KEY ENERGY SERVICES INC
Form 10-Q
May 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2009

or

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

Commission file number: 001-8038

KEY ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Maryland	**04-2648081**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1301 McKinney Street, Suite 1800, Houston, Texas 77010

(Address of principal executive offices) (Zip Code)

(713) 651-4300

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

As of April 30, 2009, the number of outstanding shares of common stock of the registrant was 123,587,563.

KEY ENERGY SERVICES, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended March 31, 2009

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to statements of historical fact, this report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature or that relate to future events and conditions are, or may be deemed to be, forward-looking statements. These forward-looking statements are based on our current expectations, estimates and projections about Key Energy Services, Inc. and its subsidiaries, our industry and management s beliefs and assumptions concerning future events and financial trends affecting our financial condition and results of operations. In some cases, you can identify these statements by terminology such as may, will, predicts, projects, potential or continue or the negative of such terms and othe comparable terminology. These statements are only predictions and are subject to substantial risks and uncertainties. In evaluating those statements, you should carefully consider the information above as well as the risks outlined in *Item 1A. Risk Factors* in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2008. Actual performance or results may differ materially and adversely.

We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report except as required by law. All of our written and oral forward-looking statements are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements.

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PART I FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS*

Key Energy Services, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	March 31, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 174,174	$ 92,691
Accounts receivable, net of allowance for doubtful accounts of $12,301 and $11,468, respectively	258,674	377,353
Inventories	32,535	34,756
Prepaid expenses	13,806	15,513
Deferred tax assets	25,603	26,623
Income taxes receivable	8,076	4,848
Other current assets	9,246	7,338
Total current assets	522,114	559,122
Property and equipment, gross	1,898,966	1,858,307
Accumulated depreciation	(842,841)	(806,624)
Property and equipment, net	1,056,125	1,051,683
Goodwill	320,954	320,992
Other intangible assets, net	38,928	42,345
Deferred financing costs, net	9,999	10,489
Notes and accounts receivable related parties	482	336
Equity method investments	22,196	24,220
Other assets	7,849	7,736
TOTAL ASSETS	$ 1,978,647	$ 2,016,923
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 36,731	$ 46,185
Accrued liabilities	168,966	197,116
Accrued interest	12,758	4,368
Current portion of capital lease obligations	9,134	9,386
Current portion of notes payable related parties, net of discount	14,350	14,318
Current portion of long-term debt	2,011	2,000
Total current liabilities	243,950	273,373

Capital lease obligations, less current portion	12,294	13,763
Notes payable related parties, less current portion	6,000	6,000
Long-term debt, less current portion	613,322	613,828
Workers compensation, vehicular, health and other insurance claims	41,216	43,151
Deferred tax liabilities	187,623	188,581
Other non-current accrued liabilities	17,379	17,495
Commitments and contingencies		
Stockholders equity:		
Common stock, $0.10 par value; 200,000,000 shares authorized, 123,478,544 and 121,305,289 shares issued and outstanding, respectively	12,348	12,131
Additional paid-in capital	602,106	601,872
Accumulated other comprehensive loss	(51,774)	(46,550)
Retained earnings	294,183	293,279
Total stockholders equity attributable to common stockholders	856,863	860,732
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,978,647	$ 2,016,923

See the accompanying notes which are an integral part of these condensed consolidated financial statements.

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Key Energy Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2009	**2008**
REVENUES	$ 331,989	$ 456,399
COSTS AND EXPENSES:		
Direct operating expenses	227,227	281,641
Depreciation and amortization expense	44,756	39,976
General and administrative expenses	48,706	67,732
Interest expense, net of amounts capitalized	9,648	10,040
Loss (gain) on sale of assets, net	689	(266)
Interest income	(248)	(508)
Other expense, net	82	877
Total costs and expenses, net	330,860	399,492
Income before income taxes	1,129	56,907
Income tax expense	(225)	(22,457)
NET INCOME	904	34,450
Loss attributable to noncontrolling interest		34
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 904	$ 34,484
Earnings per share attributable to common stockholders:		
Basic	$ 0.01	$ 0.27
Diluted	$ 0.01	$ 0.27
Weighted average shares outstanding:		
Basic	120,665	127,966
Diluted	121,436	129,307

See the accompanying notes which are an integral part of these condensed consolidated financial statements.

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Key Energy Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
NET INCOME	$ 904	$ 34,450
Other comprehensive (loss) income, net of tax:		
Foreign currency translation loss, net of tax of $471 and $0, respectively	(5,254)	(548)
Deferred gain (loss) from available for sale investments, net of tax of $0 and $0, respectively	30	(7)
Total other comprehensive loss, net of tax	(5,224)	(555)
Comprehensive (loss) income, net of tax	(4,320)	33,895
Comprehensive loss attributable to noncontrolling interest		59
Comprehensive (loss) income attributable to common stockholders	$ (4,320)	$ 33,954

See the accompanying notes which are an integral part of these condensed consolidated financial statements.

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Key Energy Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income attributable to common stockholders	$ 904	$ 34,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncontrolling interest		(34)
Depreciation and amortization expense	44,756	39,976
Accretion of asset retirement obligations	139	173
Loss (income) from equity method investments	262	(4)
Amortization of deferred financing costs and discount	522	542
Deferred income tax expense (benefit)	524	(110)
Capitalized interest	(1,945)	(1,658)
Loss (gain) on sale of assets, net	689	(266)
Share-based compensation	489	2,913
Excess tax benefits from share-based compensation		(108)
Changes in working capital:		
Accounts receivable, net	115,869	(13,040)
Other current assets	649	(4,179)
Accounts payable, accrued interest and accrued expenses	(31,471)	14,054
Share-based compensation liability awards	(730)	(1,225)
Other assets and liabilities	(1,274)	(1,207)
Net cash provided by operating activities	**129,383**	**70,311**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(44,797)	(30,375)
Proceeds from sale of fixed assets	797	2,088
Acquisitions, net of cash acquired		(993)
Acquisition of intangible assets		(1,086)
Net cash used in investing activities	**(44,000)**	**(30,366)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(513)	
Repayments of capital lease obligations	(2,635)	(3,006)
Repurchases of common stock	(38)	(65,376)

Proceeds from exercise of stock options		353
Proceeds paid for deferred financing costs		(314)
Excess tax benefits from share-based compensation		108
Net cash used in financing activities	**(3,186)**	**(68,235)**
Effect of changes in exchange rates on cash	(714)	(342)
Net increase (decrease) in cash and cash equivalents	81,483	(28,632)
Cash and cash equivalents, beginning of period	92,691	58,503
Cash and cash equivalents, end of period	$ 174,174	$ 29,871

See the accompanying notes which are an integral part of these condensed consolidated financial statements.

Key Energy Services, Inc., and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

NOTE 1. GENERAL

Key Energy Services, Inc., its wholly-owned subsidiaries and its controlled subsidiaries (collectively, Key, the Company, we, us, its, and our) provide a complete range of services to major oil companies, foreign national oil companies and independent oil and natural gas production companies, including rig-based services, fluid management services, pressure pumping services, fishing services, rental services, and cased-hole electric wireline services. We operate in most major oil and natural gas producing regions of the United States as well as internationally in Argentina and Mexico. We also own a technology development company based in Canada and have equity interests in oilfield service companies in Canada and the Russian Federation.

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles in the United States of America (GAAP) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC). The condensed December 31, 2008 balance sheet was prepared from audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. Certain information relating to the Company s organization and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in this Quarterly Report on Form 10-Q. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

Certain reclassifications have been made to prior period amounts to conform to current period financial statement classifications. The Company revised its reportable business segments effective in the first quarter of 2009 and, in connection with the revision, has restated the corresponding items of segment information for earlier periods. The new operating segments are Well Servicing and Production Services. The Company revised its segments to reflect changes in management s resource allocation and performance assessment in making decisions regarding the Company. Our rig services and our fluid management services are aggregated within our Well Servicing segment. Our pressure pumping, fishing, rental and cased-hole electric wireline operations, as well as our Canadian technology development group, are now aggregated within our Production Services segment. These changes reflect the Company s current operating focus in compliance with Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS 131). See *Note 14. Segment Information* for a full description of our segment realignment.

The unaudited condensed consolidated financial statements contained in this report include all normal and recurring material adjustments that, in the opinion of management, are necessary for a fair presentation of the Company s financial position, results of operations and cash flows for the interim periods presented herein. The results of operations for the three month period ended March 31, 2009 are not necessarily indicative of the results expected for the full year or any other interim period, due to fluctuations in demand for our services, timing of maintenance and other expenditures, and other factors.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of these condensed consolidated financial statements requires us to develop estimates and to make assumptions that affect our financial position, results of operations and cash flows. These estimates also impact the nature and extent of our disclosure, if any, of our commitments and contingencies. Among other things, we use estimates to (i) analyze assets for possible impairment, (ii) determine depreciable lives for our assets, (iii) assess future tax exposure and realization of deferred tax assets, (iv) determine amounts to accrue for contingencies, (v) value tangible and intangible assets and (vi) assess workers compensation, vehicular liability, self-insured risk accruals and other insurance reserves. Our actual results may differ materially from these estimates. We believe that our estimates are reasonable.

We apply Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46, *Consolidation of Variable Interest Entities an Interpretation of ARB No. 51 (Revised 2003)* (FIN 46(R)) when determining whether or not to consolidate a Variable Interest Entity (VIE). FIN 46(R) requires that an equity investor in a VIE have significant equity at risk (generally a minimum of 10%) and hold a controlling interest, evidenced by voting rights, and absorb a majority of the entity s expected losses, receive a majority of the entity s expected returns, or both. If the equity investor is unable to evidence these characteristics, the entity that retains these ownership characteristics will be required to consolidate the VIE. We have determined that we do not have an interest in a VIE and as such we are not the primary beneficiary of a variable interest in a VIE and we are not the holder of a significant variable interest in a VIE.

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The Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities, including an amendment of FASB Statement No. 115* (SFAS 159), on January 1, 2008. SFAS 159 permits companies to choose, at specified election dates, to measure eligible items at fair value (the Fair Value Option). Companies choosing such an election report unrealized gains and losses on items for which the Fair Value Option has been elected in earnings at each subsequent reporting period. As of March 31, 2009, we have not elected to measure any of our financial assets or liabilities using the Fair Value Option. We will assess at each measurement date whether to use the Fair Value Option on any future financial assets or liabilities as permitted pursuant to the provisions of SFAS 159.

There have been no material changes or developments in the Company s evaluation of accounting estimates and underlying assumptions or methodologies that the Company believes to be Critical Accounting Policies and Estimates, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008.

New Accounting Standards Adopted in this Report

SFAS 141(R). In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations* (SFAS 141(R)). SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree, as well as the goodwill acquired. Significant changes from previous practice resulting from SFAS 141(R) include the expansion of the definitions of a business and a business combination. For all business combinations (whether partial, full or step acquisitions), the acquirer will record 100% of all assets and liabilities of the acquired business, including goodwill, generally at their fair values; contingent consideration will be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings until settlement; and acquisition-related transaction and restructuring costs will be expensed rather than treated as part of the cost of the acquisition. SFAS 141(R) also establishes disclosure requirements to enable users to evaluate the nature and financial effects of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted the provisions of SFAS 141(R) on January 1, 2009, but did not consummate any business combinations during the three months ended March 31, 2009. SFAS 141(R) may have an impact on our consolidated financial statements in the future. The nature and magnitude of the specific impact will depend upon the nature, terms, and size of any acquisitions consummated after the effective date.

SFAS 160. In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements An amendment of ARB No. 51* (SFAS 160). SFAS 160 amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, is a third-party ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, SFAS 160 requires the consolidated statement of income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. SFAS 160 also requires disclosure on the face of the consolidated statement of income of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. We adopted the provisions of SFAS 160 on January 1, 2009. The adoption of this standard did not have a material impact on our financial position, results of operations, or cash flows.

FSP 157-2. In February 2008, the FASB issued FASB Staff Position (FSP) SFAS 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2), to partially defer SFAS No. 157, *Fair Value Measurements* (SFAS 157). FSP 157-2 deferred the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. We adopted the provisions of FSP SFAS 157-2 on January 1, 2009. The adoption of this statement did not have a material impact on our financial position, results of operations, or cash flows.

SFAS 161. In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. We adopted the provisions of SFAS 161 on January 1, 2009. The Company currently has no financial instruments that qualify as derivatives, and the adoption of this standard did not have a material impact on the Company s financial position, results of operations, or cash flows.

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FSP 142-3. In April 2008, the FASB issued FSP SFAS 142-3, *Determination of Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). FSP 142-3 also requires expanded disclosure regarding the determination of intangible asset useful lives. We adopted the provisions of FSP 142-3 on January 1, 2009. The adoption of this standard did not have a material impact on our financial position, results of operations, or cash flows.

Accounting Standards Not Yet Adopted in this Report

FSP 157-4. In April 2009, the FASB issued FSP SFAS 157-4, *Determining the Fair Value of a Financial Asset When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 clarified the application of SFAS 157 by providing additional guidance for estimating fair value in accordance with SFAS 157, when the volume and level of activity for an asset or liability have significantly decreased. FSP 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. We did not elect early adoption, and we are currently evaluating the potential impact of the adoption of this standard.

FSP 115-2. In April 2009, the FASB issued FSP 115-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, which amends the other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FSP 115-2 does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP 115-2 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We did not elect early adoption and are currently evaluating the potential impact of the adoption of this standard.

FSP 107-1. In April 2009, the FASB issued FSP SFAS 107-1, *Interim Disclosures about Fair Value of Financial Instruments*, which amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies, as well as in annual financial statements. FSP 107-1 also amends Accounting Principles Board (APB) Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information for interim reporting periods. FSP 107-1 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We did not elect early adoption and are currently evaluating the potential impact of the adoption of this standard.

FSP 141(R)-1. In April 2009, the FASB issued FSP SFAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* (FSP 141(R)-1). FSP 141(R)-1 amends and clarifies SFAS 141(R) to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP 141(R)-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We did not complete any acquisitions during the first quarter of 2009, but this standard may impact our financial statements in the future if we complete a business combination.

NOTE 3. ACQUISITIONS

From time to time, the Company acquires businesses or assets that are consistent with its long-term growth strategy. Results of operations for acquisitions are included in the Company s financial statements beginning on the date of acquisition. Acquisitions prior to January 1, 2009 are accounted for using the purchase method of accounting and the purchase price is allocated to the net assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The purchase price allocations related to acquisitions made after March 31, 2008 are based on preliminary information and are subject to change when final fair value determinations are made for the assets acquired and liabilities assumed. Acquisitions made after January 1, 2009 are accounted for using the acquisition method pursuant to SFAS 141(R). Final valuations of assets and liabilities are obtained and recorded as soon as practicable and within one year from the date of the acquisition. The Company made no acquisitions during the quarter ended March 31, 2009.

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Western Drilling, LLC

On April 3, 2008, the Company, through a wholly-owned subsidiary, purchased all of the outstanding equity interests of Western Drilling, LLC (Western), a privately-owned company based in California that operated twenty-two working well service rigs, three stacked well service rigs, and equipment used in the workover and rig relocation process. The purchase price was $51.5 million in cash and was paid on April 3, 2008. The purchase price was subject to a working capital adjustment 45 days from the closing date of the acquisition and resulted in additional consideration paid of $0.1 million in May 2008. The Company also incurred direct transaction costs of approximately $0.4 million. The acquisition was funded from borrowings of $50.0 million under the Company s Senior Secured Credit Facility (see *Note 7. Long-Term Debt* below) and cash on hand. Western was incorporated into our Well Servicing segment.

The acquisition of Western was accounted for as a business combination. The total purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair value of net assets acquired was recorded as goodwill. During the first quarter of 2009, we adjusted the fair values of the assets acquired and liabilities assumed by approximately $0.2 million, with a corresponding decrease to goodwill. The purchase price allocation was finalized during the first quarter of 2009.

Hydra-Walk, Inc.

On May 30, 2008, the Company, through a wholly-owned subsidiary, purchased all of the outstanding stock of Hydra-Walk, Inc. (Hydra-Walk) for approximately $10.3 million in cash and a performance earn-out potential of up to $2.0 million over two years from the acquisition date, if certain financial and operational performance measures are met. Additionally, during the third quarter of 2008 the Company paid approximately $0.2 million in additional consideration related to a holdback amount that was withheld from the seller pending the completion of a seller closing requirement. The purchase price was also subject to a post-closing working capital adjustment of less than $0.1 million that was paid during the third quarter of 2008. The Company incurred direct transaction costs of approximately $0.1 million. The Company retained approximately $1.1 million of Hydra-Walk s net working capital as a result of the transaction and did not assume any of the debt of Hydra-Walk. Hydra-Walk was incorporated into our Production Services segment.

The acquisition of Hydra-Walk was accounted for as a business combination and the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair value of net assets acquired was recorded as goodwill. The allocation of the purchase price was based upon preliminary valuations and estimates, and is subject to change as valuations are finalized. The primary area of the purchase price allocation that is not yet finalized relates to pre-merger contingencies. The final valuation is expected to be completed no later than the second quarter of 2009. During the quarter ended March 31, 2009, the Hydra-Walk operations met performance earn-out requirements that resulted in the Company paying additional consideration of $0.3 million, which has been recorded as additional goodwill.

Leader Energy Services, Ltd.

On July 22, 2008, the Company acquired all of the United States-based assets of Leader Energy Services, Ltd. (Leader), a Canadian company, for consideration of $34.6 million in cash. The assets acquired include nine coiled tubing units, seven nitrogen trucks, twelve pumping trucks and other ancillary equipment. Additionally, the Company paid approximately $0.7 million for supplies and inventory used in pressure pumping operations. The Company also incurred direct transaction costs of approximately $0.1 million. The purchase price was allocated to the tangible assets acquired. The acquisition of the Leader assets was accounted for as an asset purchase as the assets acquired did not constitute a business and therefore did not result in the establishment of goodwill. The Company did not identify any acquired intangible assets. The Leader assets were incorporated into our Production Services segment.

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NOTE 4. OTHER CURRENT AND NON-CURRENT LIABILITIES

The table below presents comparative detailed information about current accrued liabilities at March 31, 2009 and December 31, 2008:

	March 31, 2009	December 31, 2008
	(in thousands)	
Current Accrued Liabilities:		
Accrued payroll, taxes and employee benefits	$ 50,132	$ 67,408
Accrued operating expenditures	44,352	50,833
Income, sales, use and other taxes	38,957	41,003
Self-insurance reserve	25,904	25,724
Unsettled legal claims	4,565	4,550
Share-based compensation liability	260	902
Other	4,796	6,696
Total	$ 168,966	$ 197,116

The table below presents comparative detailed information about other non-current accrued liabilities at March 31, 2009 and December 31, 2008:

	March 31. 2009	December 31. 2008
	(in thousands)	
Other Non-Current Accrued Liabilities:		
Asset retirement obligations	$ 9,484	$ 9,348
Environmental liabilities	2,987	3,004
Accrued rent	2,414	2,497
Accrued income taxes	1,359	1,359
Share-based compensation liability	371	478
Other	764	809
Total	$ 17,379	$ 17,495

NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the three months ended March 31, 2009 are as follows:

	Well Servicing	Production Services	Total
		(in thousands)	
December 31, 2008	$ 317,490	$ 3,502	$ 320,992
Purchase price allocation and other adjustments, net	(156)	250	94

Impact of foreign currency translation	(57)	(75)	(132)
March 31, 2009	$ 317,277	$ 3,677	$ 320,954

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The components of our other intangible assets are as follows:

	March 31, 2009	December 31, 2008
	(in thousands)	
Noncompete agreements:		
Gross carrying value	$ 16,207	$ 16,309
Accumulated amortization	(5,534)	(4,699)
Net carrying value	$ 10,673	$ 11,610
Patents, trademarks, and tradename:		
Gross carrying value	$ 3,628	$ 4,391
Accumulated amortization	(2,511)	(3,114)
Net carrying value	$ 1,117	$ 1,277
Customer relationships:		
Gross carrying value	$ 39,225	$ 39,225
Accumulated amortization	(14,387)	(12,359)
Net carrying value	$ 24,838	$ 26,866
Customer backlog:		
Gross carrying value	$ 609	$ 622
Accumulated amortization	(241)	(207)