: risk-free rate of 4.23% to 4.47%; expected term of 4.5 years and no dividend rate. The weighted average fair value of these option grants was $2.05 per share.

For the years ended December 31, 2008, 2007 and 2006, the compensation expense recognized related to these stock options was $270, $307 and $307, respectively, which reduced net income by $174, $200 and $195, respectively. There was no impact on basic and diluted earnings per share from continuing operations as reported for the years ended December 31, 2008, 2007 and 2006 attributable to the compensation expense recognized related to these stock options. These awards were 100% vested at December 31, 2008.

*(iii) Employee Stock Options Granted On or After January 1, 2006:*

For grants of stock-based compensation on or after January 1, 2006, we apply the prospective transition method under SFAS No. 123R, whereby we recognize expense associated with new awards of stock-based compensation ratably, as determined using a Black-Scholes pricing model, over the expected term of the award.

During the years ended December 31, 2008 and 2007, the Compensation Committee of our Board of Directors authorized the grant of 368,596 and 885,700 employee stock options, respectively, 605,176 and 79,110 non-vested restricted shares issuable to our officers and employees, respectively. These stock options and non-vested shares were issued pursuant to this authorization in the respective years. Stock option grants in 2008 had an exercise price which ranged from $8.16 to $34.19 per share. Stock option grants in 2007 had an exercise price which ranged from $17.67 to $27.11 per share. The exercise price represented the fair market value of the shares on the date of grant. These stock option grants vest ratably over a three- to four-year term. Additionally, the directors received grants of stock based compensation during 2008 and 2007, which included 40,000 stock options granted in each of these years which vest ratably over a three-year period. In addition, the directors received 13,456 shares of non-vested restricted stock that vest 100% on May 22, 2009 and 17,144 shares of non-vested restricted stock that vested 100% on May 24, 2008. The fair value of this stock-based compensation was determined by applying a Black-Scholes option pricing model based on the following assumptions:

| | **For the Year Ended December 31,** | |
|---|---|---|
| **Assumptions:** | **2008** | **2007** |
| Risk-free rate | 0.68% to 3.24% | 4.16% to 4.98% |
| Expected term (in years) | 2.2 to 5.1 | 2.2 to 5.1 |
| Volatility | 17% to 27% | 29% to 38% |

| | | |
|---|---|---|
| Calculated fair value per option | \$1.33 to \$6.75 | \$4.21 to \$9.33 |

The weighted average fair values of 2008, 2007 and 2006 stock option grants were \$4.62, \$6.14 and \$9.46, respectively.

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

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

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 last three 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 $15,407 related to our stock option grants made after January 1, 2006. For the years ended December 31, 2008, 2007 and 2006, we have recognized expense related to these stock option grants totaling $5,166, $4,118 and $1,498, respectively, which represents a reduction of net income before taxes and minority interest. The impact on net income was a reduction of $3,332, $2,677 and $956, respectively. The unrecognized compensation costs related to the non-vested portion of these awards was $4,486 as of December 31, 2008 and will be recognized over the applicable remaining vesting periods.

The non-vested restricted shares were granted at fair value on the date of grant. If the restricted non-vested shares are not forfeited, we will recognize compensation expense related to our 2008, 2007 and 2006 grants to officers and employees totaling $14,025, $1,600 and $1,555, respectively, over the three-year vesting period, our grants to directors in 2008, 2007 and 2006 totaling $402, $450 and $400, respectively, over a twelve-month vesting period.

The following tables provide a roll forward of stock options from December 31, 2005 to December 31, 2008 and a summary of stock options outstanding by exercise price range at December 31, 2008:

| | Options Outstanding | |
|---|---|---|
| | Number | Weighted Average Exercise Price |
| Balance at December 31, 2005 | 3,512,444 | $ 5.42 |
| Granted | 1,008,900 | $ 21.19 |
| Exercised | (506,406) | $ 3.52 |
| Cancelled | (150,378) | $ 8.41 |
| Balance at December 31, 2006 | 3,864,560 | $ 9.67 |
| Granted | 925,700 | $ 20.19 |
| Exercised | (934,095) | $ 4.40 |
| Cancelled | (125,404) | $ 17.06 |
| Balance at December 31, 2007 | 3,730,761 | $ 13.36 |
| Granted | 408,596 | $ 17.90 |
| Exercised | (1,238,819) | $ 9.70 |
| Cancelled | (154,026) | $ 20.11 |
| Balance at December 31, 2008 | 2,746,512 | $ 15.33 |

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

| | Options Outstanding | | | Options Exercisable | | |
|---|---|---|---|---|---|---|
| **Range of Exercise Price** | **Outstanding at December 31, 2008** | **Weighted Average Remaining Life (Months)** | **Weighted Average Exercise Price** | **Exercisable at December 31, 2008** | **Weighted Average Remaining Life (months)** | **Weighted Average Exercise Price** |
| $2.00 | 53,565 | 7 | $ 2.00 | 53,565 | 7 | $ 2.00 |
| $4.48 - $4.80 | 59,262 | 13 | $ 4.78 | 59,262 | 13 | $ 4.78 |
| $5.00 | 127,865 | 46 | $ 5.00 | 82,032 | 42 | $ 5.00 |
| $6.69 - $8.16 | 604,233 | 76 | $ 6.71 | 448,222 | 74 | $ 6.69 |
| $11.66 | 288,755 | 81 | $ 11.66 | 288,755 | 81 | $ 11.66 |
| $15.90 | 345,000 | 109 | $ 15.90 | | | |
| $17.60 - $19.87 | 661,520 | 97 | $ 19.83 | 142,605 | 97 | $ 19.80 |
| $22.55 - $24.07 | 504,312 | 88 | $ 23.95 | 264,311 | 88 | $ 23.96 |
| $26.26 - $27.11 | 45,000 | 101 | $ 26.35 | 15,000 | 101 | $ 26.35 |
| $29.88 | 40,000 | 113 | $ 29.88 | | | |
| $34.19 | 17,000 | 114 | $ 34.19 | | | |
| | 2,746,512 | 85 | $ 15.33 | 1,353,752 | 74 | $ 12.35 |

The total intrinsic value of stock options exercised during the years ended December 31, 2008 and 2007 was $24,063 and $16,636, respectively. The total intrinsic value of all in-the-money vested outstanding stock options at December 31, 2008 was $1,442. Assuming all stock options outstanding at December 31, 2008 were vested, the total intrinsic value of all in-the-money outstanding stock options would have been $1,805.

***(d) Amended and Restated 2001 Stock Incentive Plan:***

On March 28, 2006, our Board of Directors approved an amendment to the 2001 Stock Incentive Plan which increased the maximum number of shares issuable under the plan to 4,500,000 from 2,540,485, pursuant to which we could grant up to 1,959,515 additional shares of stock-based compensation, as of that date, to our directors, officers and employees. On April 12, 2006, stockholders owning more than a majority of the shares of our common stock adopted the amendment to the 2001 Stock Incentive Plan.

***(e) 2008 Incentive Award Plan:***

In March 2008, upon the recommendation of the Compensation Committee and subject to approval by stockholders, our Board of Directors approved the Complete Production Services, Inc. 2008 Incentive Award Plan, which was intended to succeed the Amended and Restated 2001 Stock Incentive Plan, pursuant to which, 2,500,000 shares of common stock were authorized for future issuance to our directors, officers and employees in conjunction with stock-based compensation arrangements. On May 22, 2008, stockholders owning more than a majority of the shares of our common stock adopted the 2008 Stock Incentive Plan. We subsequently filed a registration statement on Form S-8 and made grants to our directors, officers and employees. The 2008 Stock Incentive Plan provides that forfeitures under the Amended and Restated 2001 Stock Incentive Plan will become available for issuance under the 2008 Stock Incentive Plan.

***(f) Non-vested Restricted Stock:***

In accordance with SFAS No. 123R, we do not present deferred compensation as a contra-equity account, but rather present the amortization of non-vested restricted stock as an increase in additional paid-in capital. At December 31, 2008 and 2007, amounts not yet recognized related to non-vested stock totaled $10,080 and $2,977, respectively, which represented the unamortized expense associated with awards of non-vested stock granted to employees, officers and directors under our compensation plans, including $9,293 and $1,248 related to grants

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

made in 2008 and 2007, respectively. Compensation expense associated with these grants of non-vested stock is determined as the fair value of the shares on the date of grant, and recognized ratably over the applicable vesting periods. We recognized compensation expense associated with non-vested restricted stock totaling $6,934, $3,142 and $2,738 for the years ended December 31, 2008, 2007 and 2006, respectively.

The following table summarizes the change in non-vested restricted stock from December 31, 2005 to December 31, 2008:

| | Non-vested Restricted Stock | |
|---|---|---|
| | Number | Weighted Average Grant Price |
| Balance at December 31, 2005 | 786,170 | $ 5.74 |
| Granted | 145,643 | $ 22.79 |
| Vested | (213,996) | $ 7.53 |
| Forfeited | (27,744) | $ 8.39 |
| Balance at December 31, 2006 | 690,073 | $ 8.67 |
| Granted | 96,254 | $ 21.30 |
| Vested | (156,944) | $ 12.93 |
| Forfeited | (3,512) | $ 23.50 |
| Balance at December 31, 2007 | 625,871 | $ 9.46 |
| Granted | 618,632 | $ 23.32 |
| Vested | (422,461) | $ 9.94 |
| Forfeited | (32,851) | $ 12.47 |
| Balance at December 31, 2008 | 789,191 | $ 19.95 |

***(g) Common Shares Issued for Acquisitions:***

On November 8, 2006, we issued 1,010,566 shares of our common stock as purchase consideration for Pumpco. See Note 19, Related Party Transactions. In connection with this issuance, we recorded common stock and additional paid-in capital totaling $21,424, an issuance price of $21.20 per share which was the closing price of our common stock on November 8, 2006. The number of shares issued was calculated based upon the determined market value of Pumpco s common stock and the agreed-upon purchase price negotiated with the seller.

On October 4, 2008, we issued 588,292 unregistered shares of our $0.01 par value common stock as a portion of the purchase consideration for Appalachian Well Service, Inc. and its wholly owned subsidiary. See Note 3, Business combinations. In connection with this issuance, we recorded common stock and additional paid-in capital totaling

$8,854, an issuance price of $15.04 per share, based on an average of the closing and opening price of our common stock on the business day proceeding and following the acquisition date. The number of shares issued was calculated based upon the agreed-upon purchase price negotiated with the seller.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

## 13. 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, non-vested restricted stock, contingent shares, stock warrants and convertible debentures, 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 years ended December 31, 2008, 2007 and 2006:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2008 | 2007 | 2006 |
| | (In thousands) | | |
| Weighted average basic common shares outstanding | 73,600 | 71,991 | 65,843 |
| Effect of dilutive securities: | | | |
| Employee stock options | | 1,078 | 1,613 |
| Non-vested restricted stock | | 283 | 313 |
| Contingent shares(a) | | | 306 |
| Weighted average diluted common and potential common shares outstanding | 73,600 | 73,352 | 68,075 |

(a) Contingent shares represent potential common stock issuable to the former owners of Parchman and MGM pursuant to the respective purchase agreements based upon 2005 operating results. On March 31, 2006, we calculated and issued the actual shares earned totaling 1,214 shares.

For the year ended December 31, 2008, we incurred a net loss and thus all potential common shares were deemed to be anti-dilutive. We excluded the impact of anti-dilutive potential common shares from the calculation of diluted weighted average shares for the years ended December 31, 2008, 2007 and 2006. If these potential common shares were included, the impact would have been a decrease in weighted average shares outstanding of 1,245,148 shares, 231,233 shares and 41,555 shares, respectively, for the years ended December 31, 2008, 2007 and 2006.

## 14. 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

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

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 this disposal group for the periods indicated:

| | Period January 1, 2008 through May 19, 2008 | Year Ended December 31, 2007 | Year Ended December 31, 2006 |
|---|---|---|---|
| Revenue | $ 59,553 | $ 159,794 | $ 127,813 |
| Income before taxes | $ 3,330 | $ 18,333 | $ 19,619 |
| Net income (loss) before loss on disposal in 2008 | $ 2,076 | $ 11,443 | $ 12,247 |
| Net income (loss) | $ (4,859) | $ 11,443 | $ 12,247 |

COMPLETE PRODUCTION SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

The captions related to discontinued operations in the accompanying balance sheet at December 31, 2007 included the following account balances:

| | 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 |

In August 2006, our Board of Directors authorized and committed to a plan to sell certain manufacturing and production enhancement operations of a subsidiary located in Alberta, Canada, which includes certain assets located in south Texas. Although this sale did not represent a material disposition of assets relative to our total assets, the disposal group did represent a significant portion of the assets and operations which were attributable to our product sales business segment for the periods presented, and therefore, was accounted for as a disposal group that is held for sale in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. We revised our financial statements, pursuant to SFAS No. 144, and reclassified the assets and liabilities of the disposal group as held for sale as of the date of each balance sheet presented and removed the results of operations of the disposal group from net income from continuing operations, and presented these separately as income from discontinued operations, net of tax, for the accompanying statements of operations for the year ended December 31, 2006. We ceased depreciating the assets of this disposal group in September 2006 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 $100.

On October 31, 2006, we completed the sale of the disposal group for $19,310 in cash and a $2,000 Canadian dollar denominated note (an equivalent of 1,715 U.S. dollars at December 31, 2006) which matures on October 31, 2009 and accrues interest at a specified Canadian bank prime rate plus 1.50% per annum. The carrying value of the related net assets was $21,705 on October 31, 2006. We recorded a loss of $603 associated with the sale of this disposal group, which represents the excess of the sales price over the carrying value of the assets less selling costs, the benefit of a transaction gain related to a release of cumulative translation adjustment associated with this business, and a charge of approximately $1,000 related to capital tax in Canada. We sold this disposal group to Paintearth Energy Services, Inc., an oilfield service company located in Calgary, Alberta, Canada, that employs two

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

of our former employees as key managers. The sales agreement allowed Paintearth Energy Services, Inc. to use our subsidiary s trade name for a period of 120 days from November 1, 2006 through February 28, 2007. Proceeds from the sale of this disposal group were used to repay outstanding borrowings under the Canadian revolving portion of our credit facility. In January 2009, we amended the note issued in conjunction with the sale of this disposal group. See Note 24, Subsequent events.

Operating results for this disposal group for the period January 1, 2006 through October 31, 2006, excluding the loss on the sale of the disposal group, were as follows:

| | **Period January 1, 2006 through October 31, 2006** |
|---|---|
| Revenue | $ 37,292 |
| Income before taxes and minority interest | $ 3,393 |
| Net income before loss on disposal in 2006 | $ 2,406 |
| Net income | $ 1,803 |

### 15. Segment information:

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

We have three reportable operating segments: completion and production services ( C&PS ), drilling services and product sales. The accounting policies of our reporting segments are the same as those used to prepare our consolidated financial statements as of December 31, 2008, 2007 and 2006. Inter-segment transactions are accounted for on a cost recovery basis.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

| | C&PS | Drilling Services | Product Sales | Corporate | Total |
|---|---|---|---|---|---|
| **Year Ended December 31, 2008** | | | | | |
| Revenue from external customers | $ 1,545,348 | $ 234,104 | $ 59,102 | $ | $ 1,838,554 |
| Inter-segment revenues | $ 576 | $ 860 | $ 30,358 | $ (31,794) | $ |
| EBITDA, as defined | $ 473,376 | $ 58,743 | $ 12,677 | $ (38,293) | $ 506,503 |
| Depreciation and amortization | $ 156,198 | $ 19,961 | $ 2,537 | $ 2,401 | $ 181,097 |
| Impairment charge | $ 243,203 | $ 27,410 | $ 1,393 | $ | $ 272,006 |
| Operating income (loss) | $ 73,975 | $ 11,372 | $ 8,747 | $ (40,694) | $ 53,400 |
| Capital expenditures | $ 211,687 | $ 34,253 | $ 6,244 | $ 1,631 | $ 253,815 |
| **As of December 31, 2008** | | | | | |
| Segment assets | $ 1,639,399 | $ 251,015 | $ 52,048 | $ 52,415 | $ 1,994,877 |
| **Year Ended December 31, 2007** | | | | | |
| Revenue from external customers | $ 1,242,314 | $ 212,272 | $ 40,857 | $ | $ 1,495,443 |
| Inter-segment revenues | $ 1,148 | $ 2,223 | $ 38,715 | $ (42,086) | $ |
| EBITDA, as defined | $ 398,628 | $ 61,418 | $ 9,943 | $ (28,136) | $ 441,853 |
| Depreciation and amortization | $ 112,836 | $ 14,572 | $ 2,064 | $ 1,881 | $ 131,353 |
| Impairment charge | $ 13,094 | $ | $ | $ | $ 13,094 |
| Operating income (loss) | $ 272,698 | $ 46,846 | $ 7,879 | $ (30,017) | $ 297,406 |
| Capital expenditures | $ 305,940 | $ 60,259 | $ 4,323 | $ 2,032 | $ 372,554 |
| **As of December 31, 2007** | | | | | |
| Segment assets | $ 1,651,653 | $ 287,563 | $ 89,492 | $ 26,051 | $ 2,054,759 |
| **Year Ended December 31, 2006** | | | | | |
| Revenue from external customers | $ 860,508 | $ 194,517 | $ 29,586 | $ | $ 1,084,611 |
| Inter-segment revenues | $ 136 | $ 1,684 | $ 39,920 | $ (41,740) | $ |
| EBITDA, as defined | $ 252,621 | $ 70,428 | $ 8,536 | $ (20,922) | $ 310,663 |
| Depreciation and amortization | $ 64,393 | $ 9,069 | $ 834 | $ 1,606 | $ 75,902 |
| Write-off of deferred financing fees | $ | $ | $ | $ (170) | $ (170) |
| Operating income (loss) | $ 188,228 | $ 61,359 | $ 7,702 | $ (22,358) | $ 234,931 |
| Capital expenditures | $ 234,380 | $ 57,853 | $ 9,349 | $ 2,340 | $ 303,922 |
| **As of December 31, 2006** | | | | | |
| Segment assets | $ 1,369,906 | $ 245,806 | $ 96,537 | $ 28,075 | $ 1,740,324 |

Inter-segment sales in 2008, 2007 and 2006 were largely due to service work performed and drilling rigs assembled by a subsidiary in the product sales business segment that sold such services and rigs to a subsidiary in the drilling services business segment as well as other subsidiaries primarily in the completion and production services business segment.

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

The following table reconciles segment information for our business segments as originally reported for the years ended December 31, 2007 and 2006, to the information revised for discontinued operations:

| | Original Presentation | Discontinued Operations | Revised Presentation |
|---|---|---|---|
| **Year Ended December 31, 2007** | | | |
| ***Completion and production services:*** | | | |
| Revenue from external customers | $ 1,262,100 | $ 19,786 | $ 1,242,314 |
| EBITDA, as defined | $ 404,893 | $ 6,265 | $ 398,628 |
| Depreciation and amortization | 114,139 | 1,303 | 112,836 |
| Impairment charge | 13,094 | | 13,094 |
| Operating income | $ 277,660 | $ 4,962 | $ 272,698 |
| ***Drilling services:*** | | | |
| Revenue from external customers | $ 240,377 | $ 28,105 | $ 212,272 |
| EBITDA, as defined | $ 69,628 | $ 8,210 | $ 61,418 |
| Depreciation and amortization | 17,023 | 2,451 | 14,572 |
| Operating income | $ 52,605 | $ 5,759 | $ 46,846 |
| ***Product Sales:*** | | | |
| Revenue from external customers | $ 152,760 | $ 111,903 | $ 40,857 |
| EBITDA, as defined | $ 18,443 | $ 8,500 | $ 9,943 |
| Depreciation and amortization | 2,918 | 854 | 2,064 |
| Operating income | $ 15,525 | $ 7,646 | $ 7,879 |
| **Year Ended December 31, 2006** | | | |
| ***Completion and production services:*** | | | |
| Revenue from external customers | $ 873,493 | $ 12,985 | $ 860,508 |
| EBITDA, as defined | $ 257,630 | $ 5,009 | $ 252,621 |
| Depreciation and amortization | 65,317 | 924 | 64,393 |
| Operating income | $ 192,313 | $ 4,085 | $ 188,228 |
| ***Drilling services:*** | | | |
| Revenue from external customers | $ 215,255 | $ 20,738 | $ 194,517 |

| | | | | | | |
|---|---|---|---|---|---|---|
| EBITDA, as defined | $ | 78,543 | $ | 8,115 | $ | 70,428 |
| Depreciation and amortization | | 10,599 | | 1,530 | | 9,069 |
| Operating income | $ | 67,944 | $ | 6,585 | $ | 61,359 |
| ***Product Sales:*** | | | | | | |
| Revenue from external customers | $ | 123,676 | $ | 94,090 | $ | 29,586 |
| EBITDA, as defined | $ | 18,708 | $ | 10,172 | $ | 8,536 |
| Depreciation and amortization | | 1,943 | | 1,109 | | 834 |
| Operating income | $ | 16,765 | $ | 9,063 | $ | 7,702 |

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

We do not allocate net interest expense, tax expense or minority interest to the operating segments. The write-off of deferred financing fees of $170 for the year ended December 31, 2006 was recorded as a decrease in EBITDA, as defined, for the Corporate and Other segment. The following table reconciles operating income (loss) as reported above to net income from continuing operations for each of the years ended December 31, 2008, 2007 and 2006.

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Segment operating income | $ 53,400 | $ 297,406 | $ 234,931 |
| Interest expense | 59,729 | 61,328 | 40,645 |
| Interest income | (301) | (325) | (1,387) |
| Income taxes | 74,568 | 86,851 | 70,516 |
| Write-off of deferred financing fees | | | 170 |
| Minority interest | | (569) | (49) |
| Net income (loss) from continuing operations | $ (80,596) | $ 150,121 | $ 125,036 |

The following table summarizes the changes in the carrying amount of goodwill for continuing operations by segment for the three-year period ended December 31, 2008:

| | C&PS | Drilling Services | Product Sales | Total |
|---|---|---|---|---|
| **Balance at December 31, 2005** | $ 247,792 | $ 33,827 | $ 12,032 | $ 293,651 |
| Acquisitions | 230,681 | 1,049 | | 231,730 |
| Stock issued in accordance with earn-out provisions of purchase agreements | 27,359 | | | 27,359 |
| Foreign currency translation | (69) | | | (69) |
| **Balance at December 31, 2006** | $ 505,763 | $ 34,876 | $ 12,032 | $ 552,671 |
| Acquisitions | 19,391 | | | 19,391 |
| Impairment charge(a) | (13,360) | | | (13,360) |
| Amount paid pursuant to earn-out agreement | 800 | | | 800 |
| Contingency adjustment and other(b) | (6,068) | (579) | | (6,647) |
| Foreign currency translation | 7,178 | | 455 | 7,633 |
| **Balance at December 31, 2007** | $ 513,704 | $ 34,297 | $ 12,487 | $ 560,488 |
| Impairment associated with discontinued operations(c) | (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 | 71,209 | | | 71,209 |

| | | | | |
|---|---|---|---|---|
| Impairment charge(a) | (243,481) | (27,410) | (1,393) | (272,284) |
| Contingency adjustment and other | (128) | | | (128) |
| Foreign currency translation | (6,335) | | | (6,335) |
| **Balance at December 31, 2008** | $ 333,628 | $ 5,563 | $ 2,401 | $ 341,592 |

(a) In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, we are required to test our goodwill for impairment annually, or more often if indicators of impairment exist. We performed this test for 2007 and determined that goodwill associated with our Canadian reportable unit was deemed to be impaired as of the test date, resulting in an impairment charge of $13,360. For the year ending December 31, 2008, we determined that goodwill associated with our Canadian reportable unit was further impaired as of the test date. However, during the fourth quarter of 2008, we believe that the decline in the U.S. debt and equity markets, as well as the credit

Table of Contents

## COMPLETE PRODUCTION SERVICES, INC.

### Notes to Consolidated Financial Statements (Continued)

market, constituted a triggering event, as defined in SFAS No. 142. As such, we performed the prescribed impairment testing at December 31, 2008 and noted impairment which impacted several of our reportable units. Therefore, we recorded an impairment charge of $272,006 for the year ended December 31, 2008. See Note 2, Significant Accounting Policies Fair Value Measurements.

(b) The contingency adjustment includes a reclassification of $3,485 from goodwill to identifiable intangible assets, primarily non-compete agreements and customer relationships, which were identified upon acquisition but for which the fair value was recently determined based upon estimates calculated by a third-party appraiser. Of this amount, $2,017 related to the acquisition of Pumpco Services, Inc. in November 2006. In addition, we recorded an adjustment to reduce goodwill related to the acquisition of Pumpco Services, Inc. totaling $3,136 associated with certain federal income tax liabilities recorded at the acquisition date that were deemed to be unnecessary based upon the 2006 federal tax return prepared in 2007. Partially offsetting these reductions to goodwill were additional charges associated with final working capital adjustments for several 2006 and 2007 acquisitions.

(c) See Note 10 Discontinued operations.

*Geographic information (d):*

| | United States | Canada | Other International | Total |
|---|---|---|---|---|
| **Year Ended December 31, 2008** | | | | |
| Revenue by sale origin to external customers | $ 1,650,815 | $ 86,250 | $ 101,489 | $ 1,838,554 |
| Income (loss) before taxes and minority interest | $ (3,426) | $ (26,412) | $ 23,810 | $ (6,028) |
| **December 31, 2008** | | | | |
| Long-lived assets | $ 1,477,103 | $ 47,170 | $ 23,470 | $ 1,547,743 |
| **Year Ended December 31, 2007** | | | | |
| Revenue by sale origin to external customers | $ 1,336,490 | $ 80,933 | $ 78,020 | $ 1,495,443 |
| Income (loss) before taxes and minority interest | $ 241,799 | $ (13,484) | $ 8,088 | $ 236,403 |
| **December 31, 2007** | | | | |
| Long-lived assets | $ 1,518,318 | $ 94,434 | $ 13,683 | $ 1,626,435 |
| **Year Ended December 31, 2006** | | | | |
| Revenue by sale origin to external customers | $ 939,895 | $ 88,533 | $ 56,183 | $ 1,084,611 |
| Income (loss) before taxes and minority interest | $ 178,815 | $ 5,977 | $ 10,711 | $ 195,503 |
| **December 31, 2006** | | | | |
| Long-lived assets | $ 1,226,342 | $ 117,809 | $ 5,533 | $ 1,349,684 |

(d) The segment operating results provided above represent amounts for continuing operations as presented on the accompanying statements of operations. Long-lived assets presented above represent amounts associated with all operations as of the periods then ended as indicated. Revenues from external customers are assigned to geographic regions based upon the domicile of the subsidiary providing the services or products to the customers.

We did not have revenues from any single customer which amounts to 10% or more of our total annual revenue for the years ended December 31, 2008, 2007 or 2006.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

## 16. Legal matters and contingencies:

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

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

We have historically incurred additional insurance premium related to a cost-sharing provision of our general liability insurance policy, and we cannot be certain that we will not incur additional costs until either existing claims become further developed or until the limitation periods expire for each respective policy year. Any such additional premiums should not have a material adverse effect on our financial position, results of operations or liquidity. We incurred no additional premium related to this cost-sharing provision of our general liability policy in 2008, but paid approximately $1,400 of additional premium for the year ended December 31, 2007.

## 17. Financial instruments:

### *(a) Interest rate risk:*

We manage our exposure to interest rate risks through a combination of fixed and floating rate borrowings. At December 31, 2008, 23% of our long-term debt was floating rate borrowings. Of the remaining debt, 99% relates to the senior notes issued in December 2006 with a fixed interest rate of 8%.

### *(b) Foreign currency rate risk:*

We are exposed to foreign currency fluctuations in relation to our foreign operations. Approximately 5% of our revenues from continuing operations were derived from operations conducted in Canadian dollars for the years ended December 31, 2008 and 2007. For our Canadian operations, we recorded a net loss from continuing operations before taxes and minority interest of $26,412 and $13,484 for the years ended December 31, 2008 and 2007, respectively. Total assets denominated in Canadian dollars at December 31, 2008 and 2007 were $66,355 and $120,378, respectively.

### *(c) Credit risk:*

A significant portion of our trade accounts receivable are from companies in the oil and gas industry, and as such, we are exposed to normal industry credit risks. We evaluate the credit-worthiness of our major new and existing customers financial condition and generally do not require collateral.

103

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

## 18. Commitments and contingences:

We have non-cancelable operating lease commitments for equipment and office space. These commitments for the next five years were as follows at December 31, 2008:

| | |
|---|---|
| 2009 | $ 20,849 |
| 2010 | 15,667 |
| 2011 | 11,099 |
| 2012 | 8,354 |
| 2013 | 6,378 |
| Thereafter | 8,166 |
| | $ 70,513 |

We expensed operating lease payments totaling $22,750, $22,446 and $19,108 for the years ended December 31, 2008, 2007 and 2006, respectively.

## 19. Related party transactions:

We believe all transactions with related parties have terms and conditions no less favorable to us than transactions with unaffiliated parties.

We have entered into lease agreements for properties owned by certain of our employees and former officers. The leases expire at different times through December 2016. Total lease expense pursuant to these leases was $2,828, $2,991 and $2,306 for the years ended December 31, 2008, 2007 and 2006, respectively.

In connection with CES acquisition of Hamm Co. in 2004, CES entered into that certain Strategic Customer Relationship Agreement with Continental Resources, Inc. ( CRI ). By virtue of the Combination, through a subsidiary, we are now party to such agreement. The agreement provides CRI the option to engage a limited amount of our assets into a long-term contract at market rates. Mr. Hamm is a majority owner of CRI and serves as a member of our board of directors.

We provided services to companies that were majority-owned by certain of our directors during 2008 which totaled $61,194, of which $60,634 was sold to CRI, and $560 was sold to other companies. In 2007, these sales totaled $52,027, of which $51,340 was sold to CRI, and $687 was sold to other companies and, in 2006, these sales totaled $37,405, of which $37,008 was sold to CRI, and $397 was sold to other companies. We also purchased services from companies that are majority-owned by certain of our directors which totaled $2,866 in 2008, of which $2,750 was purchased from CRI and $116 was purchased from other companies. These purchases for 2007 totaled $1,260, of which $1,211 was purchased from CRI and $49 was purchased from other companies and, in 2006, these purchases totaled $755, of which $614 was purchased from CRI and $141 was purchased from other companies. At December 31, 2008 and 2007, our trade receivables included amounts from CRI of $10,542 and $7,611, respectively, and our trade payables included amounts due to CRI of $181 and $47, respectively.

We provided services to companies majority-owned by certain of our officers, or current or former officers of our subsidiaries, for the years ended December 31, 2008, 2007 and 2006. In 2008, these sales totaled $11,256, of which $3,348 was sold to HEP Oil ( HEP ), $1,660 was sold to Cimarron, $3,513 was sold to Peak Oilfield and $2,735 was sold to other companies. For 2007, these sales totaled $4,914, of which $2,974 was sold to HEP, $39 was sold to Cimarron, $1,527 was sold to Peak Oilfield and $374 was sold to other companies. In 2006, these sales totaled $8,346, of which $8,324 was sold to HEP and $22 was sold to other companies. HEP, Cimarron and Peak Oilfield are owned by a former officer of one of our subsidiaries who resigned his position in late 2006 but continued to provide consulting services through early 2007. We also purchased services from companies majority-owned by certain officers, or current or former officers of our subsidiaries. For 2008, these purchases totaled $60,546, of which $25,344 was purchased from Ortowski Construction primarily related to the manufacture of pressure

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

pumping units, $7,910 was purchased from Texas Specialty Sands, LLC primarily for the purchase of sand used for pressure pumping activities, $4,809 was purchased from Resource Transport, $5,601 was purchased from ProFuel, $16,595 was purchased from Select Energy Services LLC and affiliates and $287 was purchased from other companies. Ortowski Construction, Texas Specialty Sands, LLC, Resource Transport and Pro Fuel are owned by a current employee who is an officer of one of our subsidiaries. Select Energy Services LLC is owned by a former officer of one of our subsidiaries who purchased a disposal group from us during May 2008. Of the total purchases from Select Energy Services, LLC, $11,098 was purchased from the businesses sold as part of this disposal group for the period May 19, 2008 through December 31, 2008. For 2007, these purchases from related companies totaled $70,550, of which $64,503 was purchased from Ortowski Construction, $70 was purchased from HEP and $5,977 was purchased from other companies. In 2006, we purchased $5,598, of which $216 was purchased from HEP and $5,382 was purchased from other companies. At December 31, 2008 and 2007, our trade receivables included amounts from HEP of $384 and $405, respectively. Our trade payables and accrued expenses at December 31, 2008 and 2007 included amounts payable to Ortowski construction of $175 and $6,105, respectively. Amounts payable at December 31, 2008 to Texas Specialty Sand, LLC, Resource Transport, and ProFuel totaled $581, $199 and $187, respectively. There were no amounts payable to HEP or Cimarron at December 31, 2008 and 2007.

We provided services totaling $1,697, $2,068 and $5,367 for the years ended December 31, 2008, 2007 and 2006, respectively, to Laramie Energy LLC and Laramie Energy II (collectively Laramie ), companies for which one of our directors serves as an officer. At December 31, 2008 and 2007, our trade receivables included amounts due from Laramie totaling $383 and $27, respectively.

For the years ended December 31, 2008, 2007 and 2006, we provided services totaling $9,468, $11,016 and $3,659, respectively, and purchased services totaling $14,108, $13,757 and $28,114, respectively, from companies, or their affiliates, that formerly employed our current officers or for customers on whose board of directors or management team certain of our current directors serve.

We entered into subordinated note agreements with certain employees, including current officers of subsidiaries, whereby we are obligated to pay an aggregate principal amount of $8,450 pursuant to promissory notes issued in conjunction with 2005 and 2004 business acquisitions. Of this amount, $5,000 was repaid in May 2006. The remaining notes mature in 2009. See Note 11, Long-term Debt.

On December 1, 2001, Bison Oilfield Tools, Ltd. ( Bison ), and PEG, a subsidiary of IPS, entered into a lease agreement pursuant to which PEG leases real property from Bison. A former director of IPS controls Bison as the president of its two general partners. IPS paid Bison $4 per month through December 2006.

Premier Integrated Technologies Ltd. ( PIT ), an affiliate of IPS, purchased $1,493, $2,290 and $2,083 of machining services from a company controlled by employees of PIT during the years ended December 31, 2008, 2007 and 2006, respectively.

On September 29, 2005, we entered into an Asset Purchase Agreement with Spindletop and Mr. Schmitz, a former officer of one of our subsidiaries. Pursuant to the agreement, we purchased the assets of Spindletop in exchange for approximately $200 cash and 90,364 shares of our common stock. Mr. Schmitz was a member of our key operational management who resigned as an officer of one of our subsidiaries in late 2006. Mr. Schmitz remained in our employ as of December 31, 2006. On January 1, 2007, Mr. Schmitz purchased the assets of one of our subsidiaries for $412, resulting in a gain on the sale of $156. On May 19, 2008, we sold 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 to Select Energy Services, L.L.C., an oilfield service company located in Gainesville, Texas which is owned by Mr. Schmitz. The proceeds from the sale totaled $50,150 in cash and we received assets with a fair market value of $7,987. We recorded a loss of $6,935 associated with the sale of this disposal group, and we will provide certain administrative functions for a period of one year at an agreed-upon rate. For the period May 20, 2008 through December 31, 2008, we sold services totaling $1,509 and purchased products and services totaling $11,098 from these former subsidiaries. See Note 14, Discontinued operations. At

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

December 31, 2008, our trade receivables and payables included amounts related to these disposed businesses which totaled $323 and $529, respectively.

On November 8, 2006, we acquired Pumpco, a provider of pressure pumping services in the Barnett Shale play of north Texas, in exchange for consideration of $144,635 in cash, net of cash acquired, the issuance of 1,010,566 shares of our common stock and the assumption of $30,250 of debt held by Pumpco at the time of the acquisition. Pumpco was purchased from the stockholders of Pumpco. Prior to the acquisition, SCF-VI, L.P. ( SCF-VI ) was the majority stockholder of Pumpco. SCF-VI is an affiliate of SCF-IV, L.P. ( SCF-IV ), which held approximately 35% of our outstanding common stock at the time of the acquisition. Andy Waite and David Baldwin were our Directors at the time of the acquisition and serve as officers of the ultimate general partner of SCF-VI. Our Board of Directors established a Special Committee of directors, each independent of SCF-IV or any of its affiliates, to review and approve the terms of the transaction. UBS Investment Bank acted as exclusive financial advisor to the Special Committee. In addition, John Schmitz, one of our key members of management during 2006, was a stockholder of Pumpco prior to the acquisition. The nature and amount of the consideration paid was determined by negotiations between the stockholders of Pumpco and our management and the Special Committee of our Board of Directors.

## 20. Retirement plans:

We maintain defined contribution retirement plans for substantially all of our U.S. and Canadian employees who have completed six months of service. Employees may voluntarily contribute up to a maximum percentage of their salaries to these plans subject to certain statutory maximum dollar values. The maximums range from 20% to 60%, depending on the plan. We make matching contributions at 25% 50% of the first 6% or 7% of the employee s contributions, depending on the plan. The employer contributions vest immediately with respect to the Canadian RRSP plan and U.S. 401(k) plan.

We expensed $6,101, $5,216 and $3,194 related to our various defined contribution plans for the years ended December 31, 2008, 2007 and 2006, respectively.

We provide a seniority premium benefit to substantially all of our Mexican employees, through a subsidiary, in accordance with Mexican law. The benefit consists of a one-time payment equivalent to 12-days wages for each year of service (calculated at the employee s current wage rate but not exceeding twice the minimum wage), payable upon voluntary termination after fifteen years of service, involuntary termination or death. In addition, we provide statutory mandated severance benefits to substantially all Mexican employees, which includes a one-time payment of three months wages, plus 20-days wages for each year of service, payable upon involuntary termination without cause and charged to income as incurred. We accrued $1,591 and $814 at December 31, 2008 and 2007, respectively, related to our liability under this benefit arrangement in Mexico.

COMPLETE PRODUCTION SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

## 21. Unaudited selected quarterly data:

The following table presents selected quarterly financial data for the years ended December 31, 2008 and 2007 (unaudited, in thousands, except per share amounts):

| | 2008 Quarter Ended | | | |
|---|---|---|---|---|
| | March 31, | June 30, | September 30, | December 31, |
| Revenues | $ 417,178 | $ 441,085 | $ 493,233 | $ 487,058 |
| Operating income (loss) | $ 80,477 | $ 75,140 | $ 96,041 | $ (198,258) |
| Net income (loss) from continuing operations | $ 41,773 | $ 39,843 | $ 52,343 | $ (214,555) |
| Net income (loss) | $ 43,924 | $ 32,986 | $ 52,190 | $ (214,555) |
| Earnings per share continuing operations(a): | | | | |
| Basic | $ 0.58 | $ 0.54 | $ 0.71 | $ (2.87) |
| Diluted | $ 0.57 | $ 0.54 | $ 0.70 | $ (2.87) |
| Earnings per share(a): | | | | |
| Basic | $ 0.61 | $ 0.45 | $ 0.71 | $ (2.87) |
| Diluted | $ 0.60 | $ 0.44 | $ 0.70 | $ (2.87) |

| | 2007 Quarter Ended | | | |
|---|---|---|---|---|
| | March 31, | June 30, | September 30, | December 31, |
| Revenues | $ 366,222 | $ 366,814 | $ 373,405 | $ 389,002 |
| Operating income | $ 87,172 | $ 77,961 | $ 72,174 | $ 60,099 |
| Net income from continuing operations | $ 44,217 | $ 40,105 | $ 38,791 | $ 27,008 |
| Net income | $ 47,351 | $ 43,783 | $ 41,608 | $ 28,822 |
| Earnings per share continuing operations(a): | | | | |
| Basic | $ 0.62 | $ 0.56 | $ 0.54 | $ 0.37 |
| Diluted | $ 0.61 | $ 0.55 | $ 0.53 | $ 0.37 |
| Earnings per share(a): | | | | |
| Basic | $ 0.66 | $ 0.61 | $ 0.58 | $ 0.40 |
| Diluted | $ 0.65 | $ 0.60 | $ 0.57 | $ 0.39 |

(a) Quarterly earnings per share amounts were calculated based upon the weighted average number of shares outstanding for the applicable quarter. Therefore the sum of the quarterly earnings per share results may not agree to earnings per share for the year in the accompanying Statements of Operations, as the annual results were calculated based upon the weighted average number of shares outstanding for the year.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

## 22. Guarantor and non-guarantor condensed consolidating financial statements:

The following tables present the financial data required by SEC Regulation S-X Rule 3-10(f) related to condensed consolidating financial statements, and includes the following: (1) condensed consolidating balance sheets for the years ended December 31, 2008 and 2007; (2) condensed consolidating statements of operations for the years ended December 31, 2008, 2007 and 2006; and (3) condensed consolidating statements of cash flows for the years ended December 31, 2008, 2007 and 2006.

**Condensed Consolidating Balance Sheet**
**December 31, 2008**

| | Parent | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations/ Reclassifications | Consolidated |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash and cash equivalents | $ 25,399 | $ 936 | $ 5,078 | $ (12,323) | $ 19,090 |
| Trade accounts receivable, net | 201 | 312,591 | 30,561 | | 343,353 |
| Inventory, net | | 28,051 | 13,840 | | 41,891 |
| Prepaid expenses | 1,060 | 19,375 | 1,037 | | 21,472 |
| Tax receivable | 21,021 | 307 | | | 21,328 |
| Total current assets | 47,681 | 361,260 | 50,516 | (12,323) | 447,134 |
| Property, plant and equipment, net | 4,956 | 1,097,241 | 64,256 | | 1,166,453 |
| Investment in consolidated subsidiaries | 937,773 | 88,669 | | (1,026,442) | |
| Inter-company receivable | 784,125 | (502) | | (783,623) | |
| Goodwill | 55,354 | 283,657 | 2,581 | | 341,592 |
| Other long-term assets, net | 14,009 | 22,163 | 3,526 | | 39,698 |
| Total assets | $ 1,843,898 | $ 1,852,488 | $ 120,879 | $ (1,822,388) | $ 1,994,877 |
| Current liabilities | | | | | |
| Current maturities of long-term debt | $ | $ 3,792 | $ 11 | $ | $ 3,803 |
| Accounts payable | 2,201 | 59,052 | 8,553 | (12,323) | 57,483 |
| Accrued liabilities | 13,422 | 17,916 | 6,247 | | 37,585 |
| Accrued payroll and payroll burdens | 5,362 | 22,960 | 2,971 | | 31,293 |
| Accrued interest | 2,704 | | 50 | | 2,754 |
| Notes payable | 1,353 | | | | 1,353 |
| Taxes payable | (1,900) | | 1,900 | | |

| | | | | | |
|---|---|---|---|---|---|
| Current deferred tax liabilities | | 1,289 | | | 1,289 |
| Total current liabilities | 23,142 | 105,009 | 19,732 | (12,323) | 135,560 |
| Long-term debt | 836,000 | 299 | 7,543 | | 843,842 |
| Inter-company payable | | 784,125 | (502) | (783,623) | |
| Deferred income taxes | 115,641 | 25,281 | 5,437 | | 146,359 |
| Minority interest | | | | | |
| Total liabilities | 974,783 | 914,714 | 32,210 | (795,946) | 1,125,761 |
| Stockholders equity | | | | | |
| Total stockholders equity | 869,115 | 937,774 | 88,669 | (1,026,442) | 869,116 |
| Total liabilities and stockholders equity | $ 1,843,898 | $ 1,852,488 | $ 120,879 | $ (1,822,388) | $ 1,994,877 |

108

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

**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 | 2,021 | 20,826 | 896 | | 23,743 |
| Other current assets | 5,092 | | | | 5,092 |
| 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 income taxes | 93,557 | 26,379 | 6,885 | | 126,821 |

| | | | | | |
|---|---|---|---|---|---|
| Minority interest | | 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 |

109

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Condensed Consolidated Statement of Operations**
**Year Ended December 31, 2008**

| | Parent | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations/ Reclassifications | Consolidated |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Service | $ | $ 1,641,394 | $ 142,625 | $ (4,567) | $ 1,779,452 |
| Product | | 13,988 | 45,114 | | 59,102 |
| | | 1,655,382 | 187,739 | (4,567) | 1,838,554 |
| Service expenses | | 994,495 | 101,957 | (4,567) | 1,091,885 |
| Product expenses | | 11,507 | 30,407 | | 41,914 |
| Selling, general and administrative expenses | 38,293 | 142,667 | 17,292 | | 198,252 |
| Depreciation and amortization | 1,516 | 164,965 | 14,616 | | 181,097 |
| Impairment charge | 27,670 | 218,500 | 25,836 | | 272,006 |
| Income (loss) from continuing operations before interest and taxes | (67,479) | 123,248 | (2,369) | | 53,400 |
| Interest expense | 62,247 | 10,939 | 634 | (14,091) | 59,729 |
| Interest income | (14,245) | (13) | (134) | 14,091 | (301) |
| Equity in earnings of consolidated affiliates | 10,431 | 8,111 | | (18,542) | |
| Income (loss) from continuing operations before taxes and minority interest | (125,912) | 104,211 | (2,869) | 18,542 | (6,028) |
| Taxes | (40,457) | 109,783 | 5,242 | | 74,568 |
| Income (loss) from continuing operations | (85,455) | (5,572) | (8,111) | 18,542 | (80,596) |
| Discontinued operations (net of tax) | | (4,859) | | | (4,859) |
| Net income (loss) | $ (85,455) | $ (10,431) | $ (8,111) | $ 18,542 | $ (85,455) |

110

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Condensed Consolidated Statement of Operations**
**Year Ended December 31, 2007**

| | Parent | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations/ Reclassifications | Consolidated |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Service | $ | $ 1,338,528 | $ 120,368 | $ (4,310) | $ 1,454,586 |
| Product | | 2,272 | 38,585 | | 40,857 |
| | | 1,340,800 | 158,953 | (4,310) | 1,495,443 |
| Service expenses | | 759,334 | 91,918 | (4,310) | 846,942 |
| Product expenses | | 2,233 | 25,388 | | 27,621 |
| Selling, general and administrative expenses | 28,136 | 137,475 | 13,416 | | 179,027 |
| Depreciation and amortization | 1,102 | 119,909 | 10,342 | | 131,353 |
| Impairment loss | | | 13,094 | | 13,094 |
| Income (loss) from continuing operations before interest, taxes, impairment charge and minority interest | (29,238) | 321,849 | 4,795 | | 297,406 |
| Interest expense | 63,554 | 21,348 | 1,101 | (24,675) | 61,328 |
| Interest income | (24,715) | | (285) | 24,675 | (325) |
| Equity in earnings of consolidated affiliates | (195,659) | (474) | | 196,133 | |
| Income (loss) from continuing operations before taxes and minority interest | 127,582 | 300,975 | 3,979 | (196,133) | 236,403 |
| Taxes | (33,982) | 116,759 | 4,074 | | 86,851 |
| Income (loss) from continuing operations before minority interest | 161,564 | 184,216 | (95) | (196,133) | 149,552 |
| Minority interest | | | (569) | | (569) |
| Income (loss) from continuing operations | 161,564 | 184,216 | 474 | (196,133) | 150,121 |
| Discontinued operations (net of tax) | | 11,443 | | | 11,443 |
| Net income (loss) | $ 161,564 | $ 195,659 | $ 474 | $ (196,133) | $ 161,564 |

111

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Condensed Consolidated Statement of Operations**
**Year Ended December 31, 2006**

| | Parent | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations/ Reclassifications | Consolidated |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Service | $ | $ 941,800 | $ 117,137 | $ (3,912) | $ 1,055,025 |
| Product | | 792 | 28,794 | | 29,586 |
| | | 942,592 | 145,931 | (3,912) | 1,084,611 |
| Service expenses | | 529,024 | 87,688 | (3,912) | 612,800 |
| Product expenses | | 122 | 16,424 | | 16,546 |
| Selling, general and administrative expenses | 20,752 | 110,863 | 12,817 | | 144,432 |
| Depreciation and amortization | 1,192 | 64,769 | 9,941 | | 75,902 |
| Income from continuing operations before interest, taxes and minority interest | (21,944) | 237,814 | 19,061 | | 234,931 |
| Interest expense | 40,238 | 17,972 | 1,920 | (19,485) | 40,645 |
| Interest income | (20,733) | | (139) | 19,485 | (1,387) |
| Write-off of deferred financing costs | | 170 | | | 170 |
| Equity in earnings of consolidated affiliates | (162,045) | (13,786) | | 175,831 | |
| Income (loss) from continuing operations before taxes and minority interest | 120,596 | 233,458 | 17,280 | (175,831) | 195,503 |
| Taxes | (18,490) | 83,660 | 5,346 | | 70,516 |
| Income (loss) from continuing operations before minority interest | 139,086 | 149,798 | 11,934 | (175,831) | 124,987 |
| Minority interest | | | (49) | | (49) |
| Net income (loss) from continuing operations | 139,086 | 149,798 | 11,983 | (175,831) | 125,036 |
| Discontinued operations (net of tax) | | 12,247 | 1,803 | | 14,050 |
| Net income (loss) | $ 139,086 | $ 162,045 | $ 13,786 | $ (175,831) | $ 139,086 |

112

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Condensed Consolidated Statement of Cash Flows**
**Year Ended December 31, 2008**

| | Parent | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations/ Reclassifications | Consolidated |
|---|---|---|---|---|---|
| Cash provided by: | | | | | |
| Net income (loss) | $ (85,455) | $ (10,431) | $ (8,111) | $ 18,542 | $ (85,455) |
| Items not affecting cash: | | | | | |
| Equity in loss of consolidated affiliates | 10,431 | 8,111 | | (18,542) | |
| Depreciation and amortization | 1,516 | 166,959 | 14,616 | | 183,091 |
| Impairment charge | 27,670 | 218,500 | 25,836 | | 272,006 |
| Other | 5,182 | 39,114 | 680 | | 44,976 |
| Changes in operating assets and liabilities, net of effect of acquisitions | (61,520) | 11,069 | (8,143) | (5,576) | (64,170) |
| Net cash provided by operating activities | (102,176) | 433,322 | 24,878 | (5,576) | 350,448 |
| Investing activities: | | | | | |
| Business acquisitions, net of cash acquired | | (180,154) | | | (180,154) |
| Additions to property, plant and equipment | (1,632) | (229,346) | (22,837) | | (253,815) |
| Inter-company receipts | 87,395 | | | (87,395) | |
| Proceeds from sale of disposal group | | 50,150 | | | 50,150 |
| Other | | 9,369 | 313 | | 9,682 |
| Net cash provided by (used for) investing activities | 85,763 | (349,981) | (22,524) | (87,395) | (374,137) |
| Financing activities: | | | | | |
| Issuances of long-term debt | 341,043 | | 9,072 | | 350,115 |
| Repayments of long-term debt | (314,605) | (814) | (13,863) | | (329,282) |
| Repayments of notes payable | (14,001) | | | | (14,001) |
| Inter-company borrowings (repayments) | | (87,140) | (255) | 87,395 | |
| Proceeds from issuances of common stock | 12,014 | | | | 12,014 |
| Other | 9,144 | | | | 9,144 |
| | 33,595 | (87,954) | (5,046) | 87,395 | 27,990 |

| | | | | | |
|---|---|---|---|---|---|
| Net cash provided by (used in) financing Activities | | | | | |
| Effect of exchange rate changes on cash | | | 1,165 | | 1,165 |
| Change in cash and cash equivalents | 17,182 | (4,613) | (1,527) | (5,576) | 5,466 |
| Cash and cash equivalents, beginning of period | 8,217 | 5,549 | 6,605 | (6,747) | 13,624 |
| Cash and cash equivalents, end of period | $ 25,399 | $ 936 | $ 5,078 | $ (12,323) | $ 19,090 |

113

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Condensed Consolidated Statement of Cash Flows**
**Year Ended December 31, 2007**

| | Parent | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations/ Reclassifications | Consolidated |
|---|---|---|---|---|---|
| Cash provided by: | | | | | |
| Net income | $ 161,564 | $ 195,659 | $ 474 | $ (196,133) | $ 161,564 |
| Items not affecting cash: | | | | | |
| Equity in earnings of consolidated affiliates | (195,659) | (474) | | 196,133 | |
| Depreciation and amortization | 1,102 | 124,517 | 10,342 | | 135,961 |
| Impairment charge | | | 13,094 | | 13,094 |
| Other | 1,604 | 49,725 | (2,225) | | 49,104 |
| Changes in operating assets and liabilities, net of effect of acquisitions | 78,277 | (102,458) | 6,220 | (3,259) | (21,220) |
| Net cash provided by operating activities | 46,888 | 266,969 | 27,905 | (3,259) | 338,503 |
| Investing activities: | | | | | |
| Business acquisitions, net of cash acquired | | (50,406) | | | (50,406) |
| Additions to property, plant and equipment | (2,029) | (349,568) | (16,062) | | (367,659) |
| Inter-company advances | (116,113) | | | 116,113 | |
| Other | | 8,325 | 945 | | 9,270 |
| Net cash provided by (used for) investing activities | (118,142) | (391,649) | (15,117) | 116,113 | (408,795) |
| Financing activities: | | | | | |
| Issuances of long-term debt | 333,684 | | 10,106 | | 343,790 |
| Repayments of long-term debt | (252,352) | (1,230) | (15,187) | | (268,769) |
| Repayments of notes payable | (18,846) | | | | (18,846) |
| Inter-company borrowings (repayments) | | 121,926 | (5,813) | (116,113) | |
| Proceeds from issuances of common stock | 4,179 | | | | 4,179 |
| Other | 6,289 | | | | 6,289 |
| Net cash provided by (used in) financing Activities | 72,954 | 120,696 | (10,894) | (116,113) | 66,643 |
| | | | (2,601) | | (2,601) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Effect of exchange rate changes on cash | | | | | | | | | | |
| Change in cash and cash equivalents | | 1,700 | | (3,984) | | (707) | | (3,259) | | (6,250) |
| Cash and cash equivalents, beginning of period | | 6,517 | | 9,533 | | 7,312 | | (3,488) | | 19,874 |
| Cash and cash equivalents, end of period | $ | 8,217 | $ | 5,549 | $ | 6,605 | $ | (6,747) | $ | 13,624 |

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Condensed Consolidated Statement of Cash Flows**
**Year Ended December 31, 2006**

| | Parent | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations/ Reclassifications | Consolidated |
|---|---|---|---|---|---|
| Cash provided by: | | | | | |
| Net income | $ 139,086 | $ 162,045 | $ 13,786 | $ (175,831) | $ 139,086 |
| Items not affecting cash: | | | | | |
| Equity in earnings of consolidated affiliates | (162,045) | (13,786) | | 175,831 | |
| Depreciation and amortization | 1,192 | 68,332 | 10,289 | | 79,813 |
| Other | 8,946 | 29,502 | (641) | | 37,807 |
| Changes in operating assets and liabilities, net of effect of acquisitions | 37,966 | (105,435) | 1,994 | (3,488) | (68,963) |
| Net cash provided by operating activities | 25,145 | 140,658 | 25,428 | (3,488) | 187,743 |
| Investing activities: | | | | | |
| Business acquisitions, net of cash acquired | | (360,730) | (8,876) | | (369,606) |
| Additions to property, plant and equipment | (810) | (289,680) | (13,432) | | (303,922) |
| Inter-company advances | (504,609) | | | 504,609 | |
| Purchase of short-term securities | (165,000) | | | | (165,000) |
| Proceeds from sale of short-term securities | 165,000 | | | | 165,000 |
| Proceeds from sale of disposal group | | | 19,310 | | 19,310 |
| Other | (808) | 4,168 | (5) | | 3,355 |
| Net cash used for investing activities | (506,227) | (646,242) | (3,003) | 504,609 | (650,863) |
| Financing activities: | | | | | |
| Issuances of long-term debt | 598,133 | | 10,570 | | 608,703 |
| Repayments of long-term debt | (1,028,631) | | (25,158) | | (1,053,789) |
| Repayments of notes payable | (13,589) | | | | (13,589) |
| Inter-company borrowings (repayments) | | 509,074 | (4,465) | (504,609) | |
| Borrowings under senior notes | 650,000 | | | | 650,000 |
| Proceeds from issuances of common stock | 291,674 | | | | 291,674 |

| | | | | | |
|---|---|---|---|---|---|
| Other | (11,623) | | | | (11,623) |
| Net cash provided by (used in) financing activities | 485,964 | 509,074 | (19,053) | (504,609) | 471,376 |
| Effect of exchange rate changes on cash | | | 213 | | 213 |
| Change in cash and cash equivalents | 4,882 | 3,490 | 3,585 | (3,488) | 8,469 |
| Cash and cash equivalents, beginning of period | 1,635 | 6,043 | 3,727 | | 11,405 |
| Cash and cash equivalents, end of period | $ 6,517 | $ 9,533 | $ 7,312 | $ (3,488) | $ 19,874 |

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

## 23. 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 December 31, 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.

**COMPLETE PRODUCTION SERVICES, INC.**

**Notes to Consolidated Financial Statements (Continued)**

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

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

**24. Subsequent events:**

On January 30, 2009, the Compensation Committee of our Board of Directors approved the annual grant of stock options and non-vested restricted stock to certain employees, officers and directors. Pursuant to this authorization, we issued 1,287,008 shares of non-vested restricted stock at a grant price of $6.41. We expect to recognize compensation expense associated with this grant of non-vested restricted stock totaling $8,250 ratably over the three-year vesting period. In addition, we granted 905,300 stock options to purchase shares of our common stock at an exercise price of $6.41. 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 plan to seek shareholder approval in May 2009 to increase the shares available for grant through our stock compensation plans, pursuant to which, we expect to issue additional stock-based compensation to our directors, officers and employees.

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

In conjunction with the sale of a disposal group in 2006, we received a $2,000 Canadian dollar-denominated note from Paintearth Energy Services, Inc. on October 31, 2006 which was to mature on October 31, 2009 and accrued interest at 6% per annum. On January 31, 2009, we and the borrower amended this note to extend the maturity date to October 31, 2011. Interest is to be calculated as follows: (1) for the calendar year 2009, the announced prime rate of a specified Canadian bank plus one and one-half percent per annum; (2) for the calendar year 2010, the greater of five percent per annum or the prime rate of a specified Canadian bank plus two percent per annum; and (3) for the calendar year 2011 and thereafter, if applicable, the greater of five percent per annum or the prime rate of a specified Canadian bank plus three percent per annum. This note receivable has been classified as a long-term asset in the accompanying Balance Sheet as of December 31, 2008.

Table of Contents

## Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.*

None.

## Item 9A. *Controls and Procedures.*

*Evaluation of Disclosure Controls and Procedures*

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2008, to ensure that information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

*Changes in Internal Control over Financial Reporting*

During the three months ended December 31, 2008, there were no changes in our system of internal control over financial reporting (as defined in Rules 13a 15(f) and 15d 15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*Management s Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a 15(f) and 15d 15(f) under the Securities and Exchange Act of 1934). Our internal control over financial reporting is a process designed by management, under the supervision of the Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America, and includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect o our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework.*

Based on our evaluation under the framework in *Internal Control Integrated Framework*, our management concluded that, as of December 31, 2008, our internal control over financial reporting was effective.

Table of Contents

Grant Thornton LLP, the independent registered accounting firm who audited the consolidated financial statements included in this Annual Report, has issued a report on our internal control over financial reporting dated February 27, 2009, also included in this Annual Report.

/s/ Joseph C. Winkler
Joseph C. Winkler
Chairman and Chief Executive Officer
February 27, 2009

/s/ Jose A. Bayardo
Jose A. Bayardo
Vice President and Chief Financial Officer
February 27, 2009

**Item 9B.** ***Other Information.***

None.

## PART III

**Item 10.** ***Directors, Executive Officers and Corporate Governance.***

Item 10 will be incorporated by reference pursuant to Regulation 14A under the Securities Exchange Act of 1934. The Registrant expects to file a definitive proxy statement with the Securities and Exchange Commission within 120 days after the close of the year ended December 31, 2008.

**Item 11.** ***Executive Compensation.***

Item 11 will be incorporated by reference pursuant to Regulation 14A under the Securities Exchange Act of 1934. The Registrant expects to file a definitive proxy statement with the Securities and Exchange Commission within 120 days after the close of the year ended December 31, 2008.

**Item 12.** ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

Item 12 will be incorporated by reference pursuant to Regulation 14A under the Securities Exchange Act of 1934. The Registrant expects to file a definitive proxy statement with the Securities and Exchange Commission within 120 days after the close of the year ended December 31, 2008.

**Item 13.** ***Certain Relationships and Related Transactions, and Director Independence.***

Item 13 will be incorporated by reference pursuant to Regulation 14A under the Securities Exchange Act of 1934. The Registrant expects to file a definitive proxy statement with the Securities and Exchange Commission within 120 days after the close of the year ended December 31, 2008.

**Item 14.** ***Principal Accounting Fees and Services.***

Item 14 will be incorporated by reference pursuant to Regulation 14A under the Securities Exchange Act of 1934. The Registrant expects to file a definitive proxy statement with the Securities and Exchange Commission within 120 days after the close of the year ended December 31, 2008.

Table of Contents

## PART IV

**Item 15.** ***Exhibits, Financial Statement Schedules.***

**(a)** *List the following documents filed as a part of the report:*



**(b)** *Exhibits*

The following exhibits are incorporated by reference into the filing indicated or are filed herewith.

| Exhibit No. | Exhibit Title | Incorporated by Reference to the Following |
|---|---|---|
| 2.1 | Stock Purchase Agreement dated November 8, 2006 among Complete Production Services, Inc., Integrated Production Services, LLC and Pumpco Services Inc. and Each Seller Listed on Schedule I Thereto | Form 8-K, filed November 14, 2006 |
| 3.1 | Amended and Restated Certificate of Incorporation | Form S-1/A, filed January 18, 2006, (file no. 333-128750) |
| 3.2 | Amended and Restated Bylaws | Form 8-K, filed February 27, 2008 |
| 4.1 | Specimen Stock Certificate representing common stock | Form S-1/A, filed April 4, 2006, (file no. 333-128750) |
| 4.2 | Indenture dated December 6, 2006, between Complete Production Services, Inc. and the Guarantors Named Therein, with Wells Fargo Bank, National Association, as Trustee, for 8% Senior Notes due 2016 | Form 8-K, filed December 8, 2006 |

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|---|---|---|
| 4.3 | Registration Rights Agreement dated November 8, 2006 pursuant to Stock Purchase Agreement dated November 8, 2006 among Complete Production Services, Inc., Integrated Production Services, LLC and Pumpco Services Inc. and Each Seller Listed on Schedule I Thereto | Form 8-K, filed November 14, 2006 |
| 4.4 | First Supplemental Indenture, dated August 28, 2007, among Complete Production Services, Inc., the subsidiary guarantors party thereto, and Wells Fargo Bank, National Association, as trustee | Form 10-Q, filed November 2, 2007, (file no. 001-32858) |
| 10.1 | Form of Indemnification Agreement | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.2* | Employment Agreement dated as of June 20, 2005 with Joseph C. Winkler | Form S-1, filed September 30, 2005, (file no. 333-128750) |
| 10.3 | Amended and Restated Stockholders Agreement by and among Complete Production Services Inc. and the stockholders listed therein | Form S-1/A, filed March 20, 2006, (file no. 333-128750) |
| 10.4 | Combination Agreement dated as of August 9, 2005, with Complete Energy Services, Inc., I.E. Miller Services, Inc. and Complete Energy Services, LLC and I.E. Miller Services, LLC | Form S-1, filed September 30, 2005, (file no. 333-128750) |

**Table of Contents**

| Exhibit No. | Exhibit Title | Incorporated by Reference to the Following |
|---|---|---|
| 10.5 | Second Amended and Restated Credit Agreement, dated as of December 6, 2006 by and among Complete Production Services, Inc., as U.S. Borrower, Integrated Production Services Ltd., as Canadian Borrower, Wells Fargo Bank, National Association, as U.S. Administrative Agent, U.S. Issuing Lender and U.S. Swingline Lender, HSBC Bank Canada, as Canadian Administrative Agent, Canadian Issuing Lender and Canadian Swingline Lender, and the Lenders party thereto, Wells Fargo Bank, National Association as Lead Arranger and Amegy Bank N.A. and Comerica Bank, as Co-Documentation Agents | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.6* | Integrated Production Services, Inc. 2001 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.7* | Complete Energy Services, Inc. 2003 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.8* | First Amendment to Complete Energy Services, Inc. 2003 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.9* | Second Amendment to Complete Energy Services, Inc. 2003 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.10* | Amended and Restated Integrated Production Services, Inc. 2003 Parchman Restricted Stock Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.11* | Amended and Restated 2001 Stock Incentive Plan | Form S-1/A, filed April 4, 2006, (file no. 333-128750) |
| 10.12* | Amendment No. 1 to the Complete Production Services, Inc. Amended and Restated 2001 Stock Incentive Plan | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.13* | I.E. Miller Services, Inc. 2004 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.14 | Strategic Customer Relationship Agreement | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |

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| 10.15* | Form of Restricted Stock Grant Agreement (Employee) | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.16* | Form of Restricted Stock Grant Agreement (Non-employee Director) | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.17* | Form of Non-Qualified Option Grant Agreement (Executive Officer) | Form S-1/A, filed April 4, 2006, (file no. 333-128750) |
| 10.18* | Form of Non-Qualified Option Grant Agreement (Non-Employee Director) | Form S-1/A, filed April 4, 2006, (file no. 333-128750) |
| 10.19* | Compensation Package Term Sheet J. Michael Mayer | Form S-1/A, filed March 20, 2006, (file no. 333-128750) |
| 10.20* | Compensation Package Term Sheet James F. Maroney, III | Form S-1/A, filed March 20, 2006, (file no. 333-128750) |
| 10.21* | Compensation Package Term Sheet Kenneth L. Nibling | Form S-1/A, filed March 20, 2006, (file no. 333-128750) |
| 10.22* | Incentive Plan Guidelines for Senior Management | Form 8-K, filed February 22, 2007 |
| 10.23* | Form of Non-qualified Stock Option Grant Agreement | Form 8-K, filed February 2, 2007 |
| 10.24* | Form of Restricted Stock Agreement Executive Officer (Post-September 2006) | Form 8-K, filed February 2, 2007 |
| 10.25* | Restricted Stock Agreement Terms and Conditions (Revised 2006) Employee | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.26* | Signature Page for Restricted Stock Agreement Employee | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.27* | Non-Employee Director Restricted Stock Agreement | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.28* | Stock Option Terms and Conditions (Revised 2006) Employee | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.29* | Signature Page for Executive Officers | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.30* | Director Option Agreement | Form 10-K, filed March 9, 2007, (file no. 001-32858) |

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| 10.31* | Form of Executive Agreement | Form 10-Q, filed May 4, 2007, (file no. 001-32858) |

| Exhibit No. | Exhibit Title | Incorporated by Reference to the Following |
|---|---|---|
| 10.32* | Amendment to Employment Agreement, dated March 21, 2007 between Complete Production Services, Inc. and Mr. Joseph C. Winkler | Form 10-Q, filed May 4, 2007, (file no. 001-32858) |
| 10.33* | Pumpco Services, Inc. 2005 Stock Incentive Plan | Registration Statement on Form S-8, filed March 28, 2007, (file no. 333-141628) |
| 10.34 | First Amendment to Second Amended and Restated Credit Agreement, dated as of December 6, 2006 by and among Complete Production Services, Inc., as U.S. Borrower, Integrated Production Services Ltd., as Canadian Borrower, Wells Fargo Bank, National Association, as U.S. Administrative Agent, U.S. Issuing Lender and U.S. Swingline Lender, HSBC Bank Canada, as Canadian Administrative Agent, Canadian Issuing Lender and Canadian Swingline Lender, and the Lenders party thereto, Wells Fargo Bank, National Association as Lead Arranger and Amegy Bank N.A. and Comerica Bank, as Co-Documentation Agents, effective June 29, 2007. | Form 10-Q, filed August 3, 2007, (file no. 001-32858) |
| 10.35 | Second Amendment to Credit Agreement and Omnibus Amendment to Security Documents, dated October 9, 2007 but effective October 19, 2007, among Complete Production Services, Inc., Integrated Production Services, Ltd., Wells Fargo Bank, National Association, as administrative agent, swing line lender and issuing lender and HSBC Bank Canada, as administrative agent, swing line lender and issuing lender. | Form 10-Q, filed November 2, 2007, (file no. 001-32858) |
| 10.36* | Complete Production Services, Inc. 2008 Incentive Award Plan | Registration Statement on Form S-8, filed May 22, 2008, (file no. 333-141628) |
| 10.37* | Form of Non-Qualified Stock Option Agreement | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.38* | Agreement for Non-Employee Directors | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |

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|---|---|---|
| 10.39* | Form of Signature Page for Stock Option Agreement Terms and Conditions | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.40* | Restricted Stock Agreement Terms and Conditions | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.41* | Form of Stock Agreement | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.42* | Signature Page to the Restricted Stock Award Agreement Terms and Conditions | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.43* | Restricted Stock Agreement for Non-Employee Directors | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.44* | Retirement Agreement between Complete Production Services, Inc. and J. Michael Mayer, effective October 7, 2008. | Form 8-K, filed October 9, 2008, (file no. 001-32858) |
| 10.45* | Complete Production Services, Inc. Deferred Compensation Plan, effective January 1, 2009 | Filed herewith |
| 10.46* | Amended and Restated Employment Agreement, effective December 31, 2008 between Complete Production Services, Inc. and Mr. Joseph C. Winkler | Filed herewith |
| 10.47* | Form of Amended and Restated Complete Production Services Executive Agreement | Filed herewith |
| 21.1 | Subsidiaries of Complete Production Services, Inc. | Filed herewith |
| 23.1 | Consent of Grant Thornton LLP | Filed herewith |
| 24.1 | Power of Attorney (included on signature page) | Filed herewith |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a 14 of the Securities and Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |

| Exhibit No. | Exhibit Title | Incorporated by Reference to the Following |
|---|---|---|
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a 14 of the Securities and Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |

* Management employment agreements, compensatory arrangements or option plans

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

COMPLETE PRODUCTION SERVICES, INC.

By: */s/ JOSEPH C. WINKLER*

Name: Joseph C. Winkler

Title: Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Joseph C. Winkler and Jose A. Bayardo, and each of them severally, his true and lawful attorney or attorneys-in-fact and agents, with full power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in any and all capacities, any or all amendments to this Annual Report on Form 10-K, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform in the name of on behalf of the undersigned, in any and all capacities, each and every act and thing necessary or desirable to be done in and about the premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying, approving and confirming all that said attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Position | Date |
|---|---|---|
| */s/ JOSEPH C. WINKLER*<br>Joseph C. Winkler | Chief Executive Officer and Chairman of the Board (Principal Executive Officer) | February 27, 2009 |
| */s/ JOSE A. BAYARDO*<br>Jose A. Bayardo | Vice President and Chief Financial Officer (Principal Financial Officer) | February 27, 2009 |
| */s/ ROBERT L. WEISGARBER*<br>Robert L. Weisgarber | Vice President-Accounting and Controller (Principal Accounting Officer) | February 27, 2009 |
| */s/ ANDREW L. WAITE*<br>Andrew L. Waite | Director | February 27, 2009 |
| */s/ ROBERT BOSWELL*<br>Robert Boswell | Director | February 27, 2009 |

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|---|---|---|
| ***/s/ HAROLD G. HAMM*** | Director | February 27, 2009 |
| Harold G. Hamm | | |
| ***/s/ MIKE MCSHANE*** | Director | February 27, 2009 |
| Mike Mcshane | | |
| ***/s/ W. MATT RALLS*** | Director | February 27, 2009 |
| W. Matt Ralls | | |
| ***/s/ MARCUS WATTS*** | Director | February 27, 2009 |
| Marcus Watts | | |
| ***/s/ R. GRAHAM WHALING*** | Director | February 27, 2009 |
| R. GRAHAM WHALING | | |
| ***/s/ JAMES D. WOODS*** | Director | February 27, 2009 |
| James D. Woods | | |

Table of Contents

## EXHIBIT INDEX

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| 10.3 | | |

| | | |
|---|---|---|
| | Amended and Restated Stockholders Agreement by and among Complete Production Services Inc. and the stockholders listed therein | Form S-1/A, filed March 20, 2006, (file no. 333-128750) |
| 10.4 | Combination Agreement dated as of August 9, 2005, with Complete Energy Services, Inc., I.E. Miller Services, Inc. and Complete Energy Services, LLC and I.E. Miller Services, LLC | Form S-1, filed September 30, 2005, (file no. 333-128750) |
| 10.5 | Second Amended and Restated Credit Agreement, dated as of December 6, 2006 by and among Complete Production Services, Inc., as U.S. Borrower, Integrated Production Services Ltd., as Canadian Borrower, Wells Fargo Bank, National Association, as U.S. Administrative Agent, U.S. Issuing Lender and U.S. Swingline Lender, HSBC Bank Canada, as Canadian Administrative Agent, Canadian Issuing Lender and Canadian Swingline Lender, and the Lenders party thereto, Wells Fargo Bank, National Association as Lead Arranger and Amegy Bank N.A. and Comerica Bank, as Co-Documentation Agents | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.6* | Integrated Production Services, Inc. 2001 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
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| 10.8* | First Amendment to Complete Energy Services, Inc. 2003 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.9* | Second Amendment to Complete Energy Services, Inc. 2003 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.10* | Amended and Restated Integrated Production Services, Inc. 2003 Parchman Restated Stock Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.11* | Amended and Restated 2001 Stock Incentive Plan | Form S-1/A, filed April 4, 2006, (file no. 333-128750) |

| Exhibit No. | Exhibit Title | Incorporated by Reference to the Following |
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| 10.12* | Amendment No. 1 to the Complete Production Services, Inc. Amended and Restated 2001 Stock Incentive Plan | Form 10-K, filed March 9, 2007 (file no. 001-32858) |
| 10.13* | I.E. Miller Services, Inc. 2004 Stock Incentive Plan | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.14 | Strategic Customer Relationship Agreement | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.15* | Form of Restricted Stock Grant Agreement (Employee) | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.16* | Form of Restricted Stock Grant Agreement (Non-employee Director) | Form S-1/A, filed November 15, 2005, (file no. 333-128750) |
| 10.17* | Form of Non-Qualified Option Grant Agreement (Executive Officer) | Form S-1/A, filed April 4, 2006, (file no. 333-128750) |
| 10.18 | Form of Non-Qualified Option Grant Agreement (Non-Employee Director) | Form S-1/A, filed April 4, 2006, (file no. 333-128750) |
| 10.19* | Compensation Package Term Sheet J. Michael Mayer | Form S-1/A, filed March 20, 2006, (file no. 333-128750) |
| 10.20* | Compensation Package Term Sheet James F. Maroney, III | Form S-1/A, filed March 20, 2006, (file no. 333-128750) |
| 10.21* | Compensation Package Term Sheet Kenneth L. Nibling | Form S-1/A, filed March 20, 2006, (file no. 333-128750) |
| 10.22* | Incentive Plan Guidelines for Senior Management | Form 8-K, filed February 22, 2007 |
| 10.23* | Form of Non-qualified Stock Option Grant Agreement | Form 8-K, filed February 2, 2007 |
| 10.24* | Form of Restricted Stock Agreement Executive Officer (Post-September 2006) | Form 8-K, filed February 2, 2007 |
| 10.25* | Restricted Stock Agreement Terms and Conditions (Revised 2006) Employee | Form 10-K, filed March 9, 2007, (file no. 001-32858) |

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| 10.26* | Signature Page for Restricted Stock Agreement Employee | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.27* | Non-Employee Director Restricted Stock Agreement | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.28* | Stock Option Terms and Conditions (Revised 2006) Employee | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.29* | Signature Page for Executive Officers | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.30* | Director Option Agreement | Form 10-K, filed March 9, 2007, (file no. 001-32858) |
| 10.31* | Amendment to Employment Agreement, dated March 21, 2007 between Complete Production Services, Inc. and Mr. Joseph C. Winkler | Form 10-Q, filed May 4, 2007, (file no. 001-32858) |
| 10.32* | Form of Executive Agreement | Form 10-Q, filed May 4, 2007, (file no. 001-32858) |
| 10.33* | Pumpco Services, Inc. 2005 Stock Incentive Plan | Registration Statement on Form S-8, filed March 28, 2007, (file no. 333-141628) |
| 10.34 | First Amendment to Second Amended and Restated Credit Agreement, dated as of December 6, 2006 by and among Complete Production Services, Inc., as U.S. Borrower, Integrated Production Services Ltd., as Canadian Borrower, Wells Fargo Bank, National Association, as U.S. Administrative Agent, U.S. Issuing Lender and U.S. Swingline Lender, HSBC Bank Canada, as Canadian Administrative Agent, Canadian Issuing Lender and Canadian Swingline Lender, and the Lenders party thereto, Wells Fargo Bank, National Association as Lead Arranger and Amegy Bank N.A. and Comerica Bank, as Co-Documentation Agents, effective June 29, 2007. | Form 10-Q, filed August 3, 2007, (file no. 001-32858) |

| Exhibit No. | Exhibit Title | Incorporated by Reference to the Following |
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| 10.35 | Second Amendment to Credit Agreement and Omnibus Amendment to Security Documents, dated October 9, 2007 but effective October 19, 2007, among Complete Production Services, Inc., Integrated Production Services, Ltd., Wells Fargo Bank, National Association, as administrative agent, swing line lender and issuing lender and HSBC Bank Canada, as administrative agent, swing line lender and issuing lender. | Form 10-Q, filed November 2, 2007, (file no. 001-32858) |
| 10.36* | Complete Production Services, Inc. 2008 Incentive Award Plan | Registration Statement on Form S-8, filed May 22, 2008, (file no. 333-141628) |
| 10.37* | Form of Non-Qualified Stock Option Agreement | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.38* | Agreement for Non-Employee Directors | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.39* | Form of Signature Page for Stock Option Agreement Terms and Conditions | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.40* | Restricted Stock Agreement Terms and Conditions | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.41* | Form of Stock Agreement | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.42* | Signature Page to the Restricted Stock Award Agreement Terms and Conditions | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.43* | Restricted Stock Agreement for Non-Employee Directors | Form 10-Q, filed August 1, 2008, (file no. 001-32858) |
| 10.44* | Retirement Agreement between Complete Production Services, Inc. and J. Michael Mayer, effective October 7, 2008. | Form 8-K, filed October 9, 2008, (file no. 001-32858) |
| 10.45* | Complete Production Services, Inc. Deferred Compensation Plan, effective January 1, 2009 | Filed herewith |
| 10.46* | | Filed herewith |

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| | Amended and Restated Employment Agreement, effective December 31, 2008 between Complete Production Services, Inc. and Mr. Joseph C. Winkler | |
| 10.47* | Form of Amended and Restated Complete Production Services Executive Agreement | Filed herewith |
| 21.1 | Subsidiaries of Complete Production Services, Inc. | Filed herewith |
| 23.1 | Consent of Grant Thornton LLP | Filed herewith |
| 24.1 | Power of Attorney (included on signature page) | Filed herewith |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a 14 of the Securities and Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a 14 of the Securities and Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |

* Management employment agreements, compensatory arrangements or option plans