Complete Production Services, Inc.
Form S-1/A
April 04, 2006

Table of Contents

**As filed with the Securities and Exchange Commission on April 4, 2006**

**Registration No. 333-128750**

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

**AMENDMENT NO. 5 TO**
**FORM S-1**
**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

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

| | | |
|---|---|---|
| **Delaware** | **1389** | **72-1503959** |
| *(State or other jurisdiction of incorporation or organization)* | *(Primary Standard Industrial Classification Code Number)* | *(I.R.S. Employer Identification No.)* |

**11700 Old Katy Road, Suite 300**
**Houston, Texas 77079**
**(281) 372-2300**
*(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)*

**Joseph C. Winkler**
**Chief Executive Officer and President**
**11700 Old Katy Road, Suite 300**
**Houston, Texas 77079**
**(281) 372-2300**
*(Name, address, including zip code, and telephone number, including area code, of agent for service)*
***Copies to:***

| | |
|---|---|
| **Vinson & Elkins L.L.P.**<br>**First City Tower, Suite 2300**<br>**Houston, Texas 77002**<br>**(713) 758-2222**<br>**Attn: Scott N. Wulfe**<br>**Attn: Nicole E. Clark** | **Baker Botts L.L.P.**<br>**One Shell Plaza, 910 Louisiana Street**<br>**Houston, Texas 77002**<br>**(713) 229-1234**<br>**Attn: R. Joel Swanson**<br>**Attn: Felix P. Phillips** |

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee |
|---|---|---|
| Common Stock, par value $0.01 | $598,920,000 | $64,085(3) |

(1) Includes common stock issuable upon the exercise of the underwriters over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

(3) Subsequent to the date of the filing of Amendment No. 1, we increased the Proposed Maximum Aggregate Offering Price from $345,000,000 to $598,920,000. A registration fee of $40,607 relating to the previous Proposed Maximum Aggregate Offering Price was previously paid to the commission. The balance of the registration fee will be paid on the date of the filing of this Amendment No. 5.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 4, 2006

21,700,000 Shares

**Complete Production Services, Inc.**

Common Stock

We are selling 13,000,000 shares of our common stock and the selling stockholders are selling 8,700,000 shares of our common stock. Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between $22.00 and $24.00 per share. Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol CPX . We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

The underwriters have an option to purchase a maximum of 3,255,000 additional shares from the selling stockholders to cover over-allotments of shares.

**Investing in our common stock involves risks. See Risk Factors beginning on page 9.**

| | **Price to Public** | **Underwriting Discounts and Commissions** | **Proceeds to Complete Production Services** | **Proceeds to Selling Stockholders** |
|---|---|---|---|---|
| Per Share | $ | $ | $ | $ |
| Total | $ | $ | $ | $ |

Delivery of the shares of common stock will be made on or about , 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**Credit Suisse** **UBS Investment Bank**

**Banc of America Securities LLC**
**Jefferies & Company**
**Johnson Rice & Company L.L.C.**
**Raymond James**
**Simmons & Company International**
**Pickering Energy Partners**

The date of this prospectus is , 2006.

**Table of Contents**

## TABLE OF CONTENTS



**You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

**Dealer Prospectus Delivery Obligation**

**Until , 2006 (25 days after the commencement of the offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as an underwriter and with respect to**

**unsold allotments or subscriptions.**

## Cautionary Note Regarding Industry and Market Data

This prospectus includes industry data and forecasts that we obtained from publicly available information, industry publications and surveys. Our forecasts are based upon management s understanding of industry conditions. We believe that the information included in this prospectus from industry surveys, publications and forecasts is reliable.

## Non-GAAP Financial Measures

The body of accounting principles generally accepted in the United States is commonly referred to as GAAP. A non-GAAP financial measure is generally defined by the Securities and Exchange Commission, or SEC, as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. In this prospectus, we disclose EBITDA, a non-GAAP financial measure. EBITDA is calculated as net income before interest expense, taxes, depreciation and amortization and minority interest. EBITDA is not a substitute for the GAAP measures of earnings and cash flow. EBITDA is included in this prospectus 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.

Table of Contents

## PROSPECTUS SUMMARY

*This prospectus summary highlights information contained in this prospectus. Before investing in our common stock, you should read this entire prospectus carefully, including the section entitled Risk Factors and our financial statements and related notes, for a more detailed description of our business and this offering. In this prospectus, Complete, company, we, us and our refer to Complete Production Services, Inc. and its subsidiaries, except as otherwise indicated. Please read Glossary of Selected Industry Terms included in this prospectus for definitions of certain terms that are commonly used in the oilfield services industry. Unless otherwise indicated, all references to dollars and $ in this prospectus are to, and amounts are presented in, U.S. dollars. Unless the context indicates otherwise, all information in this prospectus assumes that the underwriters do not exercise their over-allotment option.*

### Our Company

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 manage our operations from regional field service facilities located throughout the U.S. Rocky Mountain region, Texas, Oklahoma, Louisiana, Arkansas and Kansas, western Canada and Mexico.

We seek to differentiate ourselves from our competitors through our local leadership, 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.

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. Through this segment, we also provide pressure control, drill string, pipe handling and other equipment. Our drilling rigs currently operate exclusively in the Barnett Shale region of north Texas.

*Product Sales.* Through our product sales segment, we provide a variety of equipment used by oil and gas companies throughout the lifecycle of their wells. Our current product offering includes completion, flow control and artificial lift equipment as well as tubular goods.

For further information on our company, please read Business Our Company.

Table of Contents

## 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. We believe the following two principal economic factors will positively affect our industry in the coming years:

*Higher demand for natural gas in North America.* We believe that natural gas will be in high demand in North America over the next several years because of the growing popularity of this clean-burning fuel.

*Constrained North American gas supply.* Although the demand for natural gas is projected to increase, supply is likely to be constrained as North American natural gas basins are becoming more mature and experiencing increased decline rates.

Higher demand for natural gas and a constrained gas supply have resulted in higher prices and increased drilling activity. The increase in prices and drilling activity are driving three additional trends that we believe will benefit us:

*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 oil and gas 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 require more wells to be drilled and maintained, frequently 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 lower average decline rate. Once identified, resource plays have the potential to make a material impact because of their size and low decline rates. The application of appropriate technology and program execution are important to obtain value from resource plays.

*Increasingly complex technologies.* Increasing prices and the development of unconventional oil and gas resources are driving the need for complex, new technologies to help increase recovery rates, lower production costs and accelerate field development. We believe that the increasing complexity of technology used in the oil and gas development process coupled with limited engineering resources will require production companies to increase their reliance on service companies to assist them in developing and applying these technologies.

While we believe that these trends will benefit us, our markets may be adversely affected by industry conditions that are largely beyond our control. Any prolonged substantial reduction in oil and gas prices would likely affect oil and gas drilling and production levels and therefore affect demand for the services we provide. For more information on this and other risks to our business and our industry, please read Risk Factors Risks Related to Our Business and Our Industry.

For further information on our industry, please read Business Our Industry.

Table of Contents

## 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:

*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 plays we believe have the potential for long-term growth. We intend to leverage our existing market presence, strong local leadership, expertise and customer relationships to expand our business within these gas 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.

*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.

Successful execution of our business strategy depends on our ability to retain key personnel and to continue to employ a sufficient number of skilled and qualified workers. The demand for skilled workers is high, and the supply is limited. If we are not able to retain key personnel and continue to employ a sufficient number of skilled and qualified workers, our business could be harmed. For more information on this and other risks to our business and our industry, please read Risk Factors Risks Related to Our Business and Our Industry.

For further information on our business strategy, please read Business Our Business Strategy.

## 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, understand the regional challenges our customers face and have long-term relationships with many 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, Oklahoma, Louisiana, Arkansas and Kansas, western Canada and Mexico, with concentrations in key resource play and unconventional basins. Resource plays are expected to become increasingly important in future North American oil and gas production as more conventional resources enter later stages of the exploration cycle. We believe we have an excellent position in highly active markets such as the Barnett Shale region of north Texas. Accelerating production and driving down development and production costs are key goals for oil and gas operators in these areas, resulting in strong demand for our services and products. In addition, our strong 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 favorably relative to our competitors. Our complementary services encompass the entire lifecycle of a well from drilling and completion, through production and eventual abandonment. This suite of services and products gives us the opportunity to cross-sell to our customer base and throughout our geographic regions. Leveraging our strong 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.

*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. Our fleet is active with high utilization. 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 executive officer and member of our key operational management team has over 20 years of 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.

While we believe that these strengths differentiate us from our competitors, the markets in which we operate are highly competitive and have relatively few barriers to entry. We face competition from large national and multi-national companies that have greater resources and greater name recognition than we do as well as from several smaller companies capable of competing effectively on a regional basis. In addition, we may face substantial competition from new entrants in the future. For more information on these and other risks to our business and our industry, please read Risk Factors Risks Related to Our Business and Our Industry.

For further information on our competitive strengths, see Business Our Competitive Strengths.

**The Combination**

Prior to 2001, SCF Partners, a private equity firm, began to target investment opportunities in service-oriented companies in the North American natural gas market with specific focus on the production phase of the exploration and production cycle. On May 22, 2001, SCF Partners, through SCF-IV, L.P. ( SCF ), formed Saber Energy Services, Inc. ( 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. We believe that operational and financial benefits realized through the Combination establish the foundation for long-term growth for the combined company. Immediately after the Combination, SCF held approximately 70% of our outstanding common stock. For additional information regarding the Combination, see Business The Combination.

**How You Can Contact Us**

Our principal executive offices are located at 11700 Old Katy Road, Suite 300, Houston, Texas 77079 and our telephone number at that location is (281) 372-2300. Our corporate website address is *www.completeproduction.com*. The information contained in or accessible from our corporate website is not part of this prospectus.

**Table of Contents**

## The Offering

| | |
|---|---|
| Common stock offered by us | 13,000,000 shares |
| Common stock offered by the selling stockholders | 8,700,000 shares |
| Common stock to be outstanding after the offering | 70,519,755 shares |
| Common stock beneficially owned by the selling stockholders after the offering | 36,969,831 shares (33,714,831 shares if the underwriters over-allotment option is fully exercised). |
| Use of proceeds | We estimate that our net proceeds from the sale of the shares offered by us, after deducting estimated expenses and underwriting discounts and commissions, will be approximately $277 million. We plan to use our net proceeds from this offering to repay $5 million of seller financed notes and the remainder to pay all outstanding balances under our revolving credit facility and for general corporate purposes, which may include cash payments made in connection with future acquisitions. Affiliates of some of the underwriters of this offering are lenders under our revolving credit facility and therefore will receive a portion of the proceeds from this offering that we use to repay indebtedness. We will not receive any of the proceeds from the sale of any shares of our common stock by the selling stockholders. See Use of Proceeds and Underwriting. |
| Over-allotment option | The selling stockholders have granted the underwriters a 30-day option to purchase a maximum of 3,255,000 additional shares of our common stock at the initial public offering price to cover over-allotments. |
| NYSE symbol | CPX |
| Risk factors | See Risk Factors included in this prospectus for a discussion of factors that you should carefully consider before deciding to invest in shares of our common stock. |

The number of shares of common stock that will be outstanding after the offering includes shares of restricted common stock issued to officers and other employees under our stock incentive plans (our stock incentive plans ) that are subject to vesting. As of March 31, 2006, there were 771,297 shares of restricted stock outstanding that remain subject to vesting.

The number of shares of common stock that will be outstanding after the offering excludes:

3,480,028 shares issuable upon the exercise of options outstanding as of March 31, 2006 under our stock incentive plans; and

an aggregate of approximately 835,000 shares issuable upon the exercise of options (with an exercise price equal to the price per share to the public in this offering) and an aggregate of approximately 65,000 shares of restricted stock anticipated to be issued in connection with this offering.

## Summary Consolidated Financial Data

The following table presents summary historical consolidated financial and operating data for the periods shown. The summary consolidated financial data as of December 31, 2001 and for the year ended December 31, 2001, have been derived from IPS s consolidated financial statements for such date and period. The summary consolidated financial data as of December 31, 2002 and for the year ended December 31, 2002 have been derived from the audited consolidated financial statements of IPS for such date and period. In addition, the following summary consolidated financial data as of December 31, 2005, 2004 and 2003 and for the three-year period ended December 31, 2005 have been derived from our audited consolidated financial statements for those dates and periods. 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 prospectus.

On December 29, 2005, we effected a 2-for-1 split of common stock. As a result, all common stock and per share data, as well as data related to other securities including stock warrants, restricted stock and stock options, have been adjusted retroactively to give effect to this stock split for all periods presented within this prospectus, except par value which remained at $0.01 per share, resulting in an insignificant reclassification between common stock and additional paid-in-capital.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| | (In thousands, except per share data) | | | | |
| **Statement of Operations Data:** | | | | | |
| Revenue: | | | | | |
| Completion and production services | $ 5,855 | $ 30,110 | $ 65,025 | $ 194,953 | $ 510,304 |
| Drilling services | | | 2,707 | 44,474 | 129,117 |
| Products sales | | 10,494 | 35,547 | 81,320 | 118,305 |
| Total | 5,855 | 40,604 | 103,279 | 320,747 | 757,726 |
| Expenses: | | | | | |
| Service and product expenses(1) | 3,528 | 28,531 | 73,124 | 216,173 | 481,394 |
| Selling, general and administrative | 1,563 | 7,764 | 16,591 | 46,077 | 111,754 |
| Depreciation and amortization | 402 | 4,187 | 7,648 | 21,616 | 48,840 |
| Write-off of deferred financing fees | | | | | 3,315 |
| Operating income | 362 | 122 | 5,916 | 36,881 | 112,423 |
| Interest expense | 176 | 1,260 | 2,687 | 7,471 | 24,461 |
| Taxes | 86 | (477) | 1,506 | 10,821 | 33,716 |
| Income (loss) before minority interest | 100 | (661) | 1,723 | 18,589 | 54,246 |
| Minority interest | | | 247 | 4,705 | 384 |
| Net income (loss) | $ 100 | $ (661) | $ 1,476 | $ 13,884 | $ 53,862 |
| Earnings (loss) per share basic | $ 0.03 | $ (0.12) | $ 0.11 | $ 0.47 | $ 1.16 |
| Earnings (loss) per share diluted | $ 0.03 | $ (0.12) | $ 0.10 | $ 0.46 | $ 1.06 |
| Weighted average shares basic | 2,890 | 5,514 | 13,675 | 29,548 | 46,603 |
| Weighted average shares diluted | 2,890 | 5,514 | 14,109 | 30,083 | 50,656 |

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

Table of Contents

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| | (In thousands) | | | | |
| **Other Financial Data:** | | | | | |
| EBITDA(2) | $ 764 | $ 4,309 | $ 13,564 | $ 58,497 | $ 161,263 |
| Cash flows from operating activities | 1,683 | (8) | 13,965 | 34,622 | 76,427 |
| Cash flows from financing activities | 33,320 | 36,279 | 55,281 | 157,630 | 112,139 |
| Cash flows from investing activities | (32,538) | (35,616) | (66,214) | (186,776) | (188,358) |
| Capital expenditures: | | | | | |
| Acquisitions, net of cash acquired(3) | 9,860 | 27,851 | 54,798 | 139,362 | 67,689 |
| Property, plant and equipment | 2,678 | 6,799 | 11,084 | 46,904 | 127,215 |

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| | (In thousands) | | | | |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 2,465 | $ 3,120 | $ 6,094 | $ 11,547 | $ 11,405 |
| Net property, plant and equipment | 7,110 | 47,808 | 95,217 | 235,211 | 384,580 |
| Total assets | 38,571 | 110,596 | 206,066 | 515,153 | 937,653 |
| Long-term debt, excluding current portion | 2,522 | 22,270 | 50,144 | 169,190 | 509,990 |
| Total stockholders equity | 34,550 | 65,262 | 97,956 | 172,080 | 250,761 |

(2) EBITDA consists of net income (loss) before interest expense, taxes, depreciation and amortization and minority interest. See Non-GAAP Financial Measures. EBITDA is included in this prospectus 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 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 (loss).

(3) Acquisitions, net of cash required, 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.

**Reconciliation of EBITDA**

**Year Ended December 31,**

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Net income (loss) | $ 100 | $ (661) | $ 1,476 | $ 13,884 | $ 53,862 |
| Plus: interest expense | 176 | 1,260 | 2,687 | 7,471 | 24,461 |
| Plus: tax expense | 86 | (477) | 1,506 | 10,821 | 33,716 |
| Plus: depreciation and amortization | 402 | 4,187 | 7,648 | 21,616 | 48,840 |
| Plus: minority interest | | | 247 | 4,705 | 384 |
| EBITDA | $ 764 | $ 4,309 | $ 13,564 | $ 58,497 | $ 161,263 |

Table of Contents

## RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors, together with the other information contained in this prospectus, before deciding to invest in our common stock. If any of the following risks develop into actual events, our business, financial condition, results of operations or cash flows could be materially adversely affected, the trading price of shares of our common stock could decline, and you may 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 will 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;
- 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.

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. Any prolonged substantial reduction in oil and gas prices would likely affect oil and gas production levels and therefore affect demand for the services we provide. A 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. For example, over the last three years, the WTI Cushing crude oil spot price has ranged from a low of $25.24 per bbl on April 29, 2003 to a high of $69.81 per bbl on August 30, 2005. The Henry Hub natural gas spot price has ranged from $3.99 per mcf on October 31, 2003 to $15.39 per mcf on December 13, 2005. Until recently, these prices have generally been at historically high levels. Gas prices have recently declined substantially. The Henry Hub natural gas spot price on March 31, 2006 was $6.98 per mcf. Oil prices have also declined. The WTI Cushing crude oil spot price on

Table of Contents

March 31, 2006 was $66.63. The increase in prices over the last few years has caused oil and gas companies and drilling contractors to change their strategies and expenditure levels, which has benefited us. However, the recent decline in oil and gas prices may result in a decrease in the expenditure levels of oil and gas companies and drilling contractors which would in turn adversely affect 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 in 2002, and our income in 2005 was $53.9 million compared to $13.9 million in 2004 and $1.5 million in 2003.

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.

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

Because oil and gas prices and drilling activity have been at historically high levels, oilfield service companies have been acquiring new equipment to meet their customers increasing demand for services. If these levels of price and activity do not continue, there is a potential for excess capacity in the oilfield service industry. 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.

***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 at wage rates that are competitive. 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.

***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 recently combined company with a short combined operating history. In addition, two of our combining companies, IPS and CES, have grown significantly over the last few years through acquisitions. This may make it more difficult for investors to evaluate our business and prospects and to forecast our future operating results. The historical combined financial statements and the unaudited pro forma combined financial statements included in this prospectus 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

Table of Contents

operations are likely to be. Our future results will depend on our ability to efficiently manage our combined operations and execute our business strategy.

***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 and private placement of shares in addition to 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. 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 inability to control the inherent risks of acquiring and integrating businesses could adversely affect our operations.***

We are a recently combined company and integrating our ongoing businesses may be difficult. In particular, the integration of businesses and operations that are located in disparate regions of North America may prove difficult to achieve in a cost-effective manner. The inability of management to successfully integrate the combining companies could have a material adverse effect on our business, operating results and financial position. Moreover, we may not be able to cross sell our services and penetrate new markets successfully and we may not obtain the anticipated or desired benefits of the Combination. In addition to the Combination, 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. 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 22% of our revenue for the year ended December 31, 2005. Although none of our customers in 2005 accounted for more than 10% of our revenue, collectively, our top ten customers represented approximately 33% of our revenue. 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.

11

Table of Contents

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

At February 28, 2006, our debt was approximately $554 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 level of debt increases 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;
- our debt covenants also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- 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;
- 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; and
- our business may not generate sufficient cash flow from operations to enable us to meet our obligations under our indebtedness.

The majority of our debt is structured under floating interest rate terms. A one percentage point increase in the interest rates on our $419 million of term debt outstanding as of February 28, 2006 would cause a $4.2 million pre-tax annual increase in interest expense.

***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 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.

***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 price, product and service quality and availability, responsiveness, experience, technology, equipment quality and reputation for safety. 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,

Table of Contents

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.

We work in a dangerous business. For example, in 2005, our operations resulted in several 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 the Company s overall safety record, they may not be successful in doing so.

***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 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.

Table of Contents

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 Business Environmental Matters.

***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 develop or 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 continue to develop and 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 develop or maintain effective controls, or difficulties encountered in our implementation or other effective improvement of our internal controls, could harm our operating results.

***A terrorist attack or armed conflict could harm our business.***

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and gas, potentially putting downward pressure on demand for our services and causing a reduction in our revenues. Oil and gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

***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 substantial operations in Canada. As a result, fluctuations in currency exchange rates in Canada could materially and adversely affect our business. For the year ended December 31, 2005, our Canadian operations represented approximately 14% of our revenue and 8% of our net income 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 sole 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 made effective as of October 1, 2003 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 in the Gulf of Mexico are adversely impacted by the hurricane season, 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, controls the outcome of stockholder voting and may exercise this voting power in a manner adverse to you.***

After the offering, SCF will own approximately 45% of our outstanding common stock and approximately 41% of our outstanding common stock if the over-allotment option is exercised in full. 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, will be in a position to control 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.

***SCF s ownership interest and provisions contained in our certificate of incorporation and bylaws could discourage a takeover attempt, which may reduce or eliminate the likelihood of a change of control transaction and, therefore, your ability to sell your shares for a premium.***

In addition to SCF s controlling position, provisions contained in our certificate of incorporation and bylaws, such as a classified board, limitations on the removal of directors, on stockholder proposals at meetings of stockholders and on stockholder action by written consent and the inability of stockholders to call special meetings, could make it more difficult for a third party to acquire control of our company. Our certificate of incorporation also authorizes our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could increase the difficulty for a third party to acquire us, which may reduce or eliminate your ability to sell your shares of common stock at a premium. See Description of Our Capital Stock.

***Two of our directors may have conflicts of interest because they are affiliated with SCF. The resolution of these conflicts of interest may not be in our or your best interests.***

Two of our directors, David C. Baldwin and Andrew L. Waite, are current officers of L.E. Simmons and Associates, Incorporated, the ultimate general partner of SCF. This may create conflicts of interest because these directors have responsibilities to SCF and its owners. Their duties as officers of L.E. Simmons and Associates, Incorporated may conflict with their duties as directors of our company regarding business dealings between SCF and us and other matters. The resolution of these conflicts 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 this Offering**

***Future sales of shares of our common stock may affect their market price and the future exercise of options may depress our stock price and result in immediate and substantial dilution.***

We cannot predict what effect, if any, future sales of shares of our common stock, or the availability of shares for future sale, will have on the market price of our common stock. Upon completion of this offering, SCF will own 31,775,731 shares of our common stock, or approximately 45% of our outstanding common stock (or 28,832,956 shares of our common stock, or approximately 41%, if the over-allotment option is fully exercised) and our existing stockholders (other than SCF) will own 17,044,025 shares of our common stock, or approximately 24% of our outstanding common stock (or 16,731,799 shares of our common stock or approximately 24% of our outstanding common stock if the over-allotment option is fully exercised). We and our officers and directors and the selling stockholders are subject to the lock-up agreements described in Underwriting for a period of 180 days after the date of this prospectus. Existing stockholders are parties to a registration rights agreement granting them certain demand and piggyback registrations in the future. In addition, shares beneficially held for at least one year will be eligible for sale in the public market pursuant to Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, subject to the lock-up agreements. Sales of substantial amounts of our common stock in the public market following our initial public offering, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your shares at a time and price that you deem appropriate. Please read Shares Eligible for Future Sale.

As soon as practicable after this offering, we intend to file one or more registration statements with the SEC on Form S-8 providing for the registration of shares of our common stock issued or reserved for issuance under our stock incentive plans. Subject to the expiration of lock-ups that we and certain of our stockholders have entered into and any applicable restrictions or conditions contained in our stock incentive plans, the shares registered under these registration statements on Form S-8 will be available for resale immediately in the public market without restriction.

***Purchasers of common stock will experience immediate and substantial dilution.***

Based on an assumed initial public offering price of $23.00 per share, purchasers of our common stock in this offering will experience an immediate and substantial dilution of $19.75 per share in the net tangible book value per share of common stock from the initial public offering price, and our pro forma net tangible book value as of December 31, 2005, after giving effect to this offering, would be $3.25 per share. You will incur further dilution if outstanding options to purchase common stock are exercised. In addition, our certificate of incorporation allows us to issue significant numbers of additional shares, including shares that may be issued under our stock incentive plans. Please read Dilution for a complete description of the calculation of net tangible book value.

***Because we have no current plans to pay dividends on our common stock, investors must look solely to stock appreciation for a return on their investment in us.***

We do not anticipate paying cash dividends on our common stock in the foreseeable future. We currently intend to retain all future earnings to fund the development and growth of our business. Any payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that the board of directors deems relevant. Investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment.

***There has been no active trading market for our common stock, and an active trading market may not develop.***

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the New York Stock Exchange, or NYSE, under the symbol CPX . We do not know if an active trading market will develop for our common stock or how the common stock will trade in the future, which may make it more difficult for you to sell your shares. Negotiations between the underwriters and us determined the initial public offering price, which may not be indicative of the price at which our common stock will trade following the completion of this offering. You may not be able to resell your shares at or above the initial public offering price.

***If our stock price fluctuates after the initial public offering, you could lose a significant part of your investment.***

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. The market price of our common stock could similarly be subject to wide fluctuations in response to a number of factors, most of which we cannot control, including:

- changes in securities analysts recommendations and their estimates of our financial performance;
- the public s reaction to our press releases, announcements and our filings with the SEC and those of our competitors;
- fluctuations in broader stock market prices and volumes, particularly among securities of oil and gas service companies;
- changes in market valuations of similar companies;
- investor perception of our industry or our prospects;
- additions or departures of key personnel;
- commencement of or involvement in litigation;

**Table of Contents**

changes in environmental and other governmental regulations;

announcements by us or our competitors of strategic alliances, significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments;

variations in our quarterly results of operations or cash flows or those of other oil and gas service companies;

revenue and operating results failing to meet the expectations of securities analysts or investors in a particular quarter;

changes in our pricing policies or pricing policies of our competitors;

future issuances and sales of our common stock;

demand for and trading volume of our common stock;

domestic and worldwide supplies and prices of and demand for oil and gas; and

changes in general conditions in the domestic and worldwide economies, financial markets or the oil and gas industry.

The realization of any of these risks and other factors beyond our control could cause the market price of our common stock to decline significantly. In particular, the market price of our common stock may be influenced by variations in oil and gas commodity prices, because demand for our services is closely related to the prices of these commodities. This may cause our stock price to fluctuate with these underlying commodity prices, which are highly volatile.

Table of Contents

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, among other things, the risk factors discussed in this prospectus and other factors, most of which are beyond our control.

The words believe, may, will, estimate, continue, anticipate, intend, plan, expect and similar exp intended to identify forward-looking statements. All statements other than statements of current or historical fact contained in this prospectus are forward-looking statements.

Although we believe that the forward-looking statements contained in this prospectus are based upon reasonable assumptions, the forward-looking events and circumstances discussed in this prospectus 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:

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

Our forward-looking statements speak only as of the date of this prospectus. Unless otherwise required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

## USE OF PROCEEDS

We expect to receive net proceeds from the sale of 13,000,000 shares of common stock by us in this offering of approximately $277 million, assuming an initial public offering price of $23.00 per share and after deducting underwriting discounts and commissions and estimated offering expenses. A $1.00 increase (decrease) in the assumed initial public offering price of $23.00 per share would increase (decrease) the net proceeds to us from this offering by $12.2 million, assuming no change in the number of shares offered by us as set forth on the cover page of this prospectus and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from any sale of shares of our common stock by the selling stockholders.

We plan to use the net proceeds from this offering to repay $5 million of seller financed notes and the remainder to pay all outstanding balances under our revolving credit facility and for general corporate purposes, which may include cash payments made in connection with future acquisitions. Our amended and restated senior credit facility consists of a $170 million U.S. revolver, a $30 million Canadian revolver and a term loan facility of $419 million. As of February 28, 2006, we had $419 million of indebtedness outstanding under the term loan portion of our senior credit facility. The current term loan bears interest at either a base rate plus 1.75%, or the London Interbank Offered Rate ( LIBOR ) plus 2.50%, and matures in September 2012. As of February 28, 2006, we had approximately $124.4 million in indebtedness outstanding under our revolving credit facility. The revolving credit facility bears interest at either a base rate plus an applicable margin ranging between 0.25% and 1.75%, or LIBOR plus an applicable margin between 1.25% and 2.75% in the case of U.S. borrowings. In the case of borrowings under the Canadian revolving credit facility, interest is based on the Canadian Base Rate (as defined in the Credit Agreement) plus an applicable margin ranging between 0.25% and 1.75%. Our borrowings under the term loan and revolving credit facility were used to refinance existing debt, to pay the Dividend as described below and to provide for ongoing working capital and general corporate purposes.

Please read Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Description of Our Indebtedness for a description of our outstanding indebtedness and our senior credit facility following this offering.

An affiliate of Credit Suisse Securities (USA) LLC and an affiliate of UBS Securities LLC have each committed $11.8 million (or approximately 7%) of our $170 million U.S. revolver and therefore will receive a portion of the proceeds from this offering that we use to repay our U.S. revolver. Credit Suisse Securities (USA) LLC and UBS Securities LLC are underwriters of this offering. Please read Underwriting.

## DIVIDEND POLICY

Immediately after the closing of the Combination, we paid a dividend of $2.62 per share of our common stock or an aggregate of approximately $147 million to our stockholders. The term Dividend refers to this payment. Other than the Dividend, we have not declared or paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all future earnings to fund the development and growth of our business. Any future determination relating to our dividend policy will be at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements and other factors deemed relevant by our board. We are also currently restricted in our ability to pay dividends under our senior credit facility.

Table of Contents

## CAPITALIZATION

The following table sets forth our capitalization at December 31, 2005:

on an actual basis; and

on an as adjusted basis to give effect to this offering and the application of our estimated net proceeds from this offering as set forth under Use of Proceeds as if the offering occurred on December 31, 2005.

The information was derived from and is qualified by reference to our consolidated financial statements included elsewhere in this prospectus. You should read this information in conjunction with these consolidated financial statements, Management s Discussion and Analysis of Financial Condition and Results of Operations and Use of Proceeds.

| | December 31, 2005 | |
|---|---|---|
| | Actual | As Adjusted |
| | (In thousands) | |
| Cash and cash equivalents(1) | $ 11,405 | $ 198,255 |
| Total long-term debt, including current portion: | | |
| Notes payable: | | |
| Revolving credit facility(2) | $ 85,112 | $ |
| Term loan facility | 418,950 | 418,950 |
| Other debt | 11,881 | 6,881 |
| Total | 515,943 | 425,831 |
| Stockholders equity: | | |
| Common stock, $0.01 par value, 200,000,000 shares authorized, 55,531,510 shares issued and outstanding, actual; 68,531,510 shares issued and outstanding, as adjusted | 555 | 685 |
| Additional paid-in capital(1) | 220,786 | 497,618 |
| Treasury stock, 35,570 shares at cost | (202) | (202) |
| Deferred compensation | (3,803) | (3,803) |
| Retained earnings | 16,885 | 16,885 |
| Accumulated other comprehensive income | 16,540 | 16,540 |
| Total stockholders equity(1) | 250,761 | 527,723 |
| Total capitalization(1) | $ 766,704 | $ 953,554 |

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $23.00 per share would increase (decrease) each of cash and cash equivalents, additional paid-in capital, total stockholders equity and total capitalization by $12.2 million, assuming no change in the number of shares offered by us as set forth on the cover page of this prospectus and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(2) As of February 28, 2006, we had $124.4 million outstanding under our revolving credit facility.

Table of Contents

## DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share and the net tangible book value per share of the common stock after this offering. Our unaudited consolidated net tangible book value as of December 31, 2005 was $(0.98) per share of common stock, after giving effect to the Combination and the Dividend. Net tangible book value per share represents the amount of the total tangible assets less our total liabilities, divided by the number of shares of common stock that are outstanding. After giving effect to the sale of 13,000,000 shares of common stock in this offering by us at an assumed initial public offering price of $23.00 per share and after the deduction of underwriting discounts and commissions and estimated offering expenses, the as adjusted net tangible book value at December 31, 2005 would have been $223 million or $3.25 per share. This represents an immediate increase in such net tangible book value of $4.23 per share to existing stockholders and an immediate and substantial dilution of $19.75 per share to new investors purchasing common stock in this offering. The following table illustrates this per share dilution:

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ 23.00 |
| Net tangible book value per share as of December 31, 2005 | $ (0.98) | |
| Increase attributable to new public investors | 4.23 | |
| As adjusted net tangible book value per share after this offering | | 3.25 |
| Dilution in as adjusted net tangible book value per share to new investors | | $ 19.75 |

A $1.00 increase (decrease) in the assumed initial public offering price of $23.00 per share would increase (decrease) our net tangible book value by $12.2 million, the net tangible book value per share, after giving effect to this offering, by $0.18 per share and the dilution in net tangible book value per share to new investors in this offering by $0.18 per share, assuming no change in the number of shares offered by us as set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, on an as adjusted basis set forth above as of December 31, 2005, the total number of shares of common stock owned by existing stockholders, the total number of shares acquirable under outstanding options and the total number of shares to be owned by new investors, the total consideration paid or to be paid, and the average price per share paid by our existing stockholders and to be paid by our option holders and by new investors in this offering at $23.00, the mid-point of the range of the initial public offering prices set forth on the cover page of this prospectus, calculated before deduction of estimated underwriting discounts and commissions and estimated offering expenses.

| | Shares Purchased(1) | | Total Consideration | | Average Price |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | Per Share |
| Existing stockholders(2)(3) | 56,317,680 | 77% | $ 71,970,000 | 18% | $ 1.28 |
| Option holders | 3,512,444 | 5% | 19,037,446 | 5% | 5.42 |
| New public investors | 13,000,000 | 18% | 299,000,000 | 77% | 23.00 |
| Total | 72,830,124 | 100% | $ 390,007,446 | 100% | |

(1) The number of shares disclosed for the existing stockholders includes 8,700,000 shares being sold by the selling stockholders in this offering. The number of shares disclosed for the new investors does not include the 8,700,000 shares being purchased by the new investors from the selling stockholders in this offering.

(2) Includes 786,170 shares of restricted stock that are subject to forfeiture restrictions as of December 31, 2005.

(3) The amount paid by the existing stockholders was calculated by deducting from our common stock and additional paid-in capital as of December 31, 2005 of $221.3 million, the following amounts: (i) the amount of goodwill recognized in the Combination of $93.8 million, (ii) the portion of the Dividend paid in connection with the Combination that reduced retained earnings by $51.8 million and (iii) deferred compensation of $3.8 million.

Table of Contents

A $1.00 increase (decrease) in the assumed initial public offering price of $23.00 per share would increase (decrease) total consideration to be paid by new investors, total consideration paid by all stockholders and the average price per share paid by all stockholders by $13.0 million, $13.0 million and $0.18 per share, respectively, assuming no change in the number of shares offered by us, as set forth on the cover page of this prospectus, and without deducting underwriting discounts and commissions and other expenses of the offering.

As of March 31, 2006, there were 57,519,752 shares of our common stock outstanding, including 771,297 shares of restricted stock that are subject to forfeiture restrictions. Sales by the selling stockholders in this offering will reduce the number of shares of common stock held by existing stockholders to 48,819,752 or approximately 69% of the total number of shares of common stock outstanding after this offering and will increase the number of shares of common stock held by new investors to 21,700,000 shares or approximately 31% of the total number of shares of common stock outstanding after this offering.

Table of Contents

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

On September 12, 2005, we completed the Combination transaction through which CES, IEM and IPS merged. To facilitate this transaction, we borrowed funds through our bank refinancing (the Financing ), paid the Dividend to stockholders and recorded goodwill associated with the acquisition of minority interests (the MI Acquisition ).

The following summary unaudited pro forma consolidated statements of operations gives effect to the MI Acquisition, the Financing and the payment of the Dividend, assuming that the MI Acquisition, the Financing and the payment of the Dividend were effected on January 1, 2004. From a balance sheet perspective, these transactions have been reflected in our consolidated balance sheet as of December 31, 2005 included elsewhere in this prospectus.

The historical statement of operations information for the years ended December 31, 2005 and 2004 are derived from our audited consolidated financial statements.

The unaudited pro forma consolidated statements of operations represent management s preliminary determination of purchase accounting adjustments and are based on available information and assumptions that management considers reasonable under the circumstances. The purchase accounting estimate is expected to be finalized within one year of the closing date of the Combination. Consequently, the amounts reflected in the unaudited pro forma consolidated statements of operations are subject to change. Management does not expect that the differences between the preliminary and final purchase price allocation will have a material impact on our consolidated financial position or results of operations.

The unaudited pro forma consolidated statements of operations 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.

The following information should be read together with our historical consolidated financial statements and related notes included within this prospectus.

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**
**Pro Forma Consolidated Statement of Operations**
**Year Ended December 31, 2005**

| | Complete | Financing Note 3 | Consolidated |
|---|---|---|---|
| | (In thousands, except per share data) (Unaudited) | | |
| Revenue: | | | |
| Service | $ 639,421 | $ | $ 639,421 |
| Product | 118,305 | | 118,305 |
| | 757,726 | | 757,726 |
| Service expenses | 393,856 | | 393,856 |
| Product expenses | 87,538 | | 87,538 |
| Selling, general and administrative expenses | 111,754 | | 111,754 |
| Depreciation and amortization | 48,840 | | 48,840 |
| Write-off of deferred financing fees | 3,315 | | 3,315 |
| Income before interest, taxes and minority interest | 112,423 | | 112,423 |
| Interest expense | 24,461 | 7,660(a) | 32,121 |
| Income before taxes and minority interest | 87,962 | (7,660) | 80,302 |
| Taxes | 33,716 | (2,681)(b) | 31,035 |
| Income before minority interest | 54,246 | (4,979) | 49,267 |
| Minority interest | 384 | | 384 |
| Net income | $ 53,862 | $ (4,979) | $ 48,883 |
| Earnings per share: | | | |
| Basic | $ 1.16 | | $ 1.05 |
| Diluted | $ 1.06 | | $ 0.96 |
| Weighted average shares: | | | |
| Basic | 46,603 | | 46,603 |
| Diluted | 50,656 | | 50,656 |

See accompanying notes to the unaudited pro forma consolidated statements of operations.

Table of Contents

**COMPLETE PRODUCTION SERVICES, INC.**
**Pro Forma Consolidated Statement of Operations**
**Year Ended December 31, 2004**

| | Complete | MI Acq. Note 2 | Financing Note 3 | Consolidated |
|---|---|---|---|---|
| | (In thousands, except per share data) (Unaudited) | | | |
| Revenue: | | | | |
| Service | $ 239,427 | $ | $ | $ 239,427 |
| Product | 81,320 | | | 81,320 |
| | 320,747 | | | 320,747 |
| Service expenses | 157,540 | | | 157,540 |
| Product expenses | 58,633 | | | 58,633 |
| Selling, general and administrative expenses | 46,077 | | | 46,077 |
| Depreciation and amortization | 21,616 | | | 21,616 |
| Income before interest, taxes and minority interest | 36,881 | | | 36,881 |
| Interest expense | 7,471 | | 10,095(a) | 17,566 |
| Income before taxes and minority interest | 29,410 | | (10,095) | 19,315 |
| Taxes | 10,821 | | (3,533)(b) | 7,288 |
| Income before minority interest | 18,589 | | (6,562) | 12,027 |
| Minority interest (see note 2) | 4,705 | (4,705) | | |
| Net income | $ 13,884 | $ 4,705 | $ (6,562) | $ 12,027 |
| Earnings per share: | | | | |
| Basic | $ 0.47 | | | $ 0.41 |
| Diluted | $ 0.46 | | | $ 0.40 |
| Weighted average shares: | | | | |
| Basic | 29,548 | | | 29,548 |
| Diluted | 30,083 | | | 30,083 |

See accompanying notes to the unaudited pro forma consolidated statements of operations.

**COMPLETE PRODUCTION SERVICES, INC.**
**Notes to Unaudited Pro Forma Consolidated Statements of Operations**
**Years Ended December 31, 2005 and 2004 (unaudited)**
**(In thousands, except as noted)**

**1. Basis of Presentation:**

On September 12, 2005, Integrated Production Services, Inc. ( IPS ) acquired Complete Energy Services, Inc. ( CES ) and I.E. Miller Services, Inc. ( IEM ) for stock. We refer to this transaction as the Combination. The Combination was accounted for using the continuity of interest method as described in note 1 of the audited consolidated financial statements. Upon closing the Combination, IPS changed its name to Complete Production Services, Inc.

The accompanying pro forma consolidated statements of operations for the years ended December 31, 2005 and 2004 have been prepared by management in accordance with accounting principles generally accepted in the United States for inclusion in a registration statement on Form S-1.

These pro forma consolidated statements of operations are not necessarily indicative of the results that would have actually occurred if the events reflected herein had been in effect on the dates indicated or of the results that may occur in the future.

These pro forma consolidated statements of operations are based on our historical audited and unaudited consolidated financial statements, and the pro forma adjustments and assumptions outlined below. Accordingly, these pro forma consolidated statements of operations should be read in conjunction with our audited and unaudited consolidated financial statements presented elsewhere in this prospectus.

The accounting policies used in the preparation of the pro forma consolidated statements of operations are those disclosed in our audited consolidated financial statements for the year ended December 31, 2005.

The purchase method of accounting was used to reflect the acquisition of the minority interests in CES and IEM as at September 12, 2005. The purchase price of $12.32 per share is intended to be the fair value of the shares owned by the minority interests, which purchase price was based on an estimate by a financial advisor engaged in connection with the Combination. The financial advisor was not engaged to, and did not, determine the actual value of such shares. Under this accounting method, the excess of the purchase price over the fair value of the assets and liabilities allocable to the minority interests acquired has been reflected as goodwill. The estimated fair values of the assets and liabilities are preliminary and subject to change. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2004 has been adjusted for the effects of the purchase accounting, as described below.

**2. Income Attributable to Minority Interests:**

Minority interest in income for the year ended December 31, 2004 was:

| | CES | IEM | Total |
|---|---|---|---|
| Year ended December 31, 2004 | $ 4,246 | $ 459 | $ 4,705 |

For a discussion of the purchase price allocation associated with the Combination, see note 2(a) of the consolidated financial statements at December 31, 2005.

**COMPLETE PRODUCTION SERVICES, INC.**
**Notes to Unaudited Pro Forma Consolidated Statements of Operations (Continued)**
**Years Ended December 31, 2005 and 2004 (unaudited)**
**(In thousands, except as noted)**

**3. Financing:**

(a) To adjust interest expense for amounts related to borrowings of approximately $150 million to fund the payment of a stockholder dividend and to reflect the impact on deferred financing fees of our new term loan facility entered into on September 12, 2005. The net adjustments were as follows:

| | Pro Forma Results Year Ended December 31, | |
|---|---|---|
| | **2005** | **2004** |
| Interest expense for new borrowings to fund dividend payment(1) | $ 7,875 | $ 10,500 |
| Add: amortization of term loan deferred financing fees(2) | 274 | 366 |
| Less: deferred financing fees associated with previous debt facilities(3) | (489) | (771) |
| Adjustments to interest expense | $ 7,660 | $ 10,095 |

(1) To record additional interest expense associated with borrowings to fund our stockholder distribution of approximately $150 million, assuming the borrowing occurred on January 1, 2004. Interest was calculated at an assumed rate of 7% for each period presented.

(2) To record amortization expense associated with deferred financing fees resulting from our term loan senior secured financing facility entered into on September 12, 2005, as if the new facility was entered into on January 1, 2004.

(3) To add back amortization expense associated with deferred financing fees related to our previous debt facilities, assuming these facilities were retired with borrowings under our new term loan senior secured financing facility on January 1, 2004.

Our historical results include a write-off of $3.3 million representing the unamortized portion of deferred financing fees associated with our previous debt facilities which were retired on September 12, 2005. These pro forma income statements were not adjusted to eliminate the impact of this non-recurring charge.

(b) To record the tax benefit associated with the interest adjustments identified above at an assumed rate of 35%.

Table of Contents

## SELECTED CONSOLIDATED 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, 2001 and for the year ended December 31, 2001, have been derived from IPS s consolidated financial statements for such date and period. The selected consolidated financial data as of December 31, 2002 and for the year ended December 31, 2002 have been derived from the audited consolidated financial statements of IPS for such date and period. In addition, the following selected consolidated financial data as of December 31, 2005, 2004 and 2003 and for the three-year period ended December 31, 2005 have been derived from our audited consolidated financial statements for those dates and periods. 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 prospectus.

On December 29, 2005, we effected a 2-for-1 split of common stock. As a result, all common stock and per share data, as well as data related to other securities including stock warrants, restricted stock and stock options, have been adjusted retroactively to give effect to this stock split for all periods presented within this prospectus, except par value which remained at $0.01 per share, resulting in an insignificant reclassification between common stock and additional paid-in-capital.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| | (In thousands, except per share data) | | | | |
| **Statement of Operations Data:** | | | | | |
| Revenue: | | | | | |
| Completion and production services | $ 5,855 | $ 30,110 | $ 65,025 | $ 194,953 | $ 510,304 |
| Drilling services | | | 2,707 | 44,474 | 129,117 |
| Products sales | | 10,494 | 35,547 | 81,320 | 118,305 |
| Total | 5,855 | 40,604 | 103,279 | 320,747 | 757,726 |
| Expenses: | | | | | |
| Service and product expenses(1) | 3,528 | 28,531 | 73,124 | 216,173 | 481,394 |
| Selling, general and administrative | 1,563 | 7,764 | 16,591 | 46,077 | 111,754 |
| Depreciation and amortization | 402 | 4,187 | 7,648 | 21,616 | 48,840 |
| Write-off of deferred financing fees | | | | | 3,315 |
| Operating income | 362 | 122 | 5,916 | 36,881 | 112,423 |
| Interest expense | 176 | 1,260 | 2,687 | 7,471 | 24,461 |
| Taxes | 86 | (477) | 1,506 | 10,821 | 33,716 |
| Income (loss) before minority interest | 100 | (661) | 1,723 | 18,589 | 54,246 |
| Minority interest | | | 247 | 4,705 | 384 |
| Net income (loss) | $ 100 | $ (661) | $ 1,476 | $ 13,884 | $ 53,862 |
| Earnings (loss) per share basic | $ 0.03 | $ (0.12) | $ 0.11 | $ 0.47 | $ 1.16 |
| Earnings (loss) per share diluted | $ 0.03 | $ (0.12) | $ 0.10 | $ 0.46 | $ 1.06 |
| Weighted average shares basic | 2,890 | 5,514 | 13,675 | 29,548 | 46,603 |
| Weighted average shares diluted | 2,890 | 5,514 | 14,109 | 30,083 | 50,656 |

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

Table of Contents

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| | (In thousands) | | | | |
| **Other Financial Data:** | | | | | |
| EBITDA(2) | $ 764 | $ 4,309 | $ 13,564 | $ 58,497 | $ 161,263 |
| Cash flows from operating activities | 1,683 | (8) | 13,965 | 34,622 | 76,427 |
| Cash flows from financing activities | 33,320 | 36,279 | 55,281 | 157,630 | 112,139 |
| Cash flows from investing activities | (32,538) | (35,616) | (66,214) | (186,776) | (188,358) |
| Capital expenditures: | | | | | |
| Acquisitions, net of cash acquired(3) | 9,860 | 27,851 | 54,798 | 139,362 | 67,689 |
| Property, plant and equipment | 2,678 | 6,799 | 11,084 | 46,904 | 127,215 |

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| | (In thousands) | | | | |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 2,465 | $ 3,120 | $ 6,094 | $ 11,547 | $ 11,405 |
| Net property, plant and equipment | 7,110 | 47,808 | 95,217 | 235,211 | 384,580 |
| Total assets | 38,571 | 110,596 | 206,066 | 515,153 | 937,653 |
| Long-term debt, excluding current portion | 2,522 | 22,270 | 50,144 | 169,190 | 509,990 |
| Total stockholders equity | 34,550 | 65,262 | 97,956 | 172,080 | 250,761 |

(2) EBITDA consists of net income (loss) before interest expense, taxes, depreciation and amortization and minority interest. See Non-GAAP Financial Measures. EBITDA is included in this prospectus 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 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 (loss).

(3) Acquisitions, net of cash required, 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.

**Reconciliation of EBITDA**

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| | (In thousands) | | | | |
| Net income (loss) | $ 100 | $ (661) | $ 1,476 | $ 13,884 | $ 53,862 |
| Plus: interest expense | 176 | 1,260 | 2,687 | 7,471 | 24,461 |
| Plus: tax expense | 86 | (477) | 1,506 | 10,821 | 33,716 |
| Plus: depreciation and amortization | 402 | 4,187 | 7,648 | 21,616 | 48,840 |
| Plus: minority interest | | | 247 | 4,705 | 384 |
| EBITDA | $ 764 | $ 4,309 | $ 13,564 | $ 58,497 | $ 161,263 |

Table of Contents

## 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 prospectus. 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. Our actual results could differ materially from those indicated in these forward-looking statements. 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, as well as those factors discussed below and elsewhere in this prospectus, particularly in Risk Factors and Forward-Looking Statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed below may not occur. Except to the extent 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.

### Overview

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 manage our operations from regional field service facilities located throughout the U.S. Rocky Mountain region, Texas, Oklahoma, Louisiana, Arkansas and Kansas, western Canada and Mexico.

On September 12, 2005, we completed the Combination (see Business The Combination ) of Complete Energy Services, Inc. ( CES ), Integrated Production Services, Inc. ( IPS ) and I.E. Miller, Inc. ( IEM ). SCF-IV, L.P. ( SCF ) he majority interest in each of CES, IPS and IEM prior to the Combination. Therefore, we accounted for the Combination using the continuity of interests method (see note 1 of the accompanying audited consolidated financial statements). The consolidated financial statements and the discussions herein, include the operating results of CES, IPS and IEM from the date that each became controlled by SCF (November 7, 2003, May 22, 2001 and August 26, 2004, respectively).

We operate in three business segments:

*Completion and Production Services.* Our completion and production services segment includes: (1) intervention services, which require the use of specialized equipment, such as coiled tubing units, pressure pumping units, nitrogen units, well service rigs and snubbing units, to perform various wellbore services, (2) downhole and wellsite services, such as wireline, production optimization, production testing and rental and fishing services, and (3) fluid handling services that are used to move, store and dispose of fluids that are involved in the development and production of oil and gas reservoirs.

*Drilling Services.* Through our drilling services segment, we provide land drilling, specialized rig logistics and site preparation for oil and gas exploration and production companies.

*Product Sales.* Through our product sales segment, we sell oil and gas field equipment, including completion, flow control and artificial lift equipment, as well as tubular goods.

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 prices and utilization and volatility in our revenues. Product sales are recorded when the actual sale occurs and title or ownership passes to the customer and the product is shipped or delivered 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 Business Customers ). The primary factor influencing demand for our services and products is the level of drilling 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 historical commodity prices as provided by Bloomberg:

**AVERAGE RIG COUNTS**

| **BHI Rotary Rig Count:** | **Year Ended 12/31/01** | **Year Ended 12/31/02** | **Year Ended 12/31/03** | **Year Ended 12/31/04** | **Year Ended 12/31/05** |
|---|---|---|---|---|---|
| U.S. Land | 1,003 | 717 | 924 | 1,095 | 1,290 |
| U.S. Offshore | 153 | 113 | 108 | 97 | 93 |
| Total U.S. | 1,156 | 830 | 1,032 | 1,192 | 1,383 |
| Canada | 341 | 263 | 372 | 365 | 455 |
| Mexico | 54 | 66 | 92 | 110 | 107 |
| Total North America | 1,551 | 1,159 | 1,496 | 1,667 | 1,945 |
| **BHI Workover Rig Count:** | | | | | |
| United States | 1,211 | 1,009 | 1,129 | 1,235 | 1,354 |
| Canada | 342 | 261 | 350 | 615 | 654 |
| Total U.S. and Canada | 1,553 | 1,270 | 1,479 | 1,850 | 2,008 |

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

**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 | 4.30 | 30.37 |
| 1/1/01 - 12/31/01 | 3.96 | 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 | 56.59 |
| 1/1/06 - 3/31/06 | 7.66 | 63.34 |

Source: Bloomberg NYMEX prices.

We consider the number of 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 Risk Factors.

We generally charge for our services on a dayrate basis. Depending on the specific service, a dayrate may include one or more of these components: (1) a set-up charge, (2) an hourly service rate based on equipment and labor, (3) an equipment rental charge, (4) a consumables charge, and (5) 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 or through turnkey contracts. Product sales are generated through our supply stores and through wholesale distributors, using a purchase order process and a pre-determined price book.

**Outlook**

Our growth strategy includes a focus on internal growth in our current basins by adding additional like kind equipment, expanding service and product offerings and, to a lesser extent, by increasing equipment utilization. In addition, we identify new basins in which to replicate this approach. We also augment our internal growth through strategic acquisitions.

*Internal Capital Investment.* Our internal expansion activities generally consist of adding equipment and qualified personnel in locations where we have established a presence. We expect to grow our operations in each 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 $185.2 million in equipment additions over the three-year period ended December 31, 2005, which included $120.6 million for the completion and production services segment, $53.0 million for the drilling services segment and $8.3 million for the product sales segment. We have invested $3.3 million related to general corporate operations over the same period.

*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 $370.8 million in acquisitions over the three-year period ended December 31, 2005, excluding the acquisition of minority interests in CES and IEM resulting from the Combination.

**Significant Acquisitions**

*Integrated Production Services Ltd.* On July 3, 2002, we acquired Integrated Production Services Ltd., a western Canada-based integrated well service company providing wireline, production testing and production optimization services in western Canada. This acquisition was completed through a series of transactions, in which we paid $29.5 million in cash in July 2002 and an additional $20.0 million in cash in October 2002. This acquisition was an important addition to our completion and production services segment, as it provided a platform to expand our business into the Canadian oilfield services market. We recorded $28.7 million of goodwill related to this acquisition.

*BSI.* On November 7, 2003, we acquired BSI Holdings Management, LLC and BSI Holdings, L.P. and related parties ( BSI ) for $50.1 million in cash, and issued common stock totaling $8.5 million. This acquisition provided us with a base of business in the Barnett Shale region of north Texas. BSI is an integrated provider of drilling, completion and production services in the oil

**Table of Contents**

and gas industry and sells various products used in the production of oil and gas. We recorded $14.4 million of goodwill related to this acquisition.

*I.E. Miller.* On August 31, 2004, we acquired all the outstanding membership interests of I.E. Miller of Eunice (Texas) No. 2, L.L.C. and certain related entities ( I.E. Miller ) for $13.6 million in cash and issued common stock totaling $12.5 million. This acquisition was an important addition to our drilling services business, as I.E. Miller specializes in rig logistics. We recorded $8.5 million of goodwill associated with this acquisition.

*Hyland Enterprises, Inc.* On September 3, 2004, we acquired Hyland Enterprises, Inc., a Wyoming-based fluid-handling and oilfield equipment rental company, for $24.3 million in cash, including the repayment of debt. This acquisition expanded our completion and production services segment in the U.S. Rocky Mountain region. We recorded $5.5 million of goodwill related to this acquisition.

*Hamm Co.* On October 14, 2004, we acquired Hamm and Phillips Service Company, Inc. and certain other entities ( Hamm Co. ), an Oklahoma-based fluid-handling, well-servicing and oilfield equipment rental company, for $48.1 million in cash, the issuance of common stock totaling $37.0 million and certain additional acquisition costs totaling $2.8 million. This acquisition expanded our completion and production services segment into the U.S. Mid-continent region and provided additional heavy equipment hauling capability for the drilling services segment. We recorded $33.8 million of goodwill related to this acquisition.

*Parchman Energy Group, Inc.* On February 11, 2005, we acquired Parchman Energy Group, Inc. ( Parchman ) for $9.8 million in cash, the issuance of common stock totaling $16.9 million, the issuance of a subordinated note totaling $5.0 million and the potential issuance of 1,000,000 shares of our common stock based upon certain operating results. All 1,000,000 such shares of our common stock were issued in the first quarter of 2006. In addition, we granted 344,664 shares of non-vested restricted stock to former Parchman employees, of which 153,736 shares had vested as of December 31, 2005. Parchman performs intervention services and downhole services including coiled tubing, production testing and wireline services, and operates from locations in Texas, Louisiana and Mexico. We recorded $20.3 million of goodwill related to this acquisition in 2005. We will recognize additional goodwill associated with the issuance of these 1,000,000 shares in the first quarter of 2006 in an amount equal to the fair value of the shares (which would be $23.0 million assuming a fair value of $23 per share).

*Big Mac.* On November 1, 2005, we acquired all of the outstanding equity interests of the Big Mac group of companies (Big Mac Transports, LLC, Big Mac Tank Trucks, LLC and Fugo Services, LLC) for $40.8 million in cash. The Big Mac group of companies ( Big Mac ) is based in McAlester, Oklahoma, and provides fluid handling services primarily to customers in eastern Oklahoma and western Arkansas. Big Mac s principal assets consist of rolling stock and frac tanks. The purchase price, which is subject to a post-closing adjustment for actual working capital and reimbursable capital expenditures as of the closing date, has not yet been finalized. We recorded $23.7 million of goodwill in connection with this acquisition. We have included the operating results of Big Mac in the completion and production services business segment from the date of acquisition. This acquisition provides a platform to enter the eastern Oklahoma market and new Fayetteville Shale play in Arkansas.

In addition, we completed several other smaller acquisitions during the years ended December 31, 2005, 2004 and 2003 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 these 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, with the exception of the merger of Integrated Production Services Ltd., and another predecessor company in 2002, which was

accounted for using the continuity of interest method of accounting, a treatment similar to a pooling of interests, and the Combination, which was also accounted for using the continuity of interest accounting method. Results of operations related to each of the acquired companies have been included in our combined operations as of the date of acquisition.

**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.

**Seasonality**

We generally experience 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 14% of total revenues during the year ended December 31, 2005.

**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 prospectus. We have identified the following as the most critical accounting policies which may have a significant effect on our reported financial results.

*Continuity of Interests Accounting.* We applied the provisions of Statement of Financial Accounting Standards ( SFAS ) No. 141. Business Combinations to account for the formation of Complete. SFAS No. 141 permits us to account for the combination of several predecessor companies using a method similar to a pooling of interests if each is controlled by a common stockholder. In connection with the Combination, we paid a dividend to our stockholders of $2.62 per share and adjusted the number of shares subject to, and exercise price of, outstanding stock options and restricted shares in accordance with Financial Accounting Standards Board ( FASB ) Interpretation No. 44. Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of Accounting Principles Board ( APB ) Opinion No. 25. On September 12, 2005, we completed the transaction, pursuant to which CES and IEM stockholders exchanged all of their common stock for common stock of IPS. CES stockholders received 19.704 shares of IPS common stock for each share of CES common stock, and IEM stockholders received 19.410 shares of IPS common stock for each share of IEM common stock. In connection with the Combination, IPS changed its name to Complete Production Services, Inc. We acquired the interests of the minority stockholders in these predecessor companies as of the date of the consummation and accounted for these transactions using the purchase method of accounting, resulting in goodwill of $93.8 million, which represented the excess of the purchase price over the carrying value of the net assets acquired.

*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 day-rate 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 day rate 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.

*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. 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, which requires an annual impairment test, whereby we estimate the fair value of the asset by discounting future cash flows at our 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.

*Stock Options.* We have issued stock-based compensation to certain employees, officers and directors in the form of stock options. We account for these stock options by applying APB Opinion No. 25, Accounting for Stock Issued to Employees, which does not require us to recognize compensation expense related to these employee stock options when the exercise price of the option is at least equal to the market value of the stock on the date of grant. Accordingly, we have not recognized compensation expense related to our stock options issued. We have, however, included potential common shares associated with our stock option awards in the calculation of diluted shares outstanding in order to determine diluted earnings per share. For new stock-based compensation grants after January 1, 2006, we will be required to account for our stock-based compensation plans using the fair value recognition provision of SFAS No. 123R, Share-Based Payments. Accounting for these stock options using the fair value recognition provisions of SFAS No. 123R will negatively impact our financial position and results of operations, as it requires that the fair value of stock options issued be estimated using a pricing model, which requires the application of highly subjective assumptions that have an inherent degree of uncertainty, and requires us to expense the estimated fair value over the vesting period of the related options. SFAS No. 123R will require us to 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. We expect to incur expenses related to our stock options for each reporting period beginning on or after January 1, 2006.

The fair value of common stock for options granted was estimated by management and/or our controlling stockholder, SCF, using an internal valuation methodology. A market approach was generally used to estimate our enterprise value using estimates of EBITDA multiplied by relevant market multiples, adjusted to take into account particular characteristics of our businesses. We used market multiples of publicly traded energy service companies that we believed to be most comparable to our businesses. Prior to the Combination in September 2005, the valuation of common stock was based on the value of the common stock of the specific predecessor company, which had made a stock award. We did not obtain contemporaneous valuations by an unrelated valuation specialist because we were focused on internal growth and acquisitions and we had a good measure of fair value as a result of the numerous acquisitions negotiated at arms-length prices with third parties throughout the period, which included stock consideration. In addition, we believed that our management team and SCF had the appropriate expertise and experience to perform such analyses; and we utilized methodologies acknowledged in the applicable accounting literature.

During the 12-month period ended December 31, 2005, we granted stock options with the exercise prices as follows:

| Grants Made During Quarter Ended | Number of Options Granted | Weighted-Average Exercise Price | Weighted-Average Fair Value per Share | Weighted-Average Intrinsic Value per Share |
|---|---|---|---|---|
| March 31, 2005 | 454,861 | $ 4.91 | $ 4.91 | $ |
| June 30, 2005 | 777,868 | 6.25 | 6.25 | |
| September 30, 2005 | 65,536 | 9.19 | 9.19 | |
| December 31, 2005 | 448,044 | 11.66 | 11.66 | |

We currently anticipate granting stock options and shares of restricted stock to our officers and employees effective upon the consummation of this offering. The exercise price of the options will be equal to the price per share to the public in this offering. We anticipate that options to purchase an aggregate of approximately 835,000 shares of common stock and an aggregate of approximately 65,000 shares of restricted stock will be granted.

The principal reasons for the differences between the fair value per share at the option grant date and the assumed IPO price of $23.00 are as follows:

The Combination, which closed on September 12, 2005, substantially increased our geographic scope and breadth of services, creating the potential for significant cross-selling opportunities and integration of the operations of the combined companies. Benefits of the Combination included increased market penetration resulting in part from expansion of proprietary production enhancement, product and service offerings into existing and new geographic regions and leveraging brand name and relationships in order to introduce additional products and services into core markets.

Following the Combination, we believe we have been able successfully to demonstrate the execution of our strategy as a combined company.

Prior to the Combination, our three predecessor companies were smaller private companies, the common stock of which was illiquid due in part to restrictions on the transferability of that stock, the lack of dividends and concentration of ownership. We believe that larger companies with broader product and service offerings generally trade at higher multiples of their EBITDA or other relevant performance measures.

The financing completed in connection with the Combination has provided us improved liquidity for additional acquisitions and capital expenditures.

Our operating results generally improved throughout the year in 2005 due to acquisitions, price increases and improved demand for our products and services.

Table of Contents

Our expectations for future performance for 2006 increased as compared to 2005 due to:

- acquisitions completed;
- increased forecasted demand from customers for drilling services and completion and production services, particularly in the Rocky Mountain and North Texas regions;
- price increases in several of our business lines, including drilling services and intervention services; and
- improved forecasted operating results.

We are realizing the benefits of the acquisitions we made in 2004 and 2005, including the acquisition of Hamm Co. in October 2004, Parchman Energy Group, Inc. in February 2005 and Big Mac in November 2005. These benefits include increased size, geographic scope and breadth of services.

We are realizing the benefits of organic growth resulting from the capital expenditures of approximately $47 million in 2004 and approximately $127 million during 2005.

We will use a substantial portion of the net proceeds from this offering to reduce existing outstanding debt. Please see Use of Proceeds.

Market prices of publicly traded energy service companies have shown significant increases from January 1, 2005 due to increases in demand for energy services caused, in part, by increasing commodity prices. We believe that increased service sector demand and prices will remain strong in the foreseeable future. The Oil Service Sector Index increased from 119.38 at the beginning of 2005 to 169.56 at September 12, 2005, the date of the Combination, and to 190.59 at March 10, 2006. This represents an increase of approximately 12% since September 12, 2005 and an increase of approximately 60% since January 1, 2005.

*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.

*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, except office furniture and computers, which are depreciated using the declining balance method. 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. If our depreciation estimates are not correct, we may record a disproportionate amount of gains or losses upon disposition of these assets. We believe our estimates of useful lives are materially correct.

*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

39

Table of Contents

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, 2005 and 2004, we had recorded a total valuation allowance of $0.9 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 result in a material adverse effect on our financial position, results of operations and cash flows. As of December 31, 2005, no deferred U.S. income taxes have been provided on the approximately $1.7 million of undistributed earnings of 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.

The following table describes estimates, assumptions and methods regarding critical accounting policies used to prepare our consolidated financial statements. 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:

| **Description** | **Estimates/Assumptions Used** | **Variability in Accounting** | **Historical Results/ Sensitivity Analysis** |
|---|---|---|---|
| Revenue Recognition | We recognize revenue when realizable and earned as services are performed or as risk of ownership and physical possession passes to the buyer. We defer unearned revenue until earned. Any reimbursements of mobilization charges are amortized over the contract involved. | There is a risk that we may not record revenue in the proper period. | We did not record material adjustments resulting from revenue recognition issues for the years ended December 31, 2005, 2004 and 2003. |
| Impairment of Long-lived Assets | We evaluate the recoverability of assets periodically, but at least annually for goodwill and intangible assets with indefinite lives, by reviewing operational performance and expected cash flows. Our management estimates future cash flows for this purpose and for intangible assets, discounts these cash flows at an applicable rate. | There is a risk that management s estimates of future performance may not approximate actual performance or that rates used for discounting cash flows are not consistent with the actual discount rates. Our assets could be overstated if impairment losses are not identified timely. | We tested goodwill for impairment for each of the years ended December 31, 2005, 2004, and 2003, and management determined that goodwill was not impaired. A significant decline in expected future cash flow as a result of lower sales, could result in an impairment charge. For example, an impairment of 10% of goodwill at December 31, 2005, would have resulted in a decrease in operating income of $29.8 million |

for the year ended December 31, 2005.

| Description | Estimates/Assumptions Used | Variability in Accounting | Historical Results/ Sensitivity Analysis |
|---|---|---|---|
| Allowance for Bad Debts and Obsolete Inventory | We estimate the recoverability of receivables and inventory on an individual basis based upon historical experience and management s judgment. | 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 2% of sales for each of the years ended December 31, 2005, 2004 and 2003. If bad debt expense had increased by 1% of sales for the year ended December 31, 2005, net income would have declined by $4.7 million. Our obsolescence and other inventory reserves as of December 31, 2005, 2004 and 2003 have ranged from 4% to 13%. Our obsolescence and other inventory reserves were approximately 5% of inventory at December 31, 2005. A 1% increase, from 5% to 6%, in inventory reserves at December 31, 2005 would have decreased net income by approximately $0.3 million for the year ended December 31, 2005. |
| Property, Plant and Equipment | Our management estimates useful lives of depreciable equipment and salvage values. The depreciation method used is generally the straight-line method, except for furniture and office equipment which is depreciated on an accelerated basis. | 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. The estimated useful lives are consistent with industry averages. There is a risk | We evaluate property, plant and equipment for impairment when there are indicators of impairment. There have been no impairment charges related to our long-term assets during the years ended December 31, 2005, 2004 and 2003. |

| | | |
|---|---|---|
| | that the asset s useful life used for our depreciation calculation will not approximate the actual useful life of the asset. | Depreciation and amortization expense for the year ended December 31, 2005 represented 13% of the average depreciable asset base for that period. An increase in depreciation relative to the depreciable base of 1%, from 13% to 14%, would have reduced net income by approximately $2.2 million. |

Table of Contents

| Description | Estimates/Assumptions Used | Variability in Accounting | Historical Results/ Sensitivity Analysis |
|---|---|---|---|
| Valuation Allowance for Income Taxes | We apply the provisions of SFAS No. 109 to account for income taxes. Differences between depreciation methods used for financial reporting purposes compared to tax purposes as well as other items, including loss carry forwards and valuation allowances against deferred tax assets, require management s judgment related to the realizability of deferred tax accounts. | 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 could result in additional valuation allowances. | 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 $5.3 million at December 31, 2005, against which we recorded a valuation allowance of $0.9 million, leaving a net deferred tax asset of $4.4 million deemed realizable. Changes in our valuation allowance would affect our net income on a dollar for dollar basis. |
| Stock Options | For years ended on or before December 31, 2005, we applied the provisions of APB No. 25 to account for stock options and estimate compensation expense that would be required to be recognized under SFAS No. 123 for pro forma footnote disclosures. The determination of the fair value of stock options required subjective estimates of variables used in a pricing model, including stock volatility, dividend rate, risk-free interest rate and expected term of options. | 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. 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, 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.

Table of Contents

**Results of Operations**

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

| | 2005 | 2004 | 2003 | Change 2005/ 2004 | Percent Change 2005/ 2004 | Change 2004/ 2003 | Percent Change 2004/ 2003 |
|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | |
| Completion and production services | $ 510,304 | $ 194,953 | $ 65,025 | $ 315,351 | 162% | $ 129,928 | 200% |
| Drilling services | 129,117 | 44,474 | 2,707 | 84,643 | 190% | 41,767 | NM |
| Product sales | 118,305 | 81,320 | 35,547 | 36,985 | 45% | 45,773 | 129% |
| Total | $ 757,726 | $ 320,747 | $ 103,279 | $ 436,979 | 136% | $ 217,468 | 211% |
| **EBITDA:** | | | | | | | |
| Completion and production services | $ 114,033 | $ 38,349 | $ 9,134 | $ 75,684 | 197% | $ 29,215 | 320% |
| Drilling services | 42,336 | 10,093 | 712 | 32,243 | 319% | 9,381 | NM |
| Product sales | 16,507 | 12,924 | 4,951 | 3,583 | 28% | 7,973 | 161% |
| Corporate | (11,613) | (2,869) | (1,233) | (8,744) | 305% | (1,636) | 133% |
| Total | $ 161,263 | $ 58,497 | $ 13,564 | $ 102,766 | 176% | $ 44,933 | 331% |

NM denotes not meaningful.

Corporate includes amounts related to corporate personnel costs and other general expenses.

EBITDA consists of net income (loss) before interest expense, taxes, depreciation and amortization and minority interest. 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 2 to Selected Consolidated Financial Data.

Our revenue and EBITDA results for the indicated periods generally increased due to the contribution of companies acquired and an increase in oilfield activity in North America as a result of higher commodity prices throughout the applicable periods.

For a reconciliation of EBITDA, please see Selected Consolidated Financial Data Reconciliation of EBITDA.

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

**Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004**

*Revenue*

Revenue for the year ended December 31, 2005 increased by 136%, or $437.0 million, to $757.7 million from $320.7 million for the year ended December 31, 2004. This increase by segment was as follows:

*Completion and Production Services.* Segment revenue increased $315.4 million and resulted primarily from: (1) the acquisition of Hyland Enterprises, Inc. in September 2004, which contributed $62.4 million in 2005; (2) the acquisition of Hamm Co. in October 2004, which contributed incremental revenues of $69.5 million in 2005; (3) the acquisition of Parchman in February 2005, which contributed $59.6 million; (4) several other smaller acquisitions in 2005, including Big Mac, which contributed revenues to the 2005 results; and (5) an incremental increase in revenues earned as a result of additional capital investment in the well servicing, rental and fluid-handling businesses, as well as improved market conditions including favorable pricing for our services and products.

*Drilling Services.* Segment revenue increased $84.6 million, primarily related to an increase associated with the acquisition of IEM in September 2004, which contributed $65.2 million in revenues for the year ended December 31, 2005 compared to $17.7 million in revenues for the period from the acquisition date through December 31, 2004. In addition, the segment benefited from increased prices for our services and increased oilfield activity, which provided incremental revenues of $37.1 million, achieved in part through additional investment in drilling rigs and drilling logistics equipment for operations located in the Barnett Shale region of north Texas.

*Product Sales.* Segment revenue increased $37.0 million, fueled by an incremental increase in supply store sales of $21.8 million which includes the results of several newly opened supply stores, and two additional stores purchased during 2005, an increase in Canadian product sales, primarily surface production equipment, improved sales in other international locations and an increase in the sale of flow control products. These increased product sales reflect the overall improved market conditions.

*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 123%, or $265.2 million, for the year ended December 31, 2005, to $481.4 million from $216.2 million for the same period in 2004. As a percentage of revenues, service and product expenses were 64% for 2005 compared to 67% for 2004. The decline in service and product expenses as a percentage of revenue reflected a favorable mix of services and products and improved prices, as more revenue was earned in 2005 from higher margin services in the United States, and increasing customer demand for our services. By segment, service and product expenses as a percentage of revenues for the years ended December 31, 2005 and 2004 were 63% and 65%, respectively, for the completion and production services segment; 55% and 70%, respectively, for the drilling services segment; and 74% and 72%, respectively, for the product sales segment. This decrease in service and product expenses as a percentage of revenues in our drilling services segment primarily resulted from substantially improved pricing for our drilling services in 2005 as compared to 2004. The price increases in our drilling services segment were more significant than those experienced in our other two segments.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses consist primarily of salaries and other related expenses for our administrative, finance, information technology and human resource functions. Selling, general and administrative expenses increased 143%, or $65.7 million, for the year ended December 31, 2005, to $111.8 million from $46.1 million for the year ended December 31, 2004. This increase was primarily due to acquisitions, which provided additional headcount and general expenses. In addition, as a result of the Combination, we employed corporate officers and key members of management, paid an incentive bonus in connection with the Combination and expensed outside service costs related to the Combination of $1.4 million. Additional costs were incurred in 2005 for outside consulting services for accounting, tax and information technology, and higher performance-based incentive bonus accruals at December 31, 2005 compared to December 31, 2004. As a percentage of revenues, selling, general and administrative expenses were 15% and 14% for the years ended December 31, 2005 and 2004, respectively.

*Write-off of Deferred Financing Fees*

We recorded a write-off of deferred financing fees of $3.3 million during 2005 to expense unamortized deferred costs associated with debt facilities which were repaid on September 12, 2005 with borrowings under the $580.0 million term loan and revolving credit facility. Unamortized deferred financing fees at December 31, 2005 of $2.0 million related entirely to this facility and are being amortized over the term of the facility.

*Depreciation and Amortization*

Depreciation and amortization expense increased 126%, or $27.2 million, to $48.8 million for the year ended December 31, 2005, from $21.6 million during the same period in 2004. The increase in depreciation and amortization expense was the result of equipment and intangible assets acquired through capital expenditures and purchase acquisitions. As a percentage of revenue, depreciation and amortization expense was 6% and 7% for the years ended December 31, 2005 and 2004, respectively.

*Interest Expense*

Interest expense was $24.5 million for the year ended December 31, 2005, compared to $7.5 million for the same period in 2004. The increase in interest expense was attributable to an increase in the average amount of debt outstanding as a result of acquisitions and capital expenditures completed in 2004 and 2005. The weighted-average interest rate outstanding increased from 6% at December 31, 2004 to 7% at December 31, 2005. This increase related to borrowings under variable interest rate facilities and a general increase in the prime interest rate during 2005.

*Taxes*

Tax expense is comprised of three components: capital and franchise taxes, current income taxes and deferred income taxes. The capital and franchise tax component is generally based on our capital base and does not correlate to pretax income. The current and deferred taxes added together provide an indication of an effective rate of income tax.

Tax expense was 38.3% and 36.8% of pretax income for the years ended December 31, 2005 and 2004, respectively.

**Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003**

*Revenue*

Revenue for the year ended December 31, 2004 increased by 211%, or $217.5 million, to $320.7 million from $103.3 million for the year ended December 31, 2003. This increase by segment was as follows:

*Completion and Production Services.* Segment revenue increased $129.9 million and resulted primarily from: (1) the acquisition of BSI in late 2003, which contributed $40.2 million of incremental revenues in 2004, of which $20.9 million was derived from a full-year s operation in 2004 and $16.1 million was derived from investment in capital equipment; (2) the acquisition of eleven smaller companies throughout 2004 which contributed to 2004 revenue totals but did not contribute to operating results in 2003; and (3) a general increase in the use of our services attributable to more favorable oilfield activity levels associated with rising commodity prices.

*Drilling Services.* Segment revenue increased $41.8 million. Of this increase, $18.9 million was provided through acquisitions, and more specifically, the acquisition of BSI in late 2003, which contributed $17.7 million of incremental revenues in 2004, and the Hamm Co. acquisition completed in late 2004, which provided an additional $1.2 million of drilling revenues. The remaining revenue increase in 2004 relative to 2003 was due to additional investment in drilling rigs for operations located in the Barnett Shale region of north Texas.

*Product Sales.* Segment revenue increased $45.8 million, of which $31.2 million was derived from the product sales component of BSI s acquisition and a general increase in product sales from existing operations as a result of improved market conditions in the oil and gas industry, including higher international sales and, in particular, sales of surface production equipment in Canada, and increased sales of flow control equipment.

*Service and Product Expenses*

Service and product expenses increased by 196%, or $143.0 million, for the year ended December 31, 2004, to $216.2 million from $73.1 million for the year ended December 31, 2003. As a percentage of revenues, service and product expenses were 67% in 2004 compared to 71% in 2003. The decline in service and product expenses as a percentage of revenue reflected a favorable mix of products and strong prices, as more revenue was earned in 2004 from higher margin basins and related services in the United States, and increasing customer demand for oilfield service providers services. By segment, service and product expenses as a percentage of revenues for the years ended December 31, 2004 and 2003 were 65% and 70%, respectively, for the completion and production services segment; 70% and 70%, respectively, for the drilling services segment; and 72% and 73%, respectively, for the product sales segment. Overall declines in service and product expense as a percentage of revenues for the completion and production services and product sales segments yielded better operating margins.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the year ended December 31, 2004 increased by 178%, or $29.5 million, to $46.1 million from $16.6 million for the year ended December 31, 2003. This increase was primarily due to additional headcount and general expenses added as a result of acquisitions. Selling, general and administrative expense as a percentage of revenues was 14% in 2004 as compared to 16% in 2003.

*Depreciation and Amortization*

Depreciation and amortization expense increased 183%, or $14.0 million, to $21.6 million, for the year ended December 31, 2004 compared to $7.6 million for the year ended December 31, 2003. We increased our property, plant and equipment through acquisitions and capital expenditures throughout the two years ended December 31, 2004, as gross book value increased to $268.8 million at December 31, 2004 compared to $109.1 million at December 31, 2003. This higher depreciable base resulted in an increase in depreciation expense during these years. In addition, we acquired certain intangible assets that were amortized in 2004 after the date of acquisition. As a percentage of revenue, depreciation and amortization was 7% in 2004 and 2003.

*Interest Expense*

Interest expense was $7.5 million for the year ended December 31, 2004 compared to $2.7 million for the year ended December 31, 2003. The increase in interest expense was consistent with increased levels of bank debt used to finance acquisitions and capital expenditures. We did not experience any significant changes in interest rates for the years ended December 31, 2004 and 2003.

*Taxes*

Tax expense was 36.8% and 46.6% of pretax income for the years ended December 31, 2004 and 2003, respectively. These rates reflected the mix of tax rates in the jurisdictions in which we operated. In particular, in 2003 there was a Large Corporation s Tax and Capital Tax of approximately $0.3 million that was payable under Canadian tax law.

**Liquidity and Capital Resources**

Our primary liquidity needs are to fund capital expenditures, such as expanding our coiled tubing, wireline and production testing fleets, building new drilling rigs, increasing and replacing rental tool and well service rigs and snubbing units, funding new product development and funding general working capital needs. In addition, we need 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 and the issuance of equity securities, primarily associated with acquisitions. Upon completion of this offering, we anticipate that we will rely on cash generated from operations, borrowings under our revolving credit facility, future debt offerings and future public equity 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. 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.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2005** | **2004** | **2003** |
| Cash flows provided by (used in): | | | |
| Operating activities | $ 76,427 | $ 34,622 | $ 13,965 |
| Financing activities | 112,139 | 157,630 | 55,281 |
| Investing activities | (188,358) | (186,776) | (66,214) |

Net cash provided by operating activities increased $41.8 million for the year ended December 31, 2005, compared to the year ended December 31, 2004. This increase was primarily due to an increase in gross receipts as a result of increased revenues. Our gross receipts increased during 2005 as demand for our services grew, resulting in more billable hours and more favorable billing rates, while we expanded our current business and entered new markets through acquisitions and capital investment. For the years ended December 31, 2004 and 2003, cash flows from operating activities continued to trend higher on this basis, as a result of growing our business through acquisitions and investment in capital expenditures and general improvements in activity levels and pricing. We expect to continue to evaluate acquisition opportunities for the foreseeable future, and expect that new acquisitions will provide incremental operating cash flows.

Net cash provided by financing activities declined $45.5 million for the year ended December 31, 2005 compared to the year ended December 31, 2004. This decline reflects the use of cash generated by operating activities to fund capital investment during 2005, rather than the use of debt financing, the primary source of funds for expansion during 2004 and 2003. Increases in borrowings under our new term loan facility were offset by repayments of long-term debt outstanding under prior facilities and the payment of a one-time dividend to stockholders of $146.9 million. For the years ended December 31, 2004 and 2003, net cash provided by financing activities increased as we borrowed under existing credit arrangements and through seller financing to finance our investment in capital expenditures and acquisitions. Our long-term debt balances, including current maturities, were $515.9 million, $201.8 million and $67.7 million as of December 31, 2005, 2004 and 2003, respectively.

Net cash used in investing activities increased by $1.6 million for the year ended December 31, 2005, compared to the year ended December 31, 2004. We acquired several companies in 2004 for a total use of cash of $139.4 million, but fewer acquisitions during 2005 for a total use of cash of $67.7 million. This decrease in cash used for acquisitions was offset by an incremental increase in capital equipment expenditures of $80.3 million in 2005 compared to 2004. Significant capital equipment expenditures in 2005 included drilling rigs, well services rigs, fluid-handling equipment, rental equipment and coiled tubing equipment. For the years ended December 31, 2004 and 2003, cash used for investing activities continued to increase as we invested in long-term assets and made significant acquisitions. Significant capital equipment expenditures in 2004 included drilling rigs, well services rigs, fluid-handling equipment, rental equipment and coiled tubing equipment. For 2003, capital equipment expenditures primarily included drilling equipment and coiled tubing equipment for operations in Texas. Funds used for acquisitions totaled $139.4 million in 2004 and $54.8 million in 2003. See Significant Acquisitions above.

We expect to expend approximately $200 million for investment in capital expenditures, excluding acquisitions, during the year ended December 31, 2006. We believe that our operating cash flows and borrowing capacity will be sufficient to fund our operations for the next 12 months.

47

Table of Contents

In addition to making investments in capital expenditures, we also will continue to evaluate acquisitions of complementary companies. We evaluate each acquisition based upon the circumstances and our financing capabilities at that time.

*Dividends*

On September 12, 2005, we paid a dividend of $2.62 per share for an aggregate payment of approximately $146.9 million to stockholders of record on that date. We had also agreed to issue up to an aggregate of approximately 1,200,000 shares of our common stock as contingent consideration based on certain operating results of the companies we have previously acquired, and we had agreed to make additional cash payments (up to $3.1 million) in respect of such contingent shares ultimately issued in the amount of the dividend that would have been paid on such shares if those shares had been issued prior to the payment of the dividend. We do not intend to pay dividends in the future, but rather plan to reinvest such funds in our business. Furthermore, our term loan and revolving debt facility contains restrictive debt covenants which preclude us from paying future dividends on our common stock.

*Description of Our Indebtedness*

Our credit facilities as of December 31, 2005 are described in the accompanying audited consolidated financial statements (see notes 9 and 10 to the audited consolidated financial statements).

On March 29, 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 provides for a $170 million U.S. revolving credit facility that will mature in 2010, a $30 million Canadian revolving credit facility (with Integrated Production Services, Ltd., one of our subsidiaries, as the borrower thereof) that will mature in 2010 and a $419.0 million term loan credit facility that will mature in 2012. Subject to certain limitations, we have the ability to increase the commitment up to an aggregate amount of $150 million upon receiving commitments from one or more of our lenders totaling the amount of the increase, and/or decrease or reallocate the commitments under the various aforementioned credit facilities. 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 Interbank Offered Rate, or LIBOR, plus an applicable margin between 1.25% and 2.75% per annum (with the applicable margin depending upon our ratio of total debt to EBITDA (as defined below)) for revolving advances and 2.5% for term advances, or (2) the Canadian 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 0.25% and 1.75% per annum for revolving advances and 1.5% for term advances. 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:

- grant certain liens;
- make certain loans and investments;
- make capital expenditures;
- make distributions;
- make acquisitions;

- enter into operating leases;
- enter into hedging transactions;
- merge or consolidate; or
- engage in certain asset dispositions.

Additionally, the Credit Agreement limits our and our subsidiaries ability to incur additional indebtedness with certain exceptions, including purchase money indebtedness and indebtedness related to capital leases not to exceed 10% of our consolidated net worth (i.e., the excess of our assets over the sum of our liabilities plus the minority interests), unsecured indebtedness of less than $300 million that is due at least six months past the maturity date for the term loan under the Credit Agreement, and indebtedness qualifying as permitted subordinated debt (e.g., certain existing promissory notes issued as consideration in some of our previous acquisitions).

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):

- total debt to EBITDA (generally, consolidated net income plus interest expense, taxes, depreciation, amortization and other non-cash charges) of not more than 4.25 to 1.0 through September 30, 2006, 4.00 to 1.0 from December 31, 2006 through September 30, 2007, and 3.75 to 1.0 thereafter;
- total senior secured debt to EBITDA of not more than 3.75 to 1.0 through March 31, 2006, 3.5 to 1.0 from June 30, 2006 through September 30, 2006, 3.25 to 1.0 from December 31, 2006 to September 30, 2007, 3.00 to 1.0 from December 31, 2007 through September 30, 2008, and 2.50 to 1.0 thereafter; and
- EBITDA to total interest expense of not less than 3.0 to 1.0.

Concurrently with the completion of the Combination, we borrowed approximately $450 million under the Credit Agreement as of the closing of the Combination to: (i) finance the Combination (including the payment of the Dividend) and (ii) repay in full indebtedness outstanding under our previous credit agreements. Future borrowings under the revolving credit facilities under the Credit Agreement are available for working capital and general corporate purposes. The revolving facilities under the Credit Agreement may be drawn on and repaid without restriction so long as we are in compliance with the terms of the Credit Agreement, including certain financial covenants, but the term credit facility under the Credit Agreement may not be reborrowed once repaid. The Credit Agreement provides for repayment of the principal of the term facility in quarterly installments each equal to $1.05 million and payable on each March 31, June 30, September 30 and December 31, commencing March 31, 2006. The required principal payment of $1.05 million was made as of March 31, 2006.

Under the Credit Agreement, we are permitted to prepay certain of our borrowings. In addition, the Credit Agreement requires us to make prepayments in following situations:

- If the outstanding borrowings made under the U.S. revolver exceed the aggregate U.S. revolver commitments (the amounts the applicable lenders have agreed to loan to us), or if the outstanding borrowings made under the Canadian revolver exceed the aggregate Canadian revolver commitments, then we must prepay the excess amount(s), as applicable;
- Beginning on March 31, 2007, if our total debt to EBITDA ratio exceeds 3.0 to 1.0 during our fourth quarter, then on March 31 of the following year, we must prepay the outstanding borrowings made under the U.S. revolver and term loan. In addition, we must prepay an amount of our Canadian outstanding borrowings equal to 50% of our excess cash flow;
- We must make prepayments in the amount by which net condemnation or insurance proceeds in respect of assets received during any fiscal year exceed $3 million if these proceeds are not used to

repair or replace (or have not been contractually committed to repair or replace) these assets within 365 days after the underlying or condemnation casualty event. However, if an event of default (as defined below) has occurred and is continuing, we are required to prepay 100% of the proceeds not used as described in the previous sentence;

If there are outstanding borrowings under our term loan and we receive net proceeds for the sale of any debt (other than our permitted debt) that along with the net proceeds from the issuance of other debt exceed $5 million during any fiscal year, then we must prepay 50% of the excess amount;

If we receive net proceeds for the sale or issuance of equity, subject to certain exceptions, that exceed $50 million during any fiscal year commencing with fiscal year 2007, then we must prepay 50% of the excess amount up to a maximum prepayment of $50 million in any given fiscal year;

If any of our outstanding borrowings under our U.S. revolving credit facility are denominated in a foreign currency that ceases to be an accepted currency under the Credit Agreement, then we must prepay these borrowings or convert the applicable advances into U.S. Dollars; or

Upon a commitment increase, we must prepay U.S. revolving advances and Canadian advances to the extent necessary to maintain the outstanding advances ratably among the lenders based upon the applicable percentage arising from the commitment increase.

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, 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%. Each of the following is an event of default:

failure to pay any principal when due or any interest, fees or other amount within certain grace periods;

breach of representations in the Credit Agreement or other loan documents;

failure to perform or otherwise comply with the covenants in the Credit Agreement or other loan documents, subject, in certain instances, to certain grace periods;

default by us and any of our subsidiaries on the payment of any other indebtedness in excess of $10.0 million in the aggregate, any other event or condition shall occur or exist with respect to such indebtedness beyond the applicable grace period if the effect of such event or condition is to permit or cause the acceleration of the indebtedness, or such indebtedness shall be declared due and payable prior to its scheduled maturity;

bankruptcy or insolvency events involving us or our subsidiaries;

the entry of one or more adverse judgments in excess of $10.0 million in the aggregate (excluding applicable insurance proceeds) against which enforcement proceedings are brought or that are not stayed pending appeal;

the occurrence of certain termination or withdrawal events with respect to an employee benefit plan that causes or could reasonably be expected to cause a liability exceeding $10.0 million; and the occurrence of a change of control (as defined in the Credit Agreement).

Table of Contents

At February 28, 2006, we had $543.4 million outstanding under our term loan and revolving credit facility and an additional $10.2 million of outstanding letters of credit, leaving approximately $26.4 million available to be drawn under the facility. Our weighted average interest rate on outstanding borrowings at February 28, 2005 was approximately 7.3%. For the years ended December 31, 2005, 2004 and 2003, our weighted average interest rates on outstanding bank borrowings were approximately 6.7%, 6.0% and 6.0%, respectively.

*Acquisitions*

On January 3, 2006, we acquired substantially all of the operating assets of Outpost Office Inc. ( Outpost ), a Grand Junction, Colorado, oilfield equipment rental company. On January 25, 2006, we acquired all the equity interests of The Rosel Company ( Rosel ), a cased-hole and open-hole electric-line business based in Liberal, Kansas, with operations in Kansas and Oklahoma. The Rosel acquisition extends our presence in the Mid-continent region and enhances our completion and production services business. The operating results of Outpost and Rosel will be included in the completion and production services segment from the respective dates of their acquisition. The aggregate purchase price for these two acquisitions was approximately $20.4 million.

*Other Arrangements*

We entered into two separate agreements with customers of our contract drilling operation in north Texas whereby the customers advanced funds to us and we agreed to provide drilling services in the future to these customers. We received advance payments from these customers totaling $7.4 million. In connection with these customer prepayments, we entered into an agreement with a third party to construct two drilling rigs on our behalf to commit to these customers drilling programs. The first of the two rigs was completed in October 2005 for a total cost of approximately $4.0 million. The second rig was completed in January 2006 at a total cost of approximately $4.0 million. We accounted for the construction of these rigs as capital expenditures and are depreciating the rigs in a manner consistent with depreciation of our other drilling rigs. The recognition of revenue commenced once the rigs began drilling for each customer. Revenue is recognized as it is earned based upon predetermined prices for each day the rig is employed by the customer and in a manner that is consistent with revenue recognition in our other contract drilling operations. The rates charged to the customers are equal to or greater than prevailing market rates. As revenues are earned, the prepayment liability is offset by our billings to those customers. The first rig began drilling operations in October 2005 and the second rig began drilling operations in January 2006. We earned and recognized approximately $1 million in revenues through December 31, 2005 related to such rigs resulting in a remaining current liability of approximately $6.4 million as of December 31, 2005. It is expected that the remaining portion of deferred revenue will be earned and recognized as revenue by December 31, 2006.

Table of Contents

*Outstanding Debt and Operating Lease Commitments*

The following table summarizes our known contractual obligations as of December 31, 2005 (in thousands):

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **2006** | **2007-2008** | **2009-2010** | **Thereafter** |
| Long-term debt, including capital (finance) lease obligations | $ 505,892 | $ 5,309 | $ 9,121 | $ 93,512 | $ 397,950 |
| Purchase obligations(1) | 42,540 | 42,540 | | | |
| Operating lease obligations | 48,049 | 15,954 | 21,974 | 8,077 | 2,044 |
| Other long-term obligations(2) | 10,051 | 614 | 835 | 8,562 | 40 |
| Total contractual obligations | $ 606,532 | $ 64,417 | $ 31,930 | $ 110,151 | $ 400,034 |

(1) Purchase obligations were pursuant to inventory and equipment purchase orders outstanding as of December 31, 2005. 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 December 2008.

*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.

We have entered into purchase agreements with the former owners of Double Jack and MGM as described in note 2 of our audited consolidated financial statements. Pursuant to the Double Jack purchase agreement, we agreed to pay contingent consideration of up to $1.2 million based on certain operating results of Double Jack. As of December 31, 2005, we had paid $0.5 million of this contingent consideration to the former stockholders of Double Jack. We expect to pay $0.3 million of the contingent Double Jack consideration based on operating results for the year ended December 31, 2005 and have accrued a liability for such amount as of December 31, 2005. In addition, we may have to pay up to $0.3 million of the contingent Double Jack consideration based on operating results for the twelve months ending March 31, 2006 for which no accrual has been made. In addition, we have committed to issue 22,826 shares of our restricted stock and pay approximately $0.1 million to certain former employees of Double Jack who are now our employees.

Pursuant to the MGM purchase agreement, we agreed to pay contingent consideration of up to $3.8 million and 214,132 shares of our common stock based on certain operating results of MGM. Based on operating results for the year ended December 31, 2005, we expect to pay approximately $2.9 million out of the potential $3.8 million contingent payment, and we have accrued a liability of approximately $2.9 million as of December 31, 2005. In addition, we issued 186,601 shares as of March 31, 2006 out of the maximum possible 214,132 shares, of which 22,391 are shares of restricted stock that were issued to our employees. We will recognize additional goodwill associated with this acquisition in an amount equal to the then fair value of the shares issued and our stockholders equity will also increase by the same amount in the first quarter of 2006. We have also agreed to pay contingent consideration of up to $0.5 million based on operating results of MGM for the year ending December 31, 2006.

On February 11, 2005, we entered into an agreement and plan of merger with Parchman, pursuant to which we purchased Parchman. This agreement and plan of merger contains provisions for the issuance of up to an additional 1,000,000 shares of our common stock on a contingent basis. In connection with the Combination, we have agreed to pay cash consideration of up to $2.6 million to the owners of these shares.

We issued all 1,000,000 shares in the first quarter of 2006 and will pay the full $2.6 million to these owners and have recorded a liability of $2.6 million as of December 31, 2005. We will recognize additional goodwill associated with this acquisition in an amount equal to the then fair value of the shares issued and our stockholders equity will also increase by the same amount in the first quarter of 2006. See note 20(b) of the accompanying audited consolidated financial statements.

Other than the normal operating leases described above and the contingent consideration that may be issued pursuant to purchase agreements, we do not have any off-balance sheet financing arrangements.

**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. Expected trends in oil and gas production activities may not continue and demand for our services may not reflect the level of activity in the industry. Any prolonged substantial reduction in oil and gas prices would likely affect oil and gas production levels 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. Recently, demand for our services has been strong and we are currently electing to continue our past practice of committing our equipment on a short-term or day-to-day basis rather than entering into longer-term contracts.

As of December 31, 2005, approximately 14% of our revenues and 12% of our long-term assets 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 impacts our revenues by approximately $1.0 million per year. 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 impact our revenues by approximately $0.2 million. Currently, we conduct a portion of our business in Mexico in the local currency, the Mexican peso. The effects of currency fluctuations on our Mexican operations are partly mitigated because the majority of our local expenses are also denominated in the Mexican peso.

All of our bank debt 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, 2005, a 1% increase in interest rates would increase interest expense by approximately $5.0 million per year and reduce operating cash flows by approximately $3.1 million.

**Recent Accounting Pronouncements**

In November 2004, the FASB issued SFAS No. 151, Inventory Costs. SFAS No. 151 amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage), and generally requires that these amounts be expensed in the period that the cost arises, rather

than being included in the cost of inventory, thereby requiring that the allocation of fixed production overheads to the costs of conversion be based on normal capacity of the production facilities. SFAS No. 151 becomes effective for inventory costs incurred during fiscal years beginning after June 15, 2005, but earlier application is permitted. We adopted SFAS No. 151 as of January 1, 2006, with no material impact on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets. SFAS No. 153 amends current guidance related to the exchange of nonmonetary assets as per APB Opinion No. 29, Accounting for Nonmonetary Transactions, to eliminate an exception that allowed exchange of similar nonmonetary assets without determination of the fair value of those assets, and replaced this provision with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 becomes effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We adopted SFAS No. 153 as of January 1, 2006, with no material impact on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment, which revises SFAS No. 123 and supercedes APB No. 25. SFAS No. 123R will require us to 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. The fair value of the award will be remeasured at each reporting date through the settlement date, with changes in fair value recognized as compensation expense of the period. Entities should continue to use an option-pricing model, adjusted for the unique characteristics of those instruments, to determine fair value as of the grant date of the stock options. SFAS No. 123R became effective for public companies as of the beginning of the fiscal year after June 15, 2005. We adopted SFAS No. 123R on January 1, 2006. As permitted by SFAS No. 123R, we will continue to account for stock-based compensation grants issued prior to September 30, 2005, the date of our initial public filing with the SEC, pursuant to the minimum value method prescribed by APB No. 25 and will provide the required pro forma disclosures. For grants issued between October 1, 2005 and December 31, 2005 (prior to adoption of SFAS No. 123R), we will utilize the modified prospective transition method to record expense associated with these stock-based instruments and to provide the required pro forma disclosures. For grants awarded on or after January 1, 2006, we will utilize the prospective transition method, whereby we will recognize expense associated with new awards of stock-based compensation, as determined using a Black-Scholes pricing model over the expected term of the options. See note 12(e) of the accompanying audited consolidated financial statements for further discussion of the expected impact of adopting SFAS No. 123R on our financial position, results of operations and cash flows.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3. SFAS No. 154 requires retrospective application of changes in accounting principle to prior periods financial statements, rather than the use of the cumulative effect of a change in accounting principle, unless impracticable. If impracticable to determine the impact on prior periods, then the new accounting principle should be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable, with a corresponding adjustment to equity, unless impracticable for all periods presented, in which case prospective treatment should be applied. SFAS No. 154 applies to all voluntary changes in accounting principle, as well as those required by the issuance of new accounting pronouncements if no specific transition guidance is provided. SFAS No. 154 does not change the previously-issued guidance for reporting a change in accounting estimate or correction of an error. SFAS No. 154 became effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted SFAS No. 154 on January 1, 2006, and will apply its provisions, as applicable, to future reporting periods.

Table of Contents

# BUSINESS

## Our Company

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. The following figure illustrates some of our services used during the lifecycle of a well.

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.

We manage our operations from regional field service facilities located throughout the U.S. Rocky Mountain region, Texas, Oklahoma, Louisiana, Arkansas and Kansas, western Canada and Mexico.

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. For example, in the Barnett Shale region of north Texas we operate advanced coiled tubing units that have electric-line conductors within the units coiled tubing string. These specially configured units can deploy perforating guns, logging tools and plugs, without a separate electric-line unit in high inclination and horizontal wells that are prevalent throughout that basin.

*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. Examples of these proprietary services and products include: (1) our Green Flowback system, which permits 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, and (2) our patented plunger lift system that, when combined with our diagnostic and installation

Table of Contents

services, removes fluids from gas wells resulting in increased production and the extension of the life of the well.

*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. Through this segment, we also provide pressure control, drill string, pipe handling and other equipment. Our drilling rigs currently operate exclusively in the Barnett Shale region of north Texas.

*Product Sales.* Through our product sales segment, we provide a variety of equipment used by oil and gas companies throughout the lifecycle of their wells. Our current product offering includes completion, flow control and artificial lift equipment as well as tubular goods. We sell products throughout North America primarily through our supply stores and through distributors on a wholesale basis. We also sell products through agents in markets outside of North America.

**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. We believe the following two principal economic factors will positively affect our industry in the coming years:

*Higher demand for natural gas in North America.* We believe that natural gas will be in high demand in North America over the next several years because of the growing popularity of this clean-burning fuel. According to the International Energy Association s 2004 World Energy Outlook, natural gas demand in North America (United States, Canada and Mexico) is projected to grow by approximately 45% from 2002 to 2030.

*Constrained North American gas supply.* Although the demand for natural gas is projected to increase, supply is likely to be constrained as North American natural gas basins are becoming more mature and experiencing increased decline rates. Even though the number of wells drilled in North America has increased significantly in recent years, a corresponding increase in domestic production has not occurred. As a result, producers are required to increase drilling just to maintain flat production. To supply the growing demand for natural gas, the primary alternatives are to increase drilling, enhance recovery rates or import LNG from overseas. To date minimal increases have occurred, although many forecasts anticipate a material increase of LNG imports.

As a result of the above factors, we expect that there will continue to be a tight supply of, and high demand for, natural gas in North America. We believe this will continue to support high natural gas prices and high levels of drilling activity.

As illustrated in the table below, 2005 marked the third consecutive year of gas price increases and the fourth consecutive year of oil price increases, with a 2005 average daily closing Henry Hub spot price for natural gas of $8.89 per mcf and a 2005 average daily closing WTI Cushing spot oil price of $56.59 per bbl. Until recently, these prices have generally been at historically high levels. Gas prices have recently declined substantially. The Henry Hub natural gas spot price on March 31, 2006 was $6.98 per mcf. Oil prices have also declined. The WTI Cushing crude oil spot price on March 31, 2006 was $66.63. The number of drilling rigs under contract in the United States and Canada has increased from 1,181 as of January 3, 2003 to 2,222 as of March 10, 2006, according to BHI. The number of well service rigs has increased from 1,478 at the end of January 2003 to 2,356 at the end of February 2006. 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 | 4.30 | 30.37 |
| 1/1/01 - 12/31/01 | 3.96 | 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 | 56.59 |
| 1/1/06 - 3/31/06 | 7.66 | 63.34 |

Source: Bloomberg NYMEX prices.

Higher demand for natural gas and a constrained gas supply have resulted in higher prices and increased drilling activity. The increase in prices and drilling activity are driving three additional trends that we believe will benefit us:

*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 oil and gas 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 require more wells to be drilled and maintained, frequently 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 lower average decline rate. Once identified, resource plays have the potential to make a material impact because of their size and low decline rates. 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.

*Increasingly complex technologies.* Increasing prices and the development of unconventional oil and gas resources are driving the need for complex, new technologies to help increase recovery rates, lower production costs and accelerate field development. We believe that the increasing complexity of technology used in the oil and gas development process coupled with limited engineering resources will require production companies to increase their reliance on service companies to assist them in developing and applying these technologies.

Table of Contents

## 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:

*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 plays we believe have the potential for long-term growth. Our position in these basins capitalizes on our strong 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 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. We employ a rigorous acquisition screening process and have developed comprehensive post-acquisition integration capabilities designed to ensure each acquisition is effectively assimilated. We use a returns method for evaluating capital investment opportunities, and we apply a disciplined approach to adding new equipment.

*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;
- strong performance incentives for management and employees; and
- effective communication.

## 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 and Oklahoma, western Canada and Mexico, with concentrations in key resource play and unconventional basins. Resource plays are expected to become increasingly important in future North American oil and gas production as more conventional resources enter later stages of the exploration cycle. We believe we have an excellent position in highly active markets such as the Barnett Shale region of north Texas. 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 strong demand for our services and products. In addition, our strong 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 well positions us 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 strong 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. For example, our Canadian operation provides highly skilled personnel and a combination of heliportable and specialized equipment that includes wireline (electric-line and slickline) and production testing services that can work together and be deployed quickly and efficiently in the harsh environment of the Northwest Territories of Canada. 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 expenditures and enables the increased utilization of our assets. Our fleet is active with high utilization. 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 over 20 years of 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.

**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 production phase of the exploration and production cycle. On May 22, 2001, SCF Partners through 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. 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, 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 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.

We believe that operational and financial benefits realized through the Combination enhance the growth potential and establish the foundation for long-term growth for the combined company.

**Overview of Our Segments**

We manage our business through three primary 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. However, significant regional growth opportunities remain. 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.

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

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

***Completion and Production Services (67% of Revenue for the Year Ended December 31, 2005)***

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.

**Table of Contents**

*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 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.

*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 and Pressure Pumping Units*

We are one of the leading providers of coiled tubing services in North America. As of February 15, 2006, we operated a fleet of 32 coiled tubing units and 31 pressure pumping units, as well as 18 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 down the well, reducing the risk of formation damage. The growth in deep well and horizontal drilling has increased the market for coiled tubing. Our pressure pumping services typically are performed at pressures of less than 10,000 pounds per square inch. We have developed innovative equipment configurations to capitalize on emerging market opportunities. For example, in the Barnett Shale region of north Texas, we have introduced advanced coiled tubing units that have electric-line conductors within the units coiled tubing string. These specially configured units provide electric-line and coiled tubing controls in one fully integrated package, and allow us to deploy perforating guns, logging tools and plugs in high inclination wells for our customers. We provide coiled tubing and pressure pumping services primarily in Wyoming, Colorado, Oklahoma, Texas, Louisiana, Mexico and offshore in the Gulf of Mexico.

*Well Service Rigs*

As of February 15, 2006, we owned and operated a fleet of 112 well service rigs, including 58 units that are either recently constructed or have been rebuilt over the past five years. We believe we have a leading market position in the Barnett Shale region of north Texas and in some of the most active regions of the U.S. Rocky Mountains. As of February 15, 2006, we also operated 35 swabbing units, 11 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, 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*

As of February 15, 2006, we operated a fleet of 10 snubbing units, four 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, Oklahoma, 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.* As of February 15, 2006, we owned and operated a fleet of 89 wireline units in North America and provided 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, Oklahoma, Texas, Kansas, Louisiana and offshore in the Gulf of Mexico. Of our fleet of 89 wireline units, we have 53 electric-line units, nine of which are offshore skids, and 36 slickline units.

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

Electric-Line Services:

- o *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.

- o *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 paper 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 the well would require during its lifecycle.

*Production Optimization Services.* Our production optimization services provide customers with technical solutions to stem declining production that result 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. 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 which are 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 50% joint venture with 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. As of February 15, 2006, we operated a total of 78 production testing units.

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 find it uneconomical to maintain complete inventories of tools, drillpipe, pressure testing equipment and other specialized equipment and to retain the qualified personnel to operate this equipment. 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, casings and tubing strings. The units are also used to assemble and disassemble 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. As of February 15, 2006, we had 35 multi-service pressure testing units that we operated 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, Colorado, Wyoming, North Dakota and Montana.

*Fluid Transportation.* As of February 15, 2006, we operated 598 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.* As of February 15, 2006, we operated a fleet of 2,058 frac tanks, of which 227 were rented, 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.* As of February 15, 2006, we owned 25 salt water disposal wells in Oklahoma and Texas 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 also operated two mud disposal facilities that are used to store and ultimately dispose of drilling mud.

Table of Contents

*Other Services.* We own and operate a fleet of 17 hot oilers and six 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 (17% of Revenue for the Year Ended December 31, 2005)***

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. Through this segment, we also provide pressure control, drill string, pipe handling and downhole tools and equipment. Our drilling rigs currently operate exclusively in 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 standard day rate, and, to a lesser extent, footage or turnkey contracts. Drilling rigs vary in size and capability and may include specialized equipment. As of February 15, 2006, the majority of our drilling rig fleet of 14 drilling rigs was equipped with mechanical power systems and had depth ratings ranging from approximately 8,000 to 15,000 feet. We also had three land drilling rigs under construction as of February 15, 2006 which we expect to be operational by the end of 2006.

*Drilling Logistics*

We provide a variety of drilling logistic services as follows:

*Drilling Rig Moving.* Through our owned and operated fleet of over 200 specialized trucks as of February 15, 2006, we provide drilling rig mobilization services primarily in Louisiana, Texas, Oklahoma, Arkansas and Wyoming. 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 we have a leading market position in the Gulf Coast region of Texas and Louisiana. 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 Texas, Colorado and Wyoming.

***Product Sales (16% of Revenue for the Year Ended December 31, 2005)***

Through our product sales segment, we provide a variety of equipment used by oil and gas companies throughout the lifecycle of their wells. Our current product offering includes completion, flow control and artificial lift equipment as well as tubular goods. We sell products throughout North America primarily through our supply stores and through distributors on a wholesale basis. We also sell products through agents in markets outside of North America.

*Supply Stores*

We own and operate supply stores that provide products and services to the oil and gas industry. As of February 15, 2006, we had a total of 14 supply stores and four sales offices in Texas, Colorado, Louisiana and Oklahoma. We market tubular products, drill pipe, flow control and completion equipment, valves, fittings and other oilfield products.

*Production Enhancement Products*

Our production enhancement products group designs, assembles and distributes flow control, well completion and artificial lift products primarily in North America.

*Flow Control Products.* We are a leading independent supplier of subsurface flow control equipment to the North American oil and gas market. Our product line includes downhole blanking plugs, landing nipples, sliding sleeves, flapper valves and bottom-hole chokes. Through our flow control business, we also provide a proprietary thermo chemical metal treatment process known as HARD KOTE[tm] that increases the useful life of downhole equipment by providing enhanced resistance to abrasion, adhesion, erosion and corrosion.

*Well Completion Products.* We offer a comprehensive line of well completion products, which include packers, tubing anchors, plugs, retainers and other completion accessories.

*Artificial Lift Systems.* Our line of artificial lift system accessories is designed to optimize the performance of rod pump and progressive cavity ( PC ) or screw pump systems. We are a leader in tools designed to prevent the counter rotation of PC pumps, particularly during high-volume operation, and we hold eight patents in this area. Other accessories include tubing centralizers and downhole gas separators installed below the pump. Downhole gas separators remove the natural gas from the reservoir fluid before it enters the pump, thus improving pump efficiency.

Our production enhancement products are sold throughout North America primarily through distributors on a wholesale basis, through our supply stores and through agents in international markets.

*Manufacturing*

Our manufacturing business produces a number of wellsite production processing facility components. Products include pressure vessels, separators, line heaters, dehydration units, header packages and metering skids. Our equipment is designed to comply with the standards of the American Society of Mechanical Engineers National Board U stamp and the Alberta Boilers Safety Association. Customers for our manufactured products are predominantly gas producing companies in Canada; however, the business does provide equipment throughout North America and may periodically ship products into international markets, including India and South America.

*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.

**Properties**

As of February 15, 2006, we owned 45 offices, facilities and yards, of which eight are in Texas, 19 are in Oklahoma, one is in Arkansas, one is in North Dakota, one is in Montana, six are in Wyoming, three are in Colorado, three are in Louisiana, two are in Alberta, Canada, and one is in Poza Rica, Mexico. As of February 15, 2006, we owned 25 salt water disposal wells, of which four are in Texas, 19 are in Oklahoma and two in Arkansas. As of February 15, 2006, we owned one drilling mud disposal facility in Oklahoma and one produced water evaporation facility in Wyoming.

In addition, as of February 15, 2006, we leased 153 offices, facilities and yards, of which 46 are in Texas, 12 are in Oklahoma, 19 are in Wyoming, 27 are in Colorado, four are in Louisiana, one is in Arkansas, two are in Kansas, two are in Utah, 27 are in Alberta, Canada, one is in British Columbia, Canada, five are in Mexico and seven are in Singapore. As of February 15, 2006, we leased one drilling mud disposal facility in Oklahoma and we leased two salt water disposal wells in Texas.

Table of Contents

### 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 virtually all of the major land-based drilling contractors in North America. Our top ten customers accounted for approximately 33% of our revenue for the year ended December 31, 2005, with no one customer representing more than 10% of our revenue in this period. We believe we have a broad customer base and wide geographic coverage of operations, which somewhat insulates us from regional or customer specific circumstances that might cause a significant erosion in revenue.

### 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 from time to time have suffered accidents in the past and anticipate that we could 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.

Table of Contents

## 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., Tetra Technologies, 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 and Helmerich & Payne, Grey Wolf Inc. Our principal competitors in our product sales segment include National Oilwell Varco, Inc., Baker Hughes Inc., Weatherford International Ltd., Halliburton Company, 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 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, 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 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 analogous 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

Table of Contents

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.

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 January 31, 2006, we had 4,485 employees. Of our total employees, 3,717 were in the United States, 534 were in Canada, 177 were in Mexico and 57 were in Singapore and other locations in the Far East. 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.

Table of Contents

## Legal Proceedings

We operate in a dangerous business. We are 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 that 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 businesses.

Although we cannot know the outcome of pending legal proceedings and the effect such outcomes may have on us, we believe that any ultimate liability resulting from the outcome of such proceedings, 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.

**Table of Contents**

## MANAGEMENT

Our directors, executive officers and other key operational management employees, their ages and their positions as of March 31, 2006 are as follows:

| Name | Age | Position |
|---|---|---|
| Andrew L. Waite | 45 | Chairman of the Board |
| Joseph C. Winkler | 54 | Director, President and Chief Executive Officer |
| J. Michael Mayer | 49 | Senior Vice President and Chief Financial Officer |
| James F. Maroney, III | 55 | Vice President, Secretary and General Counsel |
| Kenneth L. Nibling | 55 | Vice President  Human Resources and Administration |
| Robert L. Weisgarber | 54 | Vice President  Accounting and Controller |
| David C. Baldwin | 43 | Director |
| Robert S. Boswell | 56 | Director |
| Harold G. Hamm | 60 | Director |
| W. Matt Ralls | 56 | Director |
| R. Graham Whaling | 51 | Director |
| James D. Woods | 74 | Director |
| Ronald Boyd | 49 | President Mid-Continent Division |
| Lee Daniel, III | 59 | President Rockies Division |
| Brian K. Moore | 49 | President IPS Operations |
| John D. Schmitz | 46 | President Texas Division |

*Andrew L. Waite.* Mr. Waite has served as Chairman of our board of directors since the date of the Combination. Mr. Waite is a Managing Director of L.E. Simmons and Associates, Incorporated, a private equity firm and has been an officer of that company since October 1995. He was previously Vice President of Simmons & Company International, an investment banking firm specializing in the energy industry where he served from August 1993 to September 1995. From 1984 to 1991, Mr. Waite held a number of engineering and management positions with the Royal Dutch/ Shell Group, an integrated energy company. From November 2003 to June 2005, he served as Chairman, President and Chief Executive Officer of CES. He served as Chairman of CES prior to the Combination and currently serves as a director of Oil States International, Inc., a provider of products and services to oil and gas drilling and production companies, and as a director of Hornbeck Offshore Services, Inc., an operator of offshore supply vessels and other marine assets. He received an M.B.A. degree from the Harvard University Graduate School of Business Administration and an M.S. degree from the California Institute of Technology.

*Joseph C. Winkler.* Mr. Winkler has served as our President and Chief Executive Officer since the date of the Combination and a director since June 2005. On June 20, 2005, Mr. Winkler assumed his duties as President and Chief Executive Officer of CES and a director of CES, IEM and IPS. Mr. Winkler served as the Executive Vice President and Chief Operating Officer of National Oilwell Varco, Inc., an oilfield capital equipment and services company, from March 2005 until June 2005 and the company s predecessor, Varco International, Inc. s President and Chief Operating Officer from May 2003 until March 2005. From April 1996 until May 2003, Mr. Winkler served in various other capacities with Varco and its predecessor including Executive Vice President and Chief Financial Officer. From 1993 to April 1996, Mr. Winkler served as the Chief Financial Officer of D.O.S., Ltd., a privately held provider of solids control equipment and services and coil tubing equipment to the oil and gas industry, which was acquired by Varco in April 1996. Prior to joining D.O.S., Ltd., he was Chief Financial Officer of Baker Hughes INTEQ, and served in a similar role for various companies owned by Baker Hughes Incorporated including Eastman/Teleco and Milpark Drilling Fluids. Mr. Winkler received a Bachelor of Science degree from Louisiana State University.

*J. Michael Mayer.* Mr. Mayer has served as our Senior Vice President and Chief Financial Officer since the date of the Combination. He joined CES as Vice President and Chief Financial Officer in May 2004. Prior to joining CES, Mr. Mayer served as the Chief Financial Officer of Tri-Point Energy Services, Inc., a Houston based private company providing repair and refurbishment services to the drilling industry, from March 2003 until May 2004. Before joining Tri-Point, Mr. Mayer was the Chief Financial Officer of NATCO Group Inc., an NYSE-listed provider of process and production equipment to the oil and gas industry, from September 1999 to March 2003. At NATCO, Mr. Mayer was active in taking the company public in 2000 and completed a number of acquisitions while in that role. He has served as Chief Financial Officer in a number of private entities engaged in various facets of the oilfield service industry, as well as approximately 10 years in various financial management positions at Baker Hughes Incorporated, an international oilfield service company. Mr. Mayer received a Bachelor of Business Administration degree from Texas A&M University and is a certified public accountant.

*James F. Maroney, III.* Mr. Maroney has served as our Vice President, Secretary and General Counsel since October 2005. From August 2005 until October 2005, Mr. Maroney surveyed various opportunities until accepting employment with us. Mr. Maroney served as Of Counsel to National Oilwell Varco, Inc. from March 2005 to August 2005. He served as Vice President, Secretary and General Counsel of Varco International, Inc. from May 2000 until March 2005. Prior to that time, Mr. Maroney served as Vice President, Secretary and General Counsel of Tuboscope, Inc., Varco s predecessor.

*Kenneth L. Nibling.* Mr. Nibling has served as our Vice President Human Resources and Administration since October 2005. From July 2005 to October 2005, Mr. Nibling surveyed various opportunities until accepting employment with us. He served as Vice President, Human Resources of National Oilwell Varco, Inc. from March through July 2005. He served as Varco International, Inc. s Vice President Human Resources and Administration of Varco International, Inc. from May 2000 until March 2005. Prior to that time, Mr. Nibling served as Vice President Human Resources and Administration of Tuboscope, Inc.

*Robert L. Weisgarber.* Mr. Weisgarber has served as our Vice President Accounting and Controller since September 2005. From April 2004 until September 2005, he served as the Vice President Accounting of CES. From October 2003 until April 2004, Mr. Weisgarber served as CFO Partner for Tatum Partners, an executive services and consulting firm. Prior to joining Tatum Partners, Mr. Weisgarber served as Chief Financial Officer of DSI Toys, Inc., a publicly owned manufacturer of toys that has since liquidated pursuant to Chapter 7 of the Bankruptcy Code, from March 1999 until October 2003.

*David C. Baldwin.* Mr. Baldwin has served as a director since May 2001. From September 2002 to April 2004, Mr. Baldwin occupied the positions of President and Chief Executive Officer of IPS. Mr. Baldwin is a Managing Director of L.E. Simmons and Associates, Incorporated, which he joined 1991. He served as Chairman of the board of directors of IPS and IEM prior to the Combination. Prior to joining SCF, Mr. Baldwin was a drilling and production engineer with Union Pacific Resources, an independent exploration and production company that has since been acquired. He received both a B.S. degree in Petroleum Engineering and an M.B.A. degree from the University of Texas at Austin.

*Robert S. Boswell.* Mr. Boswell has served as a director since the date of the Combination. He serves as Chairman and Chief Executive Officer of Laramie Energy, LLC, a Denver-based privately held oil and gas exploration and production company he founded in September 2003. Prior to his time at Laramie, Mr. Boswell served as Chairman of the board of directors of Forest Oil Corporation, an independent exploration and production company, from March 2000 until September 2003. He served as Chief Executive Officer of Forest Oil from December 1995 until September 2003. Mr. Boswell served as Forest Oil s President from November 1993 to March 2000 and Chief Financial Officer from May 1991 until December 1995, having served as a member of the board of directors of Forest Oil from 1986 until September 2003. He has also served as a director of C.E. Franklin Ltd., a provider of products and services to the oilfield industry, specifically completion products.

**Table of Contents**

*Harold G. Hamm.* Mr. Hamm has served as a director since the date of the Combination. Mr. Hamm was elected Chairman of the board of directors of Hiland Partners general partner in October 2004. Hiland Partners is a NASDAQ publicly traded midstream master limited partnership. Mr. Hamm has served as President and Chief Executive Officer and as a director of Continental Gas, Inc., a midstream natural gas gathering company since December 1994 and then served as Chief Executive Officer and a director to 2004. Since its inception in 1967, Mr. Hamm has served as President and Chief Executive Officer and a director of Continental Resources, Inc. and currently serves as Chairman of its board of directors. Continental Resources, Inc. is an independent exploration and production company. Mr. Hamm is the chairman of the Oklahoma Independent Petroleum Association. He is the founder and served as Chairman of the board of directors of Save Domestic Oil, Inc. Currently, Mr. Hamm is President of the National Stripper Well Association, and serves on the executive boards of the Oklahoma Independent Petroleum Association and the Oklahoma Energy Explorers.

*W. Matt Ralls.* Mr. Ralls joined our board of directors on December 2, 2005. Mr. Ralls serves as Executive Vice President and Chief Operating Officer for GlobalSantaFe Corporation, an international contract drilling company, a position he has held since June 2005. Mr. Ralls serves as a director of Enterprise GP Holdings L.P., a publicly traded master limited partnership in the midstream energy services business. Mr. Ralls also serves as a director, Chairman of the Audit Committee and member of the Governance Committee of the general partner of Enterprise Products Partners L.P., a publicly traded provider of midstream energy services, having been elected director in September 2004. He had previously served as Senior Vice President and Chief Financial Officer for GlobalSantaFe. Previously, he was Global Marine Inc. s Senior Vice President, Chief Financial Officer and Treasurer from January 1999 to November 2001 when Global Marine merged to become GlobalSantaFe. He served as Global Marine s Vice President and Treasurer from 1997 to January 1999. Mr. Ralls served as Vice President of Capital Markets and Corporate Development for The Meridian Resource Corporation, an independent exploration and production company, before joining Global Marine. Prior to joining The Meridian Resource Corporation, Mr. Ralls served as Executive Vice President, Chief Financial Officer and a director of Kelley Oil Corporation, an independent exploration and production company, from 1990 until 1996. Mr. Ralls spent the first 17 years of his career in commercial banking, mostly at the senior loan management level, with three large Texas banks, including NationsBank in San Antonio, Texas.

*R. Graham Whaling.* Mr. Whaling has served as a director since the date of the Combination. In addition, he has served as a director of Brigham Exploration Company, an independent exploration and production company, since June 2001. Mr. Whaling is currently Chairman and Chief Executive Officer of Laredo Energy, LP, a privately owned partnership engaged in the acquisition and development of natural gas reserves in south Texas, and has spent his entire career in the energy industry, as a petroleum engineer, an energy investment banker, a chief financial officer and a chief executive officer of energy companies. Mr. Whaling worked as a petroleum engineer for nine years in the beginning of his career primarily with Ryder Scott Company, an oil and gas consulting firm. Mr. Whaling then spent seven years as an investment banker focusing on the energy industry with Lazard Freres & Co. and Credit Suisse First Boston. Mr. Whaling then became the Chief Financial Officer for Santa Fe Energy, an independent exploration and production company, where he managed the initial public offering and the spin-off of Santa Fe s western division, Monterey Resources. Mr. Whaling was Chairman and Chief Executive Officer of Monterey Resources from its inception until it was acquired by Texaco in 1997. From May 1999 to May 2001, Mr. Whaling was a Managing Director with Credit Suisse First Boston s Global Energy Partners, which specializes in private equity investments in energy businesses world-wide. Immediately prior to joining Laredo Energy, LP, Mr. Whaling was Chairman of Michael Petroleum Corporation, an independent exploration and production company that no longer exists.

*James D. Woods.* Mr. Woods has served as a director since June 2001. During the period beginning in 1988 and ending in March 2005, Mr. Woods served as director of Varco at various times. Mr. Woods is the Chairman Emeritus and retired Chief Executive Officer of Baker Hughes Incorporated. Mr. Woods was Chief Executive Officer of Baker Hughes from April 1987, and Chairman from January 1989, in each case until January 1997. Mr. Woods is also a director of National Oilwell Varco, Inc. and ESCO

Technologies, an NYSE-listed supplier of engineered filtration precuts to the process, healthcare and transportation markets; Foster Wheeler Ltd., an OTC-traded holding company of various subsidiaries which provides a broad range of engineering, design, construction and environmental services; OMI Corporation, an NYSE-listed bulk shipping company providing seaborne transportation services primarily of crude oil and refined petroleum products; and USEC Inc., an NYSE-listed supplier of enriched uranium.

**Key Operational Management**

*Ronald Boyd  President, Mid-Continent Division.* Mr. Boyd served as the President of the Mid-Continent Division of CES from October 2004 until the date of the Combination. He currently serves in this capacity with us. Mr. Boyd joined the Hamm Group of Companies in 1988 where he served as President until the group was acquired by CES in October 2004. From 1982 to 1988, he served as Vice President for MB Oilfield Services, an oilfield services company. He received his drilling fluid engineer certification and was Regional Engineer Supervisor for Milchem, Inc., a drilling fluids company until 1982. Mr. Boyd began his career in western Oklahoma in 1973 working on drilling rigs.

*Lee Daniel, III  President, Rockies Division.* Mr. Daniel served as the President of the Rockies Division of CES from February 2004 until the date of the Combination. Mr. Daniel currently serves in this capacity with us. Mr. Daniel founded LEED Energy Services, a Colorado-based provider of oilfield services, in February 1990 and served as President and Chief Executive Officer of LEED until it was acquired by CES in February 2004. Prior to founding LEED, Mr. Daniel was the President and Chief Operating Officer of Oil Field Rental Service Company ( OFRS ) in Houston, Texas. OFRS was a subsidiary of Enterra Corporation, which has since merged with Weatherford International. Mr. Daniel received a Bachelor of Business Administration degree from the University of Oklahoma.

*Brian K. Moore  President, IPS Operations.* From April 2004 through September 12, 2005, Mr. Moore served as President and Chief Executive Officer and a director of IPS. From January 2001 through April 2004, Mr. Moore served as General Manager  Oilfield Services, U.S. Land Central Region, at Schlumberger Ltd., an international oilfield and information services company. Prior to serving as General Manager  Oilfield Services, Mr. Moore served as Pressure Pumping Manager for Schlumberger s Eastern Region from July 1999 to January 2001. Mr. Moore has over 24 years of oilfield service experience including 15 years with Camco International where he served in various management and engineering positions including General Manager  Coiled Tubing Operations.

*John D. Schmitz  President, Texas Division.* Mr. Schmitz served as the President of the Texas Division of CES from November 2003 until the date of the Combination. Mr. Schmitz currently serves in this capacity with us. In 1983, Mr. Schmitz founded Brammer Supply and spent the next 20 years growing Brammer Supply, both organically and through acquisitions, into BSI, an integrated wellsite service provider with over 16 locations in North and East Texas, Oklahoma and Louisiana, which was acquired by CES in November 2003. Mr. Schmitz began his career as a sales representative for Fluid Packed Pumps in 1979.

There are no family relationships among any of our directors, executive officers or key operational management employees. The address of each director, executive officer and key operational management employee is: c/o Complete Production Services, Inc., 11700 Old Katy Road, Suite 300, Houston, Texas 77079.

**Board of Directors**

Our board of directors currently consists of eight members, including four independent members Messrs. Boswell, Ralls, Whaling and Woods. The listing requirements of the NYSE require that our board of directors be composed of a majority of independent directors within one year of the listing of our common stock on the NYSE. Accordingly, we intend to appoint additional independent directors to our board of directors following the completion of this offering.

**Table of Contents**

Our board of directors is divided into three classes. The directors serve staggered three-year terms. The initial terms of the directors of each class will expire at the annual meetings of stockholders to be held in 2006 (Class I), 2007 (Class II) and 2008 (Class III). At each annual meeting of stockholders, one class of directors will be elected for a full term of three years to succeed that class of directors whose terms are expiring. The classification of directors are as follows:

Class I Messrs. Joseph C. Winkler, Andrew L. Waite and R. Graham Whaling;

Class II Messrs. Harold G. Hamm, James D. Woods and R. Matt Ralls; and

Class III Messrs. David C. Baldwin and Robert S. Boswell.

SCF has certain rights to designate up to two members of our board of directors. See Description of Our Capital Stock Stockholders Agreement Management Rights.

*Audit Committee*

Our audit committee is currently comprised of Messrs. Ralls, Whaling and Boswell. Our board has determined that Messrs. Ralls, Whaling and Boswell are independent directors as defined under and required by the Securities Exchange Act of 1934, or the Exchange Act, and the listing requirements of the NYSE. Rule 10A-3 under the Exchange Act and the listing requirements of the NYSE require that our audit committee be composed of a minimum of three members and that it be composed of a majority of independent directors within 90 days of the effectiveness of the registration statement of which this prospectus is a part and that it be composed solely of independent directors within one year of such date. Mr. Ralls has been designated as the audit committee financial expert, as defined by Item 401(h) of Regulation S-K of the Exchange Act. The principal duties of the audit committee, which is chaired by Mr. Ralls, will be as follows:

- to review our external financial reporting;
- to engage our independent auditors; and
- to review our procedures for internal auditing and the adequacy of our internal accounting controls.

Our board of directors has adopted a written charter for the audit committee that will be available on our website after the completion of this offering.

*Nominating and Corporate Governance Committee*

Our nominating and corporate governance committee is currently comprised of Messrs. Woods and Hamm. Our board has determined that Mr. Woods is independent as required by the listing requirements of the NYSE. The listing requirements of the NYSE require that our nominating and corporate governance committee be composed of a majority of independent directors within 90 days of the listing of our common stock on the NYSE and that it be composed solely of independent directors within one year of such date. The principal duties of the nominating and corporate governance committee will be as follows:

- to recommend to the board of directors proposed nominees for election to the board of directors by the stockholders at annual meetings, including an annual review as to the renominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between stockholder meetings; and
- to make recommendations to the board of directors regarding corporate governance matters and practices.

Our board of directors has adopted a written charter for the corporate governance and nominating committee that will be available on our website after the closing of this offering.

Table of Contents

*Compensation Committee*

Our compensation committee is currently comprised of Messrs. Woods and Whaling. Our board has determined that Messrs. Woods and Whaling are independent as required by the listing requirements of the NYSE. The principal duties of the compensation committee will be as follows:

- to administer our stock plans and incentive compensation plans, including our stock incentive plans, and in this capacity, make all option grants or awards to our directors and employees under such plans;

- to make recommendations to the board of directors with respect to the compensation of our chief executive officer and our other executive officers; and

- to review key employee compensation policies, plans and programs.

Our board of directors has adopted a written charter for the compensation committee that will be available on our website after the completion of this offering.

**Compensation of Directors**

Directors who are also employees do not receive a retainer or fees for service on our board of directors or any committees. Directors who are not employees will receive an annual fee of $27,500 and fees of $1,500 for attendance at each meeting of our board of directors or $750 for each meeting of our board of directors attended telephonically. In addition, the chairman of the audit committee will receive an annual fee of $15,000 and each director who serves as committee chairmen (other than chairman of the audit committee) will receive an annual fee of $7,500 for each committee on which he serves as chairman. Directors who are not employees will receive options to purchase 5,000 shares of our common stock in connection with their election to the board of directors and options to purchase 5,000 shares of our common stock at each annual meeting after which they continue to serve. These options will be granted under our 2001 Stock Incentive Plan, will vest in four annual installments and will expire ten years from the date of grant. In the event of a change of control, the options will vest in accordance with the plan. The exercise price of these options will be the fair market value at the date of grant. In addition, directors who are not employees will receive an annual grant of restricted stock valued at $50,000. The restricted stock will vest on the anniversary of the date of grant. Directors must retain 65% of the restricted stock so long as they are a director of the Company. All of our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of our board of directors or committees and for other reasonable expenses related to the performance of their duties as directors.

**Web Access**

We will provide access through our website at *www.completeproduction.com* to current information relating to governance, including a copy of each board committee charter, our code of conduct, our corporate governance guidelines and other matters impacting our governance principles. You may also contact our Chief Financial Officer for paper copies of these documents free of charge.

**Compensation Committee Interlocks and Insider Participation**

None of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

Table of Contents

### Compensation of Executive Officers

The following table summarizes all compensation earned by each person who served as Chief Executive Officer and our four other most highly compensated executive officers during the year ended December 31, 2005, to whom we refer in this prospectus as our named executive officers.

**Summary Compensation Table**

| | | Annual Compensation | | | Long-Term Compensation Awards | | |
|---|---|---|---|---|---|---|---|
| **Name and Principal Position** | **Year** | **Salary** | **Bonus** | **Other Annual Compensation** | **Restricted Stock Awards** | **Securities Underlying Options** | **All Other Compensation(1)** |
| Joseph C. Winkler(2) | 2005 | $213,846 | $318,904 | $5,160 | $1,000,136 | 597,660 | |
| President and Chief | 2004 | | | | | | |
| Executive Officer | 2003 | | | | | | |
| J. Michael Mayer(3) | 2005 | $174,714 | $355,000 | | $ 239,994 | | $8,951 |
| Senior Vice President and | 2004 | 106,298 | 89,186 | | | 125,144 | |
| Chief Financial Officer | 2003 | | | | | | |
| James F. Maroney, III(4) | 2005 | $ 56,250 | $ 42,072 | $2,400 | $ 175,058 | 52,000 | |
| Vice President, Secretary | 2004 | | | | | | |
| and General Counsel | 2003 | | | | | | |
| Kenneth L. Nibling(5) | 2005 | $ 51,250 | $ 38,332 | $2,400 | $ 175,058 | 52,000 | |
| Vice President | 2004 | | | | | | |
| Human Resources and | 2003 | | | | | | |
| Administration | | | | | | | |
| Robert L. Weisgarber(6) | 2005 | $155,208 | $246,257 | | | | $9,888 |
| Vice President Accounting | 2004 | 141,667 | 13,513 | | | 93,858 | |
| and Controller | 2003 | | | | | | |
| Andrew L. Waite(7) | 2005 | | | | $ 50,021 | 5,000 | |
| Chairman of the Board | 2004 | | | | | | |
| and Former Chief | 2003 | | | | | | |
| Executive Officer | | | | | | | |

(1) These amounts consist of matching contributions made by us under our 401(k) plans in which the executive officer participates.

(2) Upon the completion of the Combination, Mr. Winkler became our Chief Executive Officer, President and director. See Employment Agreements below for a description of the terms of Mr. Winkler s employment. Mr. Winkler was employed by CES as Chief Executive Officer and President and appointed as a director of CES in June 2005. The stockholders of CES prior to the Combination held a majority ownership in us following the Combination. In addition, former directors of CES represent a majority of the directors of our board of directors.

(3) Upon the completion of the Combination, Mr. Mayer became our Senior Vice President and Chief Financial Officer. Mr. Mayer was employed by CES as Vice President and Chief Financial Officer in May 2004.

(4) On October 3, 2005, Mr. Maroney became our Vice President, Secretary and General Counsel.

(5) On October 3, 2005, Mr. Nibling became our Vice President Human Resources and Administration.

(6) Upon the completion of the Combination, Mr. Weisgarber became our Vice President Accounting and Controller. Mr. Weisgarber was employed by CES as Vice President Accounting in April 2004.

(7) Mr. Waite is the Chairman of our board of directors and served as the Chief Executive Officer of CES prior to the hiring of Mr. Winkler in June 2005. Mr. Waite served as the Chief Executive Officer of CES from November 7, 2003 until June 20, 2005. Mr. Waite did not receive compensation from CES for his services as Chief Executive Officer. Mr. Waite is a Managing Director of L.E. Simmons and Associates, Incorporated. L.E. Simmons and Associates, Incorporated received certain consideration from CES in connection with its provision of support services to CES. For a description of these services, see Certain Relationships and Related Party Transactions.

Table of Contents

**Equity Grants**

The following table summarizes the option grants made to the Chief Executive Officer and the other named executive officers during 2005:

| | Individual Grants | | | | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Options Term | |
|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Option Granted | Percent of Total Options Granted to Employees in Fiscal Year | Exercise or Base Price Per Share(1) | Expiration Date | 5% | 10% |
| Joseph C. Winkler | 597,660 | 34.2% | $ 6.69 | 06/2015 | $2,514,538 | $6,372,333 |
| President and Chief Executive Officer | | | | | | |
| J. Michael Mayer | | | | | | |
| Senior Vice President and Chief Financial Officer | | | | | | |
| James F. Maroney, III | 52,000 | 3.0% | $11.66 | 11/2015 | $ 381,311 | $ 966,318 |
| Vice President, Secretary and General Counsel | | | | | | |
| Kenneth L. Nibling | 52,000 | 3.0% | $11.66 | 11/2015 | $ 381,311 | $ 966,318 |
| Vice President Human Resources and Administration | | | | | | |
| Robert L. Weisgarber | | | | | | |
| Vice President Accounting and Controller | | | | | | |
| Andrew L. Waite | 5,000 | 0.3% | $11.66 | 10/2015 | 36,665 | 92,915 |
| Chairman of the Board | | | | | | |

(1) Option exercise prices for options granted prior to September 12, 2005 have been adjusted pursuant to FIN 44 to take into account the impact of the approximate $147.0 million Dividend paid to our stockholders following the Combination.

**Aggregated Option Exercises in 2005 and Fiscal Year-End Option Values**

The following table sets forth information concerning options exercised during the last fiscal year and held as of December 31, 2005 by each of the named executive officers. None of the named executive officers exercised options during the year ended December 31, 2005. Because there was no public market for our common stock as of December 31, 2005, amounts described in the following table under the heading Value of Unexercised In-the-Money Options at December 31, 2005 are determined by multiplying the number of shares issued or issuable upon the exercise of the option by the difference between the assumed initial public offering price of $23.00 per share and the per share option exercise price.

| | **Number of Shares Underlying Unexercised Options at December 31, 2005** | | **Value of Unexercised In-the-Money Options at December 31, 2005** | |
|---|---|---|---|---|
| | **Exercisable** | **Unexercisable** | **Exercisable** | **Unexercisable** |
| Joseph C. Winkler | | 597,660 | | $9,747,835 |
| J. Michael Mayer | 41,714 | 83,430 | $875,994 | $1,752,030 |
| James F. Maroney, III | | 52,000 | | $ 589,680 |
| Kenneth L. Nibling | | 52,000 | | $ 589,680 |
| Robert L. Weisgarber | 31,286 | 62,572 | $569,718 | $1,139,436 |
| Andrew L. Waite | | 5,000 | | $ 56,700 |

Table of Contents

## Stock Incentive Plans

*2001 Stock Incentive Plan*

In 2001 we adopted a stock incentive plan, which we refer to as the 2001 Stock Incentive Plan, for our and our affiliates officers, directors, consultants and employees. The 2001 Stock Incentive Plan amended and restated in its entirety our predecessor s 2001 Stock Incentive Plan. In March 2006, we amended and restated the 2001 Stock Incentive Plan, which we now refer to as the Amended 2001 Stock Incentive Plan. Under the Amended 2001 Stock Incentive Plan, eligible participants may receive incentive and nonqualified options to purchase shares of our common stock and/or an award of shares of our restricted stock. Under the Amended 2001 Stock Incentive Plan, options to purchase up to 4,500,000 shares of our common stock may be granted to eligible participants. The terms of each incentive and non-qualified option will be determined by a committee of, and established by, our board of directors (the Committee ). The Committee will determine the exercise price for both incentive and non-qualified options. Generally, these shares vest equally over a three-year period and have a five-year or ten-year life. As of December 31, 2005, under the Amended 2001 Stock Incentive Plan, options for approximately 1,532,998 shares of our common stock were outstanding.

In the case of employees, options granted under the Amended 2001 Stock Incentive Plan generally expire on the earlier of (i) 5 or 10 years from the date of grant; (ii) 90 days from the employee s termination date or (iii) one year from the employee s termination date due to death or disability. In the case of non-employee directors, all options granted under the Amended 2001 Stock Incentive Plan expire on the earlier of (i) 5 years from the date of grant or (ii) one year from the date of termination of director s service on our board of directors due to death or disability.

Our restricted stock that is granted under the Amended 2001 Stock Incentive Plan is subject to certain restrictions on disposition by the holder and an obligation of the holder to forfeit and surrender the shares of our restricted stock to us under certain circumstances. These forfeiture restrictions are determined by the Committee and may lapse upon the occurrence of the following: (i) the attainment of certain performance targets established by the Committee, (ii) the holder s continued employment with our company or an affiliate of our company or continued service as a consultant to or director of our company for a specified period of time, (iii) any event or the satisfaction of any condition specified by the Committee or (iv) a combination of the foregoing. As of December 31, 2005, 146,196 shares of our restricted stock granted under the Amended 2001 Stock Incentive Plan were unvested.

Upon a change of control in which (i) we do not survive in a merger or consolidation (or survive only as a subsidiary of an entity), (ii) we sell, lease, or exchange or agree to sell, lease, or exchange all or substantially all of our assets, (iii) we are dissolved or liquidated, (iv) more than 50% of our outstanding shares of common stock are sold or (v) in connection with a contested election of the Board, directors constituting a majority of the Board cease to constitute a majority, the Committee may: (1) accelerate the time at which options then outstanding may be exercised, (2) pay cash to option holders in exchange for the surrender of the outstanding options and/or (3) make any adjustments, as determined by the Committee in its sole discretion, to the options then outstanding and the plan to appropriately reflect the change of control.

*2003 Stock Incentive Plan*

In connection with the Combination, we assumed CES s 2003 Stock Incentive Plan, which we refer to as the 2003 Stock Incentive Plan, for certain officers, directors, consultants and employees. Under the 2003 Stock Incentive Plan, as amended, eligible participants received incentive and nonqualified options to purchase shares of CES common stock and/or an award of CES restricted stock, which options and shares were converted, respectively, to options for, and shares of, our common stock pursuant to the terms and conditions of the Combination. Generally, these shares vest equally over a three-year or four-year period, have a five-year life and may be exercised only if the holder is one of our employees, directors or consultants. As of December 31, 2005, under the 2003 Stock Incentive Plan, options for approximately 1,911,704 shares of our common stock were outstanding. All options (other than options granted to

**Table of Contents**

Mr. Winkler) expire on the earlier of (i) 5 years from the date of grant; (ii) 90 days from the employee s termination date; or (iii) one year from the employee s termination due to death or disability.

The restricted stock granted under the 2003 Stock Incentive Plan is subject to certain restrictions on disposition by the holder and an obligation of the holder to forfeit and surrender the shares of the restricted stock to us under certain circumstances. These forfeiture restrictions were determined by the CES board of directors and may lapse upon the occurrence of the following: (i) the attainment of certain performance targets established by the CES board of directors, (ii) the holder s continued employment with our company or an affiliate of our company or continued service as a consultant to or director of our company for a specified period of time, (iii) any event or the satisfaction of any condition specified by the CES board of directors or (iv) a combination of the foregoing. As of December 31, 2005, 144,230 shares of our restricted stock granted under the 2003 Stock Incentive Plan were unvested.

Upon a change of control in which (i) we do not survive in a merger or consolidation (or survive only as a subsidiary of an entity), (ii) we sell, lease, or exchange or agree to sell, lease, or exchange all or substantially all of our assets, (iii) we are dissolved or liquidated, (iv) more than 50% of our outstanding shares of common stock are sold or (v) in connection with a contested election of the Board, directors constituting a majority of the Board cease to constitute a majority, the Committee may: (1) accelerate the time at which options then outstanding may be exercised, (2) pay cash to option holders in exchange for the surrender of the outstanding options and/or (3) make any adjustments, as determined by the Committee in its sole discretion, to the options then outstanding and the plan to appropriately reflect the change of control.

The 2003 Stock Incentive Plan shall continue to govern the existing options and restricted stock granted thereunder; however, no future awards will be made under the 2003 Stock Incentive Plan.

*2004 Stock Incentive Plan*

In connection with the Combination, we assumed IEM s 2004 Stock Incentive Plan, which we refer to as the 2004 Stock Incentive Plan, for certain officers, directors, consultants and employees. Under the 2004 Stock Incentive Plan, eligible participants received incentive and nonqualified options to purchase shares of IEM common stock and/or an award of IEM restricted stock, which options and shares were converted, respectively, to options for, and shares of, our common stock pursuant to the terms and conditions of the Combination. Generally, these shares vest equally over a three-year or four-year period, have a five-year life and may be exercised only if the holder is one of our employees, directors or consultants. As of December 31, 2005, under the 2004 Stock Incentive Plan, options for 67,742 shares of our common stock were outstanding. No options were granted to employees of IEM. All options (other than options granted to Mr. Winkler) expire on the earlier of (i) 5 years from the date of grant; (ii) 90 days from the employee s termination date; or (iii) one year from the employee s termination due to death or disability.

The restricted stock granted under the 2004 Stock Incentive Plan is subject to certain restrictions on disposition by the holder and an obligation of the holder to forfeit and surrender the shares of the restricted stock to us under certain circumstances. These forfeiture restrictions were determined by the IEM board of directors and may lapse upon the occurrence of the following: (i) the attainment of certain performance targets established by the IEM board of directors, (ii) the holder s continued employment with our company or an affiliate of our company or continued service as a consultant to or director of our company for a specified period of time, (iii) any event or the satisfaction of any condition specified by the IEM board of directors or (iv) a combination of the foregoing. As of December 31, 2005, 263,020 shares of our restricted stock granted under the 2004 Stock Incentive Plan were unvested.

Upon a change of control in which (i) we do not survive in a merger or consolidation (or survive only as a subsidiary of an entity), (ii) we sell, lease, or exchange or agree to sell, lease, or exchange all or substantially all of our assets, (iii) we are dissolved or liquidated, (iv) more than 50% of our outstanding shares of common stock are sold or (v) in connection with a contested election of the Board, directors constituting a majority of the Board cease to constitute a majority, the Committee may: (1) accelerate the time at which options then outstanding may be exercised, (2) pay cash to option holders in exchange for the surrender of the outstanding options and/or (3) make any adjustments, as determined by the Committee in its sole discretion, to the options then outstanding and the plan to appropriately reflect the change of control.

The 2004 Stock Incentive Plan will continue to govern the existing options and restricted stock granted thereunder; however, no future awards will be made under the 2004 Stock Incentive Plan.

*Parchman Stock Incentive Plan*

In connection with our acquisition of Parchman Energy Group, Inc. in February 2005, we assumed Parchman s 2003 Restricted Stock Plan, which we refer to as the Parchman Plan, for certain of our employees. Under the Parchman Plan, eligible participants received an award of our restricted stock subject to the restrictions described below. The restricted stock granted under the Parchman Plan is subject to certain restrictions on disposition by the holder and an obligation of the holder to forfeit and surrender the shares of restricted stock to us under certain circumstances. These forfeiture restrictions were determined by the former compensation committee of Parchman and may lapse upon the occurrence of the following: (i) the attainment of certain performance targets established by the former compensation committee of Parchman, (ii) the holder s continued employment with our company or an affiliate of our company or continued service as a consultant to our company for a specified period of time, or (iii) a combination of the foregoing. As of December 31, 2005, 190,928 shares of our restricted stock granted under the Parchman Plan were unvested.

Upon a change of control in which (i) 80% or more of our outstanding shares of common stock are sold, (ii) as a result of any tender offer, exchange offer, merger, or other combination consummated without the prior approval of the board of the directors, the directors cease to constitute a majority of the board of the company or any successor of the company, (iii) we are merged or consolidated with another corporation and as a result of the merger or consolidation our stockholders who own shares of our common stock prior to the merger or consolidation own less than a majority of the outstanding voting securities of the surviving company following the merger or consolidation and following the merger or consolidation SCF owns less than 15 percent of the surviving company s outstanding shares, or (iv) we transfer substantially all of our assets to another corporation which immediately after the sale is neither controlled by us nor is a corporation in which SCF owns at least 15 percent of the voting power of our outstanding shares, all forfeiture restrictions will lapse and the shares of common stock subject to such restrictions will be delivered to the persons owning the shares of common stock free of any restriction.

The Parchman Plan will continue to govern the existing restricted stock granted thereunder; however, no future awards will be granted under the Parchman Plan.

**Employment Agreements**

We have entered into an employment agreement with Mr. Winkler, the initial term of which terminates on June 20, 2008. Unless either party gives notice of its intention not to renew prior to May 6, 2007, the term will be automatically extended for successive one-year periods until notice is given by either party prior to May 6 of any subsequent year that the term of employment will expire on June 20 of the following year. Mr. Winkler s annual base salary is $400,000, subject to increase at the discretion of our board of directors, and he will be eligible to receive annual bonuses of at least 100% of his annual base salary assuming the Company satisfies performance criteria established by our board of directors. For 2005, Mr. Winkler s bonus was to be an amount of up to 150% of the annual base salary if certain performance targets were met, which was to be prorated to cover the period beginning June 20, 2005, the effective date of Mr. Winkler s employment, to December 31, 2005. Mr. Winkler earned the prorated amount of the maximum 2005 bonus. Mr. Winkler is also entitled to an annual car allowance equal to $9,600.

Under the employment agreement, if Mr. Winkler s employment is terminated prior to his attainment of age 63 (and not during the two-year period following any Change of Control (as such term is defined in the employment agreement)) by Mr. Winkler for Good Reason (as defined in the employment agreement) or by us for any reason other than for Cause (as such term is defined in the employment agreement), or the disability or death of Mr. Winkler, Mr. Winkler will be entitled to receive the following benefits:

(A) his base salary when otherwise due through the date of the termination,

(B) a bonus, in an amount determined in good faith by our board of directors in accordance with the performance criteria established under the employment agreement, prorated through and including the date of termination,

(C) an amount equal to two times the sum of his base salary and average annual bonus (deemed to be 100% of his base salary for this purpose), payable in a lump-sum within 30 days following the date of termination,

(D) all restricted shares, restricted stock units, performance shares, and performance units and stock options held by Mr. Winkler will vest immediately at the time of the termination, and

(E) additional benefits, such as health and disability coverage, outplacement services and an automobile allowance, for up to two years.

Under the employment agreement, if during the two-year period commencing on the effective date of any Change of Control, Mr. Winkler s employment is terminated by Mr. Winkler for Good Reason or by us for any reason other than for Cause, or the disability or death of Mr. Winkler, Mr. Winkler will be entitled to receive the following benefits:

(A) his base salary when otherwise due through the date of the termination,

(B) a bonus, in an amount determined in good faith by our board of directors in accordance with the performance criteria established under the employment agreement, prorated through and including the date of termination,

(C) an amount equal to three times the sum of his base salary and average annual bonus (deemed to be 100% of his base salary for this purpose), payable in a lump-sum within 30 days following the date of termination,

(D) all restricted shares, restricted stock units, performance shares, performance units and stock options held by Mr. Winkler will vest immediately at the time of the termination,

(E) Mr. Winkler will become fully vested in accrued benefits under benefit plans maintained by us; provided, that, if such acceleration is prohibited by law or would require accelerated vesting for all participants in such plans, we will instead make a lump-sum payment to Mr. Winker equal to the present value of such unvested accrued benefits, and

(F) additional benefits, such as health and disability coverage and benefits, outplacement services and an automobile allowance, for up to three years.

Under the terms of the agreement, subject to certain exceptions, Mr. Winkler may not compete in the market in which we and our affiliates engage in business during his employment with us and for 18 months following the termination of his employment. Also under the agreement, subject to certain exceptions, we have agreed to pay a gross-up payment to Mr. Winkler so as to cover any excise tax imposed on benefits provided to Mr. Winkler by us.

In connection with Mr. Winkler s employment with us, we granted Mr. Winkler options to purchase 597,660 shares of our common stock. The options are subject to option agreements, which provide that the options vest 25% per year. Mr. Winkler s options may not be exercised after June 20, 2015, the date of expiration of such options. Furthermore, Mr. Winkler purchased 117,654 shares of our common stock and was granted an additional 117,654 shares of restricted common stock in connection with his stock purchase. The shares of restricted stock are subject to restricted stock agreements between Mr. Winkler and us. These agreements provide that all of the shares of restricted stock will vest on the fourth anniversary of the date of grant.

We have also entered into an employment agreement with J. Michael Mayer, our Senior Vice President and Chief Financial Officer. Under the agreement, Mr. Mayer will receive an annual base salary equal to $250,000, subject to increase at the discretion of our board of directors, and a bonus of up to 90%

of his base salary per year. Mr. Mayer is also entitled to an annual car allowance equal to $9,600. In addition, if we terminate Mr. Mayer s employment for reasons other than for Cause (as such term is defined in the employment agreement) Mr. Mayer may be entitled to receive the following:

- a severance payment equal to 160% of his annual base salary;
- all unvested stock options and restricted stock will immediately vest; and
- a bonus for the year during which his employment is terminated, prorated for the days served.

We have also entered into an employment agreement with James F. Maroney, III, our Vice President, Secretary and General Counsel. Under the agreement, Mr. Maroney will receive an annual base salary equal to $225,000, subject to increase at the discretion of our board of directors, and a bonus of up to 75% of his base salary per year. The bonus earned during 2005 was prorated based on the number of days Mr. Maroney has been employed by us. In addition, if we terminate Mr. Maroney s employment for reasons other than for Cause (as such term is defined in the employment agreement) Mr. Maroney may be entitled to receive the following:

- a severance payment equal to 150% of his annual base salary;
- all unvested stock options and restricted stock will immediately vest; and
- a bonus for the year during which his employment is terminated, prorated for the days served.

In connection with Mr. Maroney s employment with us, we granted Mr. Maroney options to purchase 52,000 shares of our common stock. The options are subject to an option agreement, which provides that the options vest $33^1/3$ % per year. Mr. Maroney s options may not be exercised after October 3, 2015, the date of expiration of such options. Furthermore, Mr. Maroney purchased 42,900 shares of our common stock and was granted an additional 15,020 shares of restricted common stock in connection with his stock purchase. The shares of restricted stock are subject to a restricted stock agreement between Mr. Maroney and us. The agreement provides that the restricted stock vests 25% per year. Mr. Maroney is also entitled to an annual car allowance equal to $9,600.

We have also entered into an employment agreement with Kenneth L. Nibling, our Vice President Human Resources and Administration. Under the agreement, Mr. Nibling will receive an annual base salary equal to $205,000, subject to increase at the discretion of our board of directors, and a bonus of up to 75% of his base salary per year. The bonus earned during 2005 was prorated based on the number of days Mr. Nibling has been employed by us. In addition, if we terminate Mr. Nibling s employment for reasons other than for Cause (as such term is defined in the employment agreement) Mr. Nibling may be entitled to receive the following:

- a severance payment equal to 150% of his annual base salary;
- all unvested stock options and restricted stock will immediately vest; and
- a bonus for the year during which his employment is terminated, prorated for the days served.

In connection with Mr. Nibling s employment with us, we granted Mr. Nibling options to purchase 52,000 shares of our common stock. The options are subject to an option agreement, which provides that the options vest $33^1/3$ % per year. Mr. Nibling s options may not be exercised after October 3, 2015, the date of expiration of such options. Furthermore, Mr. Nibling purchased 42,900 shares of our common stock and was granted an additional 15,020 shares of restricted common stock in connection with his stock purchase. The shares of restricted stock are subject to a restricted stock agreement between Mr. Nibling and us. The agreement provides that the restricted stock vests 25% per year. Mr. Nibling is also entitled to an annual car allowance equal to $9,600.

**Indemnification Agreements**

Our directors and our executive officers have entered into customary indemnification agreements with us, pursuant to which we have agreed to indemnify our directors and our executive officers to the fullest extent permitted by law.

Table of Contents

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The descriptions set forth below are qualified in their entirety by reference to the applicable agreements.

### Offering By Selling Stockholders

We are paying the expenses of the offering by the selling stockholders, other than the underwriting discounts, commissions and transfer taxes with respect to shares of stock sold by the selling stockholders. We have agreed to indemnify the selling stockholders against liabilities under the Securities Act, or contribute to payments that the selling stockholders may be required to make in that respect.

### The Combination

The Combination closed on September 12, 2005. Immediately prior to the Combination, SCF owned 13,840,356 shares or 69.9% of the outstanding shares of common stock of IPS; 1,100,000 shares or 67.2% of the outstanding shares of common stock of CES; and 200,000 shares or 75.2% of the outstanding shares of common stock of IEM. As a result of the Combination, as of September 12, 2005, SCF held a total of 39,396,756 shares or approximately 70% of our total shares outstanding. For a discussion of the Combination, please see Business The Combination.

### Transactions with Our Significant Stockholder Prior to the Combination

IPS was party to that certain Services Agreement dated as of December 1, 2002 with L.E. Simmons and Associates, Incorporated, the ultimate general partner of SCF, pursuant to which IPS paid L.E. Simmons and Associates, Incorporated $20,000 per month for the services of David C. Baldwin in his capacity as its former Chief Executive Officer and certain administrative staff. David C. Baldwin serves as one of our directors and is a Managing Director of L.E. Simmons and Associates, Incorporated. In March 2004, this agreement was terminated by the parties and is no longer in effect.

CES was a party to that certain Financial Advisory Agreement dated as of November 7, 2003 with L.E. Simmons and Associates, Incorporated, pursuant to which CES paid L.E. Simmons and Associates, Incorporated fees totaling $1,970,000 for the provision of support services during 2003 and 2004. In addition, L.E. Simmons and Associates, Incorporated provided certain management services, including the services of Andrew L. Waite in his capacity as its former Chief Executive Officer, to CES in exchange for $50,000 in the first quarter in 2004, $87,500 in each of the second and third quarters of 2004 and $125,000 in the fourth quarter of 2004 and the first and second quarters of 2005. This agreement has been terminated by the parties and is no longer in effect.

IEM was party to that Financial Advisory Agreement dated as of August 14, 2004, with L.E. Simmons and Associates, Incorporated, the ultimate general partner of SCF, pursuant to which IEM paid L.E. Simmons and Associates, Incorporated an upfront fee of $250,000 and subsequent to that $31,250 per quarter for management services. This agreement has been terminated by the parties and is no longer in effect.

### Transactions with our Directors, Officers and Key Operational Managers

Andrew L. Waite, the Chairman of our board of directors, is also a Managing Director and an officer of L.E. Simmons and Associates, Incorporated. David C. Baldwin, one of our directors, is also a Managing Director and an officer of L.E. Simmons and Associates, Incorporated.

We provide services to Laramie Energy, an exploration and production company. Robert S. Boswell is a principal of Laramie as well as the Chairman and Chief Executive Officer. Mr. Boswell is a member of our board of directors. Laramie paid us approximately $1.9 million and $346,000 for such services for the years ended December 31, 2005 and 2004, respectively.

In connection with CES s acquisition of Hamm Co. in 2004, CES entered into that certain Strategic Customer Relationship Agreement with Continental Resources. By virtue of the Combination, through a subsidiary, we are now a party to such agreement. The agreement provides Continental Resources 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 Continental Resources and serves as a member of our board of directors.

We sell services and products to Continental Resources, Inc. and its subsidiaries. Revenues attributable to these sales totaled approximately $3.3 million from October 14, 2004, the date of CES s acquisition of Hamm Co., through December 31, 2004 and approximately $21.3 million for the year ended December 31, 2005. Harold G. Hamm is a majority owner of Continental Resources, Inc. and serves as a member of our board of directors.

We lease offices and an oilfield yard from Continental Management Co. and Mr. Hamm for an aggregate of approximately $8,000 per month. These leases expire between 2009 and 2010. Harold G. Hamm is the owner of Continental Management Co. and serves as a member of our board of directors.

We are obligated to pay Lee Daniel, III an aggregate principal amount of $2.2 million pursuant to a subordinated promissory note due March 31, 2009 that was issued by CES in connection with the acquisition of LEED Energy Services in 2004. Mr. Daniel is a member of our key operational management.

We sell products and services to HEP Oil Company and its subsidiaries. Revenues attributable to these sales totaled approximately $7.8 and $8.4 million for the years ended December 31, 2005 and 2004, respectively. John D. Schmitz is a majority owner of HEP Oil Company and is a member of our key operational management.

We lease various oilfield yards, office buildings and other locations from G-ville Properties and B-29 Investments for approximately $132,000 per month. These leases expire between 2008 and 2016. Mr. Schmitz is a majority owner of G-ville Properties and B-29 Investments.

On September 29, 2005, we entered into an Asset Purchase Agreement with Spindletop Production Services, Ltd. and Mr. Schmitz. Pursuant to the agreement, we purchased the assets of Spindletop in exchange for approximately $0.2 million cash and 90,364 shares of our common stock.