Vale S.A.
Form 424B2
August 04, 2016

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CALCULATION OF REGISTRATION FEE

Class of securities offered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Debt securities	US$1,000,000,000.00	100.000%	US$1,000,000,000.00	US$100,700.00(1)
Guaranties				(2)

(1) The registration fee is calculated in accordance with Rule 457(r) of the Securities Act of 1933.

(2) Pursuant to Rule 457(n) under the Securities Act of 1933, no separate fee is payable with respect to the guaranties.

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Filed Pursuant to Rule 424(b)(2)
Registration Statement Nos. 333-207181 and 333-207181-01

PROSPECTUS SUPPLEMENT
(To prospectus dated September 29, 2015)

VALE OVERSEAS LIMITED

US$1,000,000,000 6.250% Guaranteed Notes due 2026

UNCONDITIONALLY GUARANTEED BY

Vale S.A.

Vale Overseas Limited ("Vale Overseas") is offering US$1,000,000,000 aggregate principal amount of its 6.250% Guaranteed Notes due 2026 (the "notes"). Vale Overseas will pay interest on the notes semi-annually on February 10 and August 10 of each year, beginning February 10, 2017. Vale Overseas will pay additional amounts related to the deduction of certain withholding taxes in respect of certain payments on the notes.

Vale Overseas may redeem the notes, in whole at any time or in part from time to time, at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed and a "make-whole" amount described under "Description of the Notes Optional Redemption" in this prospectus supplement, plus accrued and unpaid interest on such notes to the date of redemption. Upon the imposition of certain withholding taxes, Vale Overseas may also redeem the notes in whole, but not in part, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

The notes will be unsecured obligations of Vale Overseas and will rank equally with Vale Overseas' unsecured senior indebtedness. Vale S.A. ("Vale") may assume the obligations of Vale Overseas under the notes as described under "Description of the Notes Assumption by Guarantor of Issuer's Obligations under the Notes." The guaranty will rank equally in right of payment with all other unsecured and unsubordinated debt obligations of Vale. The notes will be issued only in registered form in minimum denominations of US$2,000 and integral multiples of US$1,000 in excess thereof.

Vale Overseas will apply to list the notes issued hereby on the New York Stock Exchange.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page S-7 of this prospectus supplement.

	Per note	Total
Public offering price(1)	100.000%	US$1,000,000,000
Underwriting discount	0.320%	US$3,200,000
Proceeds, before expenses, to Vale Overseas	99.680%	US$996,800,000

(1) Plus accrued interest from August 10, 2016, if settlement occurs after that date.

Neither the Securities and Exchange Commission (the "SEC") 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.

ANY OFFER OR SALE OF THE NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

The notes will be ready for delivery in book-entry form through The Depository Trust Company ("DTC") and its participants, including Euroclear and Clearstream, Luxembourg, on or about August 10, 2016.

Joint Lead Managers and Joint Bookrunners

BB Securities Ltd. **BNP PARIBAS** **Bradesco BBI** **Citigroup** **Morgan Stanley**

Co-Managers

CIBC Capital Markets **Credit Agricole CIB** **Mizuho Securities** **MUFG** **Natixis** **SMBC Nikko** **SOCIETE GENERALE**

The date of this prospectus supplement is August 3, 2016.

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We are responsible for the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. We have not, and the underwriters have not, authorized any person to give you any other information, and we, and the underwriters, take no responsibility for any other information that others may give you. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. We, and the underwriters, are not making an offer of these securities in any jurisdiction where the offer is not permitted.

ENFORCEMENT OF CIVIL LIABILITIES

The following amends and restates the "Enforcement of Civil Liabilities Brazil" section in the accompanying prospectus in its entirety to contemplate intervening changes in Brazilian law:

Brazil

A final conclusive judgment for the payment of money rendered by any New York State or federal court sitting in New York City in respect of the securities would be recognized in the courts of Brazil and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action only if such judgment has been ratified by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). This ratification is available only if:

- the judgment fulfills all formalities required for its enforceability under the laws of the State of New York;
- the judgment was issued by a competent court either after due service of process on the parties, which service of process if made in Brazil must comply with Brazilian law, or after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- the judgment is not subject to appeal;
- the judgment does not conflict with a final and unappealable decision issued by a Brazilian court;
- the judgment has been authenticated by a Brazilian consulate in the State of New York;
- the judgment has been translated into Portuguese by a certified sworn translator;
- the judgment does not cover matters subject to the exclusive jurisdiction of the Brazilian courts; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

In addition:

- civil actions may be brought before Brazilian courts in connection with this prospectus supplement based on the federal securities laws of the United States, and Brazilian courts may enforce such liabilities in such actions against Vale (provided that the relevant provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action).
- the ability of a judgment creditor to satisfy a judgment by attaching certain assets of the defendant is limited by Brazilian law. In addition, a Brazilian or foreign plaintiff who resides abroad or is abroad during the course of a suit in Brazil must post a bond to cover the legal fees and court expenses of the defendant, unless there are real estate assets in Brazil to assure payment thereof, except in case of execution actions or counterclaims as established under the first paragraph of Article 83 of the Brazilian Code of Civil Procedure.

Notwithstanding the foregoing, no assurance can be given that ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect

to the securities.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein before making an investment decision. In this prospectus supplement, unless the context otherwise requires, references to "Vale," "we," "us" and "our" refer to Vale S.A. and its consolidated subsidiaries, taken as a whole, and references to "Vale Overseas" mean Vale Overseas Limited, a wholly owned finance subsidiary.

Vale Overseas Limited

Vale Overseas is a finance company wholly owned by Vale. Vale Overseas' business is to issue debt securities to finance Vale's activities. Vale Overseas was incorporated as a Cayman Islands exempted company with limited liability on April 3, 2001.

Vale S.A.

We are one of the largest metals and mining companies in the world, based on market capitalization. We are the world's largest producer of iron ore and iron ore pellets and the world's largest producer of nickel. We also produce manganese ore, ferroalloys, metallurgical and thermal coal, copper, platinum group metals (PGMs), gold, silver, cobalt, potash, phosphates and other fertilizer nutrients. We are engaged in greenfield mineral exploration in six countries around the globe. We operate large logistics systems in Brazil and other regions of the world, including railroads, maritime terminals and ports, which are integrated with our mining operations. In addition, we have a portfolio of maritime freight assets, floating transfer stations and distribution centers to support the distribution of iron ore worldwide. Directly and through affiliates and joint ventures, we also have investments in energy and steel businesses.

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The following table presents the breakdown of our total net operating revenues attributable to each of our main lines of business.

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	US$ million			US$ million	
Ferrous minerals:					
Iron ore	US$ 27,844	US$ 19,301	US$ 12,330	US$ 6,107	US$ 6,425
Iron ore pellets	6,000	5,263	3,600	1,937	1,621
Manganese and ferroalloys	523	392	162	123	108
Other ferrous products and services	425	741	470	253	191
Subtotal ferrous minerals	34,792	25,697	16,562	8,420	8,345
Coal	1,010	739	526	291	299
Base metals:					
Nickel and other products(1)	5,839	6,241	4,693	2,575	2,050
Copper(2)	1,447	1,451	1,470	783	750
Subtotal base metals	7,286	7,692	6,163	3,358	2,800
Fertilizer nutrients	2,814	2,415	2,225	1,046	848
Other(3)	865	996	133	90	53
Total net operating revenues from continued operations	US$ 46,767	US$ 37,539	US$ 25,609	US$ 13,205	US$ 12,345

(1) Includes nickel co-products (copper) and by-products (precious metals, cobalt and others).

(2) Does not include copper produced as a nickel co-product.

(3) Includes pig iron and energy.

Ferrous minerals:

Iron ore and iron ore pellets. We operate four systems in Brazil for producing and distributing iron ore, which we refer to as the Northern, Southeastern, Southern and Midwestern Systems. The Northern and the Southeastern Systems are fully integrated, consisting of mines, railroads, maritime terminals and a port. The Southern System consists of three mining complexes and two maritime terminals. We also have iron ore pellet operations in several locations, some of which are conducted through joint ventures. We operate 11 pellet plants in Brazil and two in Oman. The operations of three of our pellet plants in Brazil have been suspended since the fourth quarter of 2012 in response to market conditions, and their capacity was partially replaced by Tubarão VIII, a more efficient plant. We are currently considering the reopening of two pelletizing plants to offset the supply shortage resulting from the suspension in Samarco's operations. We have a 50% stake in Samarco, which operates an integrated system in the Brazilian states of Minas Gerais and Espírito Santo. Samarco's operations have been suspended following the failure of one of its tailings dams in November 2015. We also have 25% stakes in two pellet companies in China.

Manganese and ferroalloys. We conduct our manganese mining operations through Vale S.A. and subsidiaries in Brazil, and we produce several types of manganese ferroalloys through a wholly owned subsidiary in Brazil.

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Base metals:

Nickel. Our principal nickel mines and processing operations are conducted by our wholly owned subsidiary Vale Canada Limited ("Vale Canada"), which has operations in Canada and Indonesia. We also have nickel operations in Onça Puma, in the Brazilian state of Pará. We also own and operate, or have interests in, nickel refining facilities in the United Kingdom, Japan, Taiwan, China and South Korea. We are currently ramping up nickel operations in New Caledonia.

Copper. In Brazil, we produce copper concentrates at Sossego and Salobo, in Carajás, in the Brazilian state of Pará. We are concluding the ramp-up of Salobo operations. In Canada, we produce copper concentrates, copper anodes and copper cathodes in conjunction with our nickel mining operations at Sudbury and Voisey's Bay. In Zambia, our joint venture produces copper concentrates at Lubambe, located in the Zambian Copperbelt.

Cobalt, PGMs and other precious metals. We produce cobalt as a by-product of our nickel mining and processing operations in Canada and refine the majority of it at our Port Colborne facilities, in the Province of Ontario, Canada. We also produce cobalt as a by-product of our nickel operations in New Caledonia, which we are currently ramping up. We produce PGMs as by-products of our nickel mining and processing operations in Canada. The PGMs are concentrated at our Port Colborne facilities and refined at our precious metals refinery in Acton, England. We produce gold and silver as by-products of our nickel mining and processing operations in Canada, and gold as a by-product of our copper mining in Brazil.

Coal: We conduct our coal operations primarily in Mozambique, through Vale Moçambique, S.A., where we are ramping up our metallurgical and thermal coal operations. We also have a coal operation in Australia through Rio Doce Australia Pty Ltd, where we produce metallurgical coal in Carborough Downs. We also have minority interests in a Chinese coal and coke producer.

Fertilizer nutrients: We conduct our potash operations in Rosario do Catete, in the Brazilian state of Sergipe. We conduct our main phosphate operations through our subsidiary Vale Fertilizantes S.A. ("Vale Fertilizantes"), which holds most of our fertilizer assets in Brazil. Vale Fertilizantes is the largest Brazilian producer of phosphate rock and phosphate fertilizers and the second-largest Brazilian producer of nitrogen fertilizers. We also have a phosphate rock mine operation in Peru.

Logistics: We are a leading operator of logistics services in Brazil and other regions of the world, with railroads, maritime terminals, distribution centers and ports. Two of our four iron ore systems include an integrated railroad network linked to port and terminal facilities. We also have an interest in MRS Logística S.A., which transports our iron ore products from the Southern System mines to our maritime terminals, and VLI S.A., which provides integrated logistics solutions to general cargo through railroads, inland and maritime terminals in Brazil. We are ramping up the logistics infrastructure to support our operations in Southeastern Africa. We own and charter dry bulk vessels to transport the products that we sell on a cost and freight basis to customers.

Recent Developments

See our report on Form 6-K furnished to the SEC on the date hereof, incorporated by reference in this prospectus supplement, and the other reports on Form 6-K listed under "Incorporation of Certain Documents by Reference," for a discussion of our results of operations for the six-month period ended June 30, 2016 and recent material developments.

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The Offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section entitled "Description of the Notes" in this prospectus supplement and the section entitled "Description of the Debt Securities" and "Description of the Guarantees" in the accompanying prospectus. In this description of the offering, references to Vale mean Vale S.A. only and do not include any of Vale's subsidiaries or affiliated companies.

Issuer	Vale Overseas Limited
Guarantor	Vale S.A.
Notes offered	US$1,000,000,000 aggregate principal amount of Vale Overseas' 6.250% Guaranteed Notes due 2026.
Guaranty	Vale will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of the notes.
Issue price	100.000% of the principal amount plus accrued interest from August 10, 2016, if settlement occurs after that date.
Maturity date	August 10, 2026.
Interest rate	The notes will bear interest at the rate of 6.250% per annum from August 10, 2016 based upon a 360-day year consisting of twelve 30-day months.
Interest payment dates	Interest on the notes will be payable semi-annually on February 10 and August 10 of each year, beginning February 10, 2017.
Ranking of notes	The notes are general obligations of Vale Overseas and are not secured by any collateral. Your right to payment under these notes will be:
	junior to the rights of secured creditors of Vale Overseas to the extent of their interest in Vale Overseas' assets; and
	equal with the rights of creditors under all of Vale Overseas' other unsecured and unsubordinated debt.
Ranking of guaranty	The guaranty of the notes will be a general obligation of Vale and is not secured by any collateral. Your right to payment under the guaranty will be:
	junior to the rights of secured creditors of Vale to the extent of their interest in Vale's assets;
	equal with the rights of creditors under all of Vale's other unsecured and unsubordinated debt; and
	effectively subordinated to the rights of any creditor of a subsidiary of Vale over the assets of that subsidiary.

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Covenants	The amended and restated indenture governing the notes contains restrictive covenants that, among other things and subject to certain exceptions, limit Vale Overseas' ability to merge or transfer substantially all of its assets and Vale's ability to merge or transfer substantially all of its mining properties or assets and to incur liens. For a more complete description of Vale and Vale Overseas' covenants, see "Description of the Notes Covenants" in this prospectus supplement and "Description of the Debt Securities Certain Covenants" in the accompanying prospectus.
Further issuances	Vale Overseas reserves the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the series of notes offered hereby; Vale Overseas may also issue other securities under the amended and restated indenture which have different terms and conditions from the notes. Likewise, Vale has the right, without the consent of the holders, to guarantee any such additional securities, to guarantee debt of its other subsidiaries and to issue its own debt.
Assumption by Vale of Vale Overseas' obligations under the notes	Vale may assume, without the consent of the holders of the notes, the obligations of Vale Overseas, for the due and punctual payment of the principal of (and premium, if any), interest on and any other payments with respect to the notes and for the performance of every applicable covenant of the relevant supplemental indenture pertaining to the notes on the part of Vale Overseas to be performed or observed, as described under "Description of the Notes Assumption by the Guarantor of the Issuer's Obligations under the Notes." In the event Vale assumes the obligations of Vale Overseas, a U.S. Holder of the notes may recognize taxable gain. See "Certain Tax Considerations United States Tax Considerations Assumption by Vale of Vale Overseas' Obligations Under the Notes."
Payment of additional amounts	Vale and Vale Overseas, as applicable, will pay additional amounts in respect of any payments under the notes so that the amount you receive after withholding tax of Brazil, the Cayman Islands or a successor jurisdiction, as applicable, will equal the amount that you would have received if no withholding tax had been applicable, subject to some exceptions as described under "Description of the Debt Securities Payment of Additional Amounts" in the accompanying prospectus.

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Optional redemption	Vale Overseas may redeem the notes, in whole at any time or in part from time to time, at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed and a "make-whole" amount described under "Description of the Notes Optional Redemption" in this prospectus supplement plus accrued and unpaid interest on such notes to the date of redemption.
Tax redemption	If, due to changes in the laws of Brazil, the Cayman Islands or a successor jurisdiction, as applicable, relating to withholding taxes applicable to payments of interest, Vale Overseas or Vale is obligated to pay additional amounts on the notes in respect of Brazilian or Cayman Islands withholding taxes at a rate in excess of 15%, Vale or Vale Overseas, as applicable, may redeem the notes in whole, but not in part, at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.
Use of proceeds	We intend to use the net proceeds from the offering to pay part of the redemption price of the 6.250% notes due 2017, issued by Vale Overseas and guaranteed by Vale, which mature in January 2017, and to pay the balance of such redemption price using available cash. See "Use of Proceeds."
Listing	Application will be made to list the notes on the New York Stock Exchange.
Form and denomination	The notes will be issued only in registered form in minimum denominations of US$2,000 and integral multiples of US$1,000 in excess thereof.
Risk factors	See "Risk Factors" and the other information included and incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of the factors you should carefully consider before investing in the notes.
Governing law	State of New York
Trustee	The Bank of New York Mellon
Registrar, transfer and paying agent	The Bank of New York Mellon
Common Code	147182449
CUSIP	91911T AP8
ISIN	US91911TAP84

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RISK FACTORS

The following are certain risk factors relating to the notes and risks relating to our business. The risks relating to our business are more fully set forth in our annual report on Form 20-F for the year ended December 31, 2015, which is incorporated by reference in this prospectus supplement. You should carefully consider those risks and the risks described below, as well as the other information included or incorporated by reference in this prospectus supplement or the accompanying prospectus, before making a decision to invest in the notes. For the purposes of this section on Risk Factors, references to Vale mean Vale S.A. only and do not include any of Vale's subsidiaries or affiliated companies.

Risks Relating to the Notes

Vale's subsidiaries, affiliated companies and joint ventures are not obligated under the notes or the guaranty, and these companies' obligations to their own creditors will effectively rank ahead of Vale's obligations under the guaranty.

Vale Overseas is the obligor under the notes and only its parent company, Vale, is obligated under the guaranty of the notes.

Vale Overseas has no operations or assets, other than holding unsecured obligations from other Vale subsidiaries to repay loans. These other subsidiaries are not liable under the notes or the guaranty, and they may not have the ability to repay their loans from Vale Overseas.

Vale conducts a significant amount of business through subsidiaries, affiliated companies and joint ventures, none of which are obligated under the notes or the guaranty. For the six months ended June 30, 2016, the subsidiaries were responsible for 54.81% of Vale's consolidated revenues from operations and US$375 million of net cash flows from operating activities. The claims of any creditor of a subsidiary, affiliated company or joint venture of Vale would rank ahead of Vale's ability to receive dividends and other cash flows from these companies. As a result, claims of these creditors would rank ahead of Vale's ability to access cash from these companies in order to satisfy its obligations under the guaranty. In addition, these subsidiaries, affiliated companies and joint ventures may be restricted by their own loan agreements, governing instruments and other contracts from distributing cash to Vale to enable Vale to perform its obligations under its guaranty. As of June 30, 2016, 11.77% of Vale's consolidated debt was owed by consolidated subsidiaries of Vale, other than Vale Overseas.

The amended and restated indenture governing the notes contains restrictions on the conduct of business by Vale Overseas and Vale, including limits on Vale's ability to grant liens over its assets for the benefit of other creditors and Vale and Vale Overseas' ability to merge or transfer assets. These restrictions do not apply to Vale's other subsidiaries, affiliated companies and joint ventures, and these companies are not limited by the amended and restated indenture in their ability to pledge their assets to other creditors.

Changes in our credit ratings may adversely affect the value of the notes.

The notes are expected to be rated by credit rating agencies. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs.

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There may not be a liquid trading market for the notes.

The notes are an issuance of new securities with no established trading market. There can be no assurance that a liquid trading market for the notes will develop or, if one develops, that it will be maintained. If an active market for the notes does not develop, the price of the notes and the ability of a holder of notes to find a ready buyer will be adversely affected.

We may not be able to make payments in U.S. dollars.

In the past, the Brazilian economy has experienced balance of payment deficits and shortages in foreign exchange reserves, and the government has responded by restricting the ability of Brazilian or foreign persons or entities to convert *reais* into foreign currencies generally, and U.S. dollars in particular. The government may institute a restrictive exchange control policy in the future. Any restrictive exchange control policy could prevent or restrict our access to U.S. dollars, and consequently our ability to meet our U.S. dollar obligations and could also have a material adverse effect on our business, financial condition and results of operations. We cannot predict the impact of any such measures on the Brazilian economy.

We may incur additional obligations ranking equal to the notes and the guarantee.

The indenture will permit us and our subsidiaries to incur additional obligations, including debt, guarantees and other obligations that rank on an equal and ratable basis with our guarantee of the notes. If we incur additional obligations that rank on an equal and ratable basis with our guarantee of the notes, the beneficiaries of those obligations would be entitled to share ratably with the holders of the notes in any proceeds that may be distributed upon our insolvency, liquidation, reorganization, dissolution or other winding up. This would likely reduce the amount of any liquidation proceeds that would be available to be paid to you.

The guarantor's obligations under the guarantee are also subordinated to certain statutory preferences.

Under Brazilian law, the guarantor's obligations under its guarantee are also subordinated to certain statutory preferences. In the event of the liquidation, bankruptcy or judicial reorganization of a guarantor, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the guarantee. In such a scenario, enforcement of the guarantee may be unsuccessful, and noteholders may be unable to collect amounts that they are due under the notes.

Brazilian bankruptcy laws may be less favorable to investors than bankruptcy and insolvency laws in other jurisdictions.

If we are unable to pay our indebtedness, including our obligations under the guarantee, we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. Noteholders may have limited voting rights at creditors' meetings in the context of a court reorganization proceeding. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the guarantee normally would be expressed in the real equivalent of the U.S. dollar amount of such sum at the exchange rate in effect on the date (1) of actual payment or (2) on which such judgment is rendered. In the event of our bankruptcy, all of our debt obligations, including the guarantee of the notes, which are denominated in foreign currency, will be converted into reais at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure investors that such rate of exchange will afford full compensation of the amount invested in the notes plus accrued interest.

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Noteholders may not be able to collect payments or attach assets as expeditiously as creditors of Vale holding certain negotiable instruments or other instruments that are considered "títulos executivos extrajudiciais" under Brazilian law.

Creditors of Vale may hold negotiable instruments or other instruments that are considered "*títulos executivos extrajudiciais*" under Brazilian law and that grant rights to special and expedited judicial proceedings for collection of payment, which may include rights to attach the assets of Vale at the inception of judicial proceedings in Brazil. If such other creditors obtain judicial attachment of assets, their claims would be senior to the rights of holders of the notes.

Developments in other countries may affect prices for the notes.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in other countries, including Latin American and developing countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other countries, including developing countries, have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil, as well as limited access to international capital markets, all of which may materially adversely affect our ability to borrow funds at an acceptable interest rate or to raise equity capital when and if there should be a need for us to do so.

The volatility in market prices for Brazilian securities has increased from time to time, and investors' perception of increased risk due to crises in other countries, including developing countries, may also lead to a reduction in the market price of the notes.

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USE OF PROCEEDS

The net proceeds of this offering are expected to be approximately US$994.6 million, after deducting the underwriting discount and estimated expenses payable by us. We intend to use the net proceeds from the offering to pay part of the redemption price of the 6.250% notes due 2017, issued by Vale Overseas and guaranteed by Vale, which mature in January 2017, and to pay the balance of such redemption price using available cash. We plan to issue a notice of redemption promptly after the closing of the offering of the notes and to redeem, 30 days thereafter, the entire $1.25 billion outstanding amount of 6.250% notes due 2017.

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CAPITALIZATION OF VALE

The table below sets forth Vale's consolidated capitalization as of June 30, 2016 on an actual basis and as adjusted to reflect additional indebtedness incurred by Vale after June 30, 2016 as described below, and to give effect to the issuance of the notes offered hereby. You should read this table together with our consolidated financial statements and the notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of June 30, 2016			
	Actual		As adjusted	
	US$ million			
Debt included in current liabilities:				
Current portion of long-term debt		3,153		3,153
Short-term debt				
Total debt included in current liabilities	US$	3,153	US$	3,153
Debt included in long-term liabilities:				
Long-term debt (excluding current portion):				
Secured		477		477
Notes offered hereby				1,000
Other unsecured		28,184		28,184
Total long-term debt (excluding current portion)		28,661		29,661
Total debt	US$	31,814	US$	32,814
Stockholders' equity:				
Preferred shares 7,200,000,000 shares authorized and 1,967,721,926 issued		38,525		38,525
Common shares 3,600,000,000 shares authorized and 3,185,653,000 issued		23,089		23,089
Treasury shares 31,535,402 common and 59,405,792 preferred shares		(1,477)		(1,477)
Additional paid-in capital		(854)		(854)
Mandatorily convertible notes common shares				
Mandatorily convertible notes preferred shares				
Retained earnings:				
Undistributed		4,281		4,281
Unappropriated				
Other cumulative comprehensive income (loss)		(24,193)		(24,193)
Total Company stockholders' equity		39,371		39,371
Non-controlling interests		2,112		2,112
Total stockholders' equity		41,483		41,483
Total capitalization (total stockholders' equity plus total debt included in long-term and current liabilities)	US$	73,297	US$	74,297

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DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes supplements the description of the general terms set forth in the accompanying prospectus under the headings "Description of the Debt Securities" and "Description of the Guarantees." It is important for you to consider the information contained in the accompanying prospectus and this prospectus supplement before making a decision to invest in the notes. If any specific information regarding the notes in this prospectus supplement is inconsistent with the more general terms of the notes described in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. In this description and in the related sections entitled "Description of the Debt Securities" and "Description of the Guarantees" in the accompanying prospectus, references to "Vale" mean Vale S.A. only and do not include Vale Overseas or any of Vale's other subsidiaries or affiliated companies.

General

Vale Overseas will issue the notes under the amended and restated indenture between Vale Overseas, Vale, as guarantor, and The Bank of New York Mellon, as trustee, dated as of September 29, 2015, as supplemented by a second supplemental indenture dated on or about the delivery date of the notes, between Vale Overseas, Vale, as guarantor, and The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent. The notes will be issued only in fully registered form without coupons in minimum denominations of US$2,000 and integral multiples of US$1,000 in excess thereof. The notes will be unsecured and will rank equally with all of Vale Overseas' other existing and future unsecured and unsubordinated debt.

Principal and Interest

The 6.250% Guaranteed Notes due 2026 will be issued in an initial aggregate principal amount of US$1,000,000,000. The notes will mature on August 10, 2026. The notes will bear interest at 6.250% per annum from August 10, 2016. Interest on the notes will be payable semi-annually on February 10 and August 10 of each year, beginning February 10, 2017, to the holders in whose names the notes are registered at the close of business on January 26 or July 26 immediately preceding the related interest payment date.

Vale Overseas will pay interest on the notes on the interest payment dates stated above and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. Vale Overseas will compute interest on the notes on the basis of a 360-day year of twelve 30-day months.

If any payment is due on the notes on a day that is not a business day, Vale Overseas will make the payment on the day that is the next business day. Payments postponed to the next business day in this situation will be treated under the amended and restated indenture as if they were made on the original due date. Postponement of this kind will not result in a default under the notes or the amended and restated indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day.

Business day means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City or Rio de Janeiro are authorized or obligated by law or executive order to close.

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Guaranty

Vale will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts, if any, and all other amounts that may become due and payable in respect of the notes. If Vale Overseas fails to punctually pay any such amount, Vale will immediately pay the amount that is required to be paid and has not been paid. The guaranty will be unsecured and will rank equally with all of Vale's other existing and future unsecured and unsubordinated debt.

Payment of Additional Amounts

Subject to the limitations and exceptions described in "Description of the Debt Securities Payment of Additional Amounts" in the accompanying prospectus, Vale Overseas and Vale, as applicable, will pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders after withholding or deduction for taxes will equal the amounts that would have been payable in the absence of such withholding or deduction. See "Description of the Debt Securities Payment of Additional Amounts" in the accompanying prospectus.

Optional Redemption

We will not be permitted to redeem the notes before their stated maturity, except as set forth below. The notes will not be entitled to the benefit of any sinking fund, meaning that we will not deposit money on a regular basis into any separate account to repay your notes. In addition, you will not be entitled to require us to repurchase your notes from you before the stated maturity.

Optional Redemption with "Make-Whole" Amount

We will have the right at our option to redeem the notes, in whole at any time, or in part from time to time, prior to their maturity, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "Make-Whole Amount"), plus accrued interest on the principal amount of the notes to the date of redemption.

"Comparable Treasury Issue" means the U.S. Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the series of notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us.

"Reference Treasury Dealer" means each of BNP Paribas Securities Corp., Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, or their affiliates, which are primary United States government securities dealers and two other leading primary U.S. government securities dealers in New York City reasonably designated by us; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

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"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 pm New York time on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (such price expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

On and after the redemption date, interest will cease to accrue on the notes or any portion of the notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued interest to the redemption date on the notes to be redeemed on such date. If less than all of the notes of any series are to be redeemed, the notes to be redeemed shall be selected by the trustee by such method as the trustee shall deem fair and appropriate.

Optional Tax Redemption

The notes are redeemable prior to maturity, upon the occurrence of certain changes in the tax laws of Brazil, the Cayman Islands or a successor jurisdiction as a result of which Vale Overseas or Vale becomes obligated to pay additional amounts on the notes in respect of withholding taxes at a rate in excess of 15%, in which case Vale or Vale Overseas may redeem the notes in whole but not in part at a redemption price equal to 100% of the principal amount of the notes plus accrued interest to the redemption date; *provided*, however, that the preceding only applies in the case of any successor jurisdiction where such change in tax law occurs on or after the date the successor corporation is incorporated in or considered to be a resident of such successor jurisdiction. See "Description of the Debt Securities Optional Tax Redemption" in the accompanying prospectus.

Covenants

Holders of the notes will benefit from certain covenants contained in the amended and restated indenture and affecting the ability of Vale to incur liens, and the ability of Vale Overseas and Vale to take other specified actions, such as merge with other entities. You should read the information under the heading "Description of the Debt Securities Certain Covenants" in the accompanying prospectus.

Events of Default

Holders of the notes will have special rights if an event of default occurs. You should read the information under the heading "Description of the Debt Securities Events of Default" in the accompanying prospectus along with the descriptions below that supersede the corresponding information in the accompanying prospectus.

Further Issuances

Vale Overseas reserves the right to issue, from time to time, without the consent of the holders of the notes, additional notes on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes.

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Vale Overseas may also issue other securities under the amended and restated indenture that have different terms from the notes. Likewise, Vale has the right, without the consent of the holders, to guarantee any such additional securities, to guarantee debt of its other subsidiaries and to issue its own debt.

Assumption by Guarantor of Issuer's Obligations under the Notes

Vale may assume, without the consent of the holders of the notes, the obligations of Vale Overseas for the due and punctual payment of the principal of (and premium, if any), interest on and any other payments with respect to the notes and for the performance of every applicable covenant of the relevant supplemental indenture pertaining to the notes on the part of Vale Overseas to be performed or observed, provided that (x) such obligations are expressly assumed by a supplemental indenture executed and delivered to the trustee and the assumption of such obligations includes the obligations to pay additional amounts as described in the amended and restated indenture; (y) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of Vale as a result of such transaction as having been incurred by Vale at the time of such transaction, no event of default shall have occurred and be continuing; and (z) Vale has delivered to the trustee a certificate signed by two executive officers of Vale and an opinion of counsel of recognized standing, each stating that the assumption and supplemental indenture comply with the provisions of the applicable supplemental indenture pertaining to the notes. See "Certain Tax Considerations United States Tax Considerations Assumption by Vale of Vale Overseas' Obligations Under the Notes."

Defeasance and Discharge

Full defeasance and discharge and covenant defeasance and discharge, as described in the accompanying prospectus, will apply to the notes. See "Description of the Debt Securities Defeasance and Discharge" in the accompanying prospectus.

Governing Law

The amended and restated indenture and the notes will provide that they shall be governed by the laws of the State of New York.

Transfer Agent

Vale Overseas may appoint one or more financial institutions to act as its transfer agents, at whose designated offices the notes in certificated form must be surrendered before payment is made at their maturity. Each of those offices is referred to as a transfer agent. The initial transfer agent is the trustee, at its corporate trust office. Vale Overseas may add, replace or terminate transfer agents from time to time, provided that if any notes are issued in certificated form, so long as such notes are outstanding, Vale Overseas will maintain a transfer agent in New York City. Vale Overseas must notify you of changes in the transfer agents pursuant to the provisions described under "Description of the Debt Securities Notices" in the accompanying prospectus. If Vale Overseas issues notes in certificated form, holders of notes in certificated form will be able to transfer their notes, in whole or in part, by surrendering the notes, with a duly completed form of transfer, for registration of transfer at the office of the transfer agent. Vale Overseas will not charge any fee for the registration for transfer or exchange, except that Vale Overseas may require the payment of a sum sufficient to cover any applicable tax or other governmental charge payable in connection with the transfer.

Book-Entry Ownership, Denomination and Transfer Procedures for the Notes

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg supplements the description contained under the heading "Legal Ownership of Debt

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Securities" in the accompanying prospectus and is provided to you solely as a matter of convenience. You should read this section in conjunction with the information provided in the accompanying prospectus. These operations and procedures are solely within the control of the respective settlement systems and are subject to change from time to time. Vale Overseas and Vale take no responsibility for these operations and procedures and urge you to contact the systems or their participants directly to discuss these matters.

Vale Overseas and the trustee will make an application to DTC for acceptance in its book-entry settlement system of the notes, which will be in global form. The notes will be deposited with The Bank of New York Mellon, as custodian. The custodian and DTC will electronically record the principal amount of the notes held within the DTC system. Investors may hold such interests directly through DTC if they are participants in such system, or indirectly through organizations that are participants in DTC, such as Euroclear and Clearstream, Luxembourg.

Ownership of beneficial interests in the notes will be limited to persons who have accounts with DTC, whom we refer to as DTC participants, or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

- upon deposit of the notes with DTC's custodian, DTC will credit portions of the principal amount of the notes to the accounts of the DTC participants designated by the underwriters, and

- ownership of beneficial interests in the notes will be shown on, and transfer of ownership of those interests will be effected only through records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the notes).

As long as DTC or its nominee is the registered holder of the notes, DTC or its nominee will be considered the sole owner and holder of the notes for all purposes under the amended and restated indenture and the notes. Except as described above, if you hold a book-entry interest in the notes in global form, you:

- will not have notes registered in your name,

- will not receive physical delivery of notes in certificated form, and

- will not be considered the registered owner or holder of an interest in the notes under the amended and restated indenture or the notes.

As a result, each investor who owns a beneficial interest in the notes must rely on the procedures of DTC to exercise any rights of a holder under the amended and restated indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of the principal of, and interest on, the notes registered in the name of DTC's nominee will be to the order of its nominee as the registered owner of such notes. It is expected that the nominee, upon receipt of any such payment, will credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the notes as shown on the records of DTC or the nominee. Vale Overseas also expects that payments by DTC participants to owners of beneficial interests in the notes held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither Vale Overseas, the trustee nor any agent of the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the notes or for maintaining, supervising or reviewing any records relating to such ownership interests.

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Because DTC or its nominee will be the only registered owner of the notes, Euroclear and Clearstream, Luxembourg will hold positions through their respective U.S. depositaries, which in turn will hold positions on the books of DTC.

Cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected through DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by their respective U.S. depositaries. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the notes to or from DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg accountholders may not deliver instructions directly to the U.S. depositaries for Euroclear or Clearstream, Luxembourg.

On or after the Closing Date, transfers between accountholders in Euroclear and Clearstream, Luxembourg and transfers between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. However, as a result of time-zone differences, securities received in Euroclear or Clearstream, Luxembourg as a result of a transaction with a DTC participant will be credited to the relevant account at Euroclear or Clearstream, Luxembourg during the securities settlement processing day that is the fourth business day (T+4) following the DTC settlement date. Similarly, cash received in Euroclear or Clearstream, Luxembourg as a result of a sale of securities by or through a Euroclear or Clearstream, Luxembourg accountholder to a DTC participant will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only on the fourth business day (T+4) following the DTC settlement date.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including, without limitation, the presentation of notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, in the circumstances described below, DTC will surrender the notes for exchange for individual definitive notes.

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerized book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

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Clearstream, Luxembourg

Clearstream, Luxembourg was incorporated as a limited liability company under Luxembourg law. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thus eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in a number of countries. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V., the operator of the Euroclear System, to facilitate settlement of trades between Euroclear and Clearstream, Luxembourg.

As a registered bank in Luxembourg, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream, Luxembourg customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream, Luxembourg customers are limited to securities brokers and dealers and banks. Clearstream, Luxembourg customers may include the underwriters. Other institutions that maintain a custodial relationship with a Clearstream, Luxembourg customer may obtain indirect access to Clearstream, Luxembourg. Clearstream, Luxembourg is an indirect participant in DTC.

Distribution with respect to the notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

The Euroclear System

The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including United States dollars and Euros. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries in a manner generally similar to the arrangements for cross-market transfers with DTC described above.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System, S.C., a Belgian cooperative corporation (the "Cooperative"). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear system on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

- transfers of securities and cash within the Euroclear System;
- withdrawal of securities and cash from the Euroclear System; and

receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator.

The foregoing information about DTC, Euroclear and Clearstream, Luxembourg has been provided by each of them for information purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the notes among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Vale Overseas, nor the trustee nor any of the trustee's agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a note in global form is lodged with DTC or the custodian, notes represented by individual definitive notes will not be eligible for clearing or settlement through DTC, Euroclear or Clearstream, Luxembourg.

Individual Definitive Notes

Registration of title to notes in a name other than DTC or its nominee will not be permitted unless (i) DTC has notified us that it is unwilling or unable to continue as depositary for the notes in global form or the depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when DTC is required to be so registered in order to act as depositary, and, in each case, we do not or cannot appoint a successor depositary within 90 days; (ii) Vale Overseas decides in its sole discretion to allow some or all book-entry notes to be exchangeable for definitive notes in registered form; or (iii) following an event of default. In such circumstances, Vale Overseas will cause sufficient individual definitive notes to be executed and delivered to the registrar for completion, authentication and dispatch to the relevant holders of notes. Payments with respect to definitive notes may be made through the transfer agent. A person having an interest in the notes in global form must provide the registrar with a written order containing instructions and such other information as the registrar and we may require to complete, execute and deliver such individual definitive notes.

If Vale Overseas issues notes in certificated form, holders of notes in certificated form will be able to transfer their notes, in whole or in part, by surrendering the notes, with a duly completed form of transfer, for registration of transfer at the office of the transfer agent, The Bank of New York Mellon. Vale Overseas will not charge any fee for the registration or transfer or exchange, except that it may require the payment of a sum sufficient to cover any applicable tax or other governmental charge payable in connection with the transfer.

All money paid by Vale Overseas to the paying agents for the payment of principal and interest on the notes which remains unclaimed at the end of two years after the amount is due to a holder will be repaid to Vale Overseas, and thereafter holders of notes in certificated form may look only to Vale Overseas for payment.

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CERTAIN TAX CONSIDERATIONS

The following discussion summarizes certain Cayman Islands, Brazilian, and U.S. federal income tax considerations that may be relevant to the ownership and disposition of the notes acquired in this offering for the original price. This summary is based on the tax laws, regulations, rulings and decisions now in effect in the Cayman Islands, Brazil and the United States, any of which may change. Any change could apply retroactively and could affect the continued accuracy of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Cayman Islands Tax Considerations

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to Vale Overseas or any holder of notes. Accordingly, payment of principal of and interest on the notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of a note and gains derived from the sale of notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands does not have an income tax treaty arrangement with the United States or any other country that is applicable to any payments made to or by Vale Overseas; however, the Cayman Islands has entered into a tax information exchange agreement with the United States and other jurisdictions.

Vale Overseas has received an undertaking dated April 24, 2001 from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concession Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to Vale Overseas or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of Vale Overseas or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by Vale Overseas to its members or a payment of principal or interest or other sums due under a debenture or other obligation of Vale Overseas.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof may be payable on each note (up to a maximum of 250 Cayman Islands dollars ("CI$") (US$312.50)) unless stamp duty of CI$500 (US$625) has been paid in respect of the entire issue of notes.

The above conversions of Cayman Islands dollars to U.S. dollars have been made on the basis of US$1.25 = CI$1.00.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the notes by an individual, a company, a trust, an organization or any other entity considered as resident or domiciled outside Brazil for tax purposes (a "Non-resident Holder"). The discussion contained herein is based on the tax laws and regulations of Brazil as in effect on the date hereof and is subject to possible changes in Brazilian law that may come into effect after such date.

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The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the notes. Prospective investors should consult their own tax advisers as to the consequences of purchasing the notes, including, without limitation, the consequences of the receipt of interest and the sale, redemption or repayment of the notes.

Payments on the Notes Made by Vale Overseas

Generally, a Non-resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the sale or disposition of assets located in Brazil. Therefore, based on the fact that Vale Overseas is considered for tax purposes as a company domiciled abroad, any income (including interest and original issue discount) paid by Vale Overseas in respect of the notes in favor of Non-resident Holders will not be subject to any withholding or deduction in respect of Brazilian income tax or any other Brazilian taxes, duties, assessments or governmental charges, provided that such payments are made with funds held by Vale Overseas outside of Brazil.

Sale of the Notes

In the event a Non-resident Holder sells the notes, such sale would not trigger any Brazilian tax consequences to the Non-resident Holder.

Other Brazilian Taxes

Generally, there are no inheritance, gift, succession, stamp, or other similar taxes in Brazil with respect to the ownership, transfer, assignment or any other disposition of the notes by a Non-resident Holder, except for gift inheritance taxes imposed by some Brazilian states on gifts or bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

Payments on the Notes Made by Vale

If a payment is made to a Non-resident Holder from a Brazilian source in respect of the notes, such as by Vale, such payment may be subject, in whole or in part, to income tax withheld at source at a rate of up to 25%.

In the event of withholding or deduction for or on account of Brazilian taxes, Vale Overseas and Vale will, subject to certain exceptions, pay additional amounts in respect of such withholding or deduction so that the net amount received by the holder after such withholding or deduction equals the amount of principal or interest that would have been received in the absence of such withholding or deduction. Please note, however, that Vale Overseas and Vale may redeem the notes in certain circumstances in case any of them is obligated to pay additional amounts on the notes in respect of Brazilian, Cayman Islands or successor jurisdiction withholding taxes at a rate in excess of 15%; see "Description of the Notes Payment of Additional Amounts" in this prospectus supplement and "Description of the Debt Securities Payment of Additional Amounts" in the accompanying prospectus.

United States Tax Considerations

The following summary sets forth certain U.S. federal income tax consequences of the purchase, ownership and disposition of the notes that may be relevant to a beneficial owner of notes who is (i) an individual that is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, or any State thereof or the District of Columbia or (iii) otherwise subject to U.S. federal income tax on a net income basis with respect of the notes (a "U.S. Holder"). This summary is based upon existing U.S. federal income tax law as at the date of this prospectus

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supplement, which is subject to change, possibly with retroactive effect, and different interpretations. This summary does not purport to discuss all aspects of U.S. federal income taxation which may be relevant to the particular circumstances of investors, and does not apply to investors subject to special tax rules, such as financial institutions, insurance companies, dealers in securities or currencies, traders in securities or currencies electing to mark their positions to market, regulated investment companies, U.S. expatriates, tax-exempt organizations, persons holding notes as part of a position in a "straddle" or as part of a hedging transaction, constructive sale or conversion transaction for U.S. tax purposes, investors whose functional currency is not the U.S. dollar or persons who own, directly or indirectly, 10 percent or more of our voting power. In addition, this summary does not discuss any foreign, state or local tax considerations, or any aspect of U.S. federal tax law other than income taxation. Furthermore, this summary does not address the Medicare tax on net investment income or the alternative minimum tax. This summary only applies to holders that purchase notes at the initial issuance hereunder for an amount of cash equal to their issue price hereunder and that hold the notes as "capital assets" (generally, property held for investment) within the meaning of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Prospective investors should consult their own tax advisers regarding the U.S. federal, state and local, as well as foreign income and other, tax considerations of investing in the notes.

If an entity treated as a partnership for U.S. federal income tax purposes holds notes, the tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold notes and partners in such partnerships should consult their tax advisers about the U.S. federal income tax consequences of purchasing, holding and disposing of notes.

Payments of Stated Interest

Payments of stated interest on the notes (including any additional amounts and withheld taxes) generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued in accordance with the U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest income in respect of the notes generally will constitute foreign-source income for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws. The limitation on foreign income taxes eligible for credit is calculated separately with respect to specific classes of income. In this regard, interest income in respect of the notes will constitute "passive category income" for most U.S. Holders for foreign tax credit purposes.

Subject to generally applicable restrictions and conditions, if any foreign income taxes are withheld on interest payments on the notes, a U.S. Holder generally will be entitled to a foreign tax credit in respect of any such foreign income taxes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules regarding foreign tax credits and deduction of foreign income taxes are complex, so U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in respect of foreign income taxes based on their particular circumstances.

Disposition of Notes

A U.S. Holder will generally recognize taxable gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of a note in an amount equal to the difference between the amount realized upon such sale, exchange, retirement or other disposition (reduced by an amount attributable to accrued but unpaid stated interest, which is taxable in the manner described above under " Payments of Stated Interest") and such U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note will generally equal such U.S. Holder's initial investment in the note. Such gain or loss will generally be long-term capital gain or loss if the note is held for more than

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one year. Certain U.S. Holders (including individuals) may be eligible for preferential tax rates in respect of long-term capital gain. The deductibility of capital losses by U.S. Holders is subject to limitations.

If any foreign income tax is withheld on the sale or other taxable disposition of a note, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale or other taxable disposition before deduction of such tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale or other taxable disposition of the notes generally will be treated as U.S.-source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a note that is subject to foreign income tax, the U.S. Holder may not be able to benefit from a foreign tax credit for the tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the foreign income tax if the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid during the taxable year.

Assumption by Vale of Vale Overseas' Obligations Under the Notes

In the event Vale assumes the obligations of Vale Overseas under the notes as described under "Description of the Notes Assumption by Guarantor of Issuer's Obligations under the Notes," a U.S. Holder of the notes should generally be treated, for U.S. federal income tax purposes, as exchanging notes of Vale Overseas for notes of Vale, and would recognize taxable gain or loss equal to the difference between the U.S. Holder's tax basis in the notes of Vale Overseas and the fair market value of the notes of Vale received in such exchange. The U.S. Holder's initial tax basis in the notes of Vale, as well as the notes' "issue price" for U.S. federal income tax purposes, similarly would generally be equal to the fair market value of the notes at the time of the taxable exchange. The U.S. Holder's holding period for the notes of Vale for U.S. federal income tax purposes would also be restarted at the time of the taxable exchange. In the event that the notes of Vale have an issue price that is less than their stated principal amount by more than a *de minimis* amount (e.g., if the notes are trading at a more-than-de minimis discount to par at the time of the exchange), then the notes of Vale may be deemed to have been issued with "original issue discount" ("OID"), which a U.S. Holder would be required to accrue into taxable income over the remaining term of the note using a constant yield method. The result of accruing OID in this manner is that the U.S. Holder would be required to take amounts into taxable income before receiving cash in respect of those amounts. In addition, the tax basis of the U.S. Holder in the notes of Vale would be increased by any accrued OID. By contrast, if the issue price of the notes of Vale were in excess of their principal amount, a U.S. Holder would be treated as acquiring the notes of Vale at a premium equal to such excess, which a U.S. Holder could elect to amortize as an offset to interest income using a constant yield method. Such election, once made, generally applies to all bonds held or subsequently acquired by the U.S. Holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service. A U.S. Holder that elects to amortize such premium must reduce its adjusted tax basis in such note by the amount of the premium amortized during its holding period.

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of US$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. The understatement of income attributable to "specified foreign financial assets" in excess of US$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

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Backup Withholding and Information Reporting

Payment on the notes and sales or redemption proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) the holder is an exempt recipient or (ii) in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Any amounts withheld under the backup withholding rules from a payment to a holder will be refunded (or credited against such holder's U.S. federal income tax liability, if any), provided the required information is timely furnished to the U.S. Internal Revenue Service.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending on a holder's particular situation. Holders should consult their tax advisers with respect to the tax consequences to them of the beneficial ownership and disposition of the notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal and other tax laws.

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UNDERWRITING

Vale Overseas intends to offer the notes through Banco Bradesco BBI S.A., BB Securities Ltd., BNP Paribas Securities Corp., Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, CIBC World Markets Corp., Credit Agricole Securities (USA) Inc., Mizuho Securities USA Inc., MUFG Securities Americas Inc., Natixis Securities Americas LLC, SG Americas Securities, LLC and SMBC Nikko Securities America, Inc., the underwriters. Subject to the terms and conditions contained in a terms agreement between the underwriters and Vale Overseas, Vale Overseas has agreed to sell to the underwriters and the underwriters have agreed to purchase, severally and not jointly, from Vale Overseas, the principal amount of the notes listed below opposite each of their names.

Underwriter	Principal Amount of Notes	
Banco Bradesco BBI S.A.	US$	156,250,000
BB Securities Ltd.		156,250,000
BNP Paribas Securities Corp.		156,250,000
Citigroup Global Markets Inc.		156,250,000
Morgan Stanley & Co. LLC		156,250,000
CIBC World Markets Corp.		31,250,000
Credit Agricole Securities (USA) Inc.		31,250,000
Mizuho Securities USA Inc.		31,250,000
MUFG Securities Americas Inc.		31,250,000
Natixis Securities Americas LLC		31,250,000
SG Americas Securities, LLC		31,250,000
SMBC Nikko Securities America, Inc.		31,250,000
Total	US$	1,000,000,000

The underwriters have agreed to purchase all of the notes sold pursuant to the terms agreement if any of these notes are purchased. If the underwriters default, the terms agreement provides that the purchase agreement may be terminated.

Vale Overseas and Vale have agreed to indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or to contribute to payments the underwriters may be required to make in respect of those liabilities.

Vale Overseas and Vale have agreed that Vale Overseas will not, during a period of 30 days from the date of this prospectus supplement, without the written consent of the underwriters, directly or indirectly, issue, sell, offer or contract to sell, grant any option or warrant for the sale of, or otherwise transfer or dispose of, any debt securities of Vale Overseas.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the terms agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Neither Banco Bradesco BBI S.A. nor BB Securities Ltd. is a broker-dealer registered with the SEC, and therefore neither may make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Bradesco BBI S.A. intends to effect sales of the notes in the United States, Banco Bradesco BBI S.A. will do so only through Bradesco Securities Inc., its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A. To the extent that BB Securities Ltd. intends to effect sales of the notes in the United States, BB Securities Ltd. will do so only through Banco do Brasil Securities LLC,

its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law.

We expect that delivery of the notes will be made against payment therefor on or about August 10, 2016, which will be the fifth business day in New York following the date of pricing of the notes (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of the SEC under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade on the date prior to settlement may be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing or the next succeeding business day should consult their own advisor.

Commissions and Discounts

The underwriters have advised Vale Overseas that they propose initially to offer the notes to the public at the public offering price on the cover page of this prospectus supplement. After the initial public offering, the public offering price may be changed. The expenses of the offering, not including the underwriting discount, are estimated to be US$2.2 million and are payable by Vale Overseas. The underwriters may offer and sell the notes through certain of their affiliates.

Trading Market

Application will be made to list the notes on the New York Stock Exchange in accordance with the rules and regulations of the New York Stock Exchange, subject to the satisfaction of its minimum listing standards. Vale Overseas does not intend to apply for listing of the notes on any other securities exchange or for quotation of the notes on any automated dealer quotation system. The underwriters have advised us that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of any trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

Price Stabilization and Short Positions

In connection with the offering, the underwriters are permitted to engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If the underwriters create a short position in the notes in connection with the offering, i.e., if they sell more notes than are on the cover page of this prospectus, the underwriters may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Such stabilizing, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action must be conducted by the relevant dealers (or any persons acting on behalf of any dealers) in accordance with all applicable laws and rules.

Neither the underwriters nor we make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither the underwriters nor we make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

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Selling Restrictions

The distribution of this prospectus supplement and the accompanying prospectus may be restricted by law in certain jurisdictions. Persons into whose possession this prospectus supplement and the accompanying prospectus come must inform themselves of and observe any of these restrictions.

This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation.

European Economic Area

In relation to each member state of the European Economic Area (each, a "Member State"), no offer of notes which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters for any such offer; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes referred to in (a) to (c) above shall result in a requirement for the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of notes is made or who receives any communication in respect of any offer of ordinary shares, or who initially acquires any notes will be deemed to have represented, warranted, acknowledged and agreed to and with each underwriter and the Company that (1) it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any notes acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the notes acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the underwriters has been given to the offer or resale; or where ordinary shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those ordinary shares to it is not treated under the Prospectus Directive as having been made to such persons.

The Company, the underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus supplement has been prepared on the basis that any offer of notes in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Member State of notes which are the subject of the offering contemplated in this prospectus supplement may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

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For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC, (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

Each underwriter has advised us that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to Vale; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Switzerland

The offering and sale of the notes will be made in Switzerland on the basis of a private placement, not as a public offering. The notes will not be listed on the SWX Swiss Exchange. Neither this prospectus supplement nor the accompanying prospectus, therefore, constitutes a prospectus within the meaning of Art. 652a or 1156 of the Swiss Federal Code of Obligations or Arts. 32 et seq. of the Listing Rules of the SWX Swiss Exchange.

Hong Kong

This prospectus supplement and the accompanying prospectus have not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or to any persons in the circumstances referred to in clause (b) above.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1998 as amended, the "FIEL Law") and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale,

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directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered in Singapore pursuant to the exceptions under Section 274 and Section 275 of the Securities and Futures Act of Singapore, Chapter 289 (the "SFA"). Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the SFA, (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

None of this prospectus supplement, the accompanying prospectus or any other offering material distributed by any of the underwriters relating to the notes has been or will be registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA. Accordingly, this prospectus supplement, the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person under Section 275(1) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Brazil

The underwriters have not offered or sold, and will not offer or sell any notes in Brazil, except in circumstances that do not constitute a public offering or unauthorized distribution under Brazilian laws and regulations. The notes have not been, and will not be, registered with the *Comissão de Valores Mobiliários*.

Cayman Islands

None of the notes may be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in the Cayman Islands.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement, (including any amendment thereto)

contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Other Relationships

Certain of the underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Certain of the underwriters and their affiliates have performed, and may perform in the future, certain investment banking, advisory or general financing and banking services for us and our affiliates from time to time, in the ordinary course of their business. These companies receive standard fees for their services.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. To the extent that the underwriters or their affiliates own any of the 6.250% notes due 2017, issued by Vale Overseas and guaranteed by Vale, they will receive a portion of the net proceeds of this offering.

A group that controls Banco Bradesco BBI S.A. also controls Bradespar S.A., which holds 21.2% of the common equity of Valepar S.A. ("Valepar"), Vale's controlling shareholder. In addition, a pension fund of Banco do Brasil S.A. employees holds the majority of the common equity in Litel Participações S.A., which holds 49% of the common equity of Valepar. Banco do Brasil S.A. is the indirect controlling shareholder of BB Securities Ltd.

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EXPERTS

Vale's financial statements as of December 31, 2015 and 2014 and for each of the years ended December 31, 2015 and 2014 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2015, which are incorporated in this prospectus supplement by reference to our annual report on Form 20-F for the year ended December 31, 2015, have been audited by KPMG Auditores Independentes, an independent registered public accounting firm, as set forth in their reports thereon included therein and incorporated herein by reference. Such financial statements have been so incorporated in reliance on the reports of KPMG Auditores Independentes, given on the authority of said firm as experts in auditing and accounting.

The financial statements for the year ended December 31, 2013 incorporated in this prospectus supplement by reference to our annual report on Form 20-F for the year ended December 31, 2015 have been so incorporated in reliance on the report of PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Our unaudited condensed consolidated balance sheet as of June 30, 2016 and the related condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the three-month and six-month periods ended June 30, 2016 and June 30, 2015, incorporated by reference herein, were reviewed by KPMG Auditores Independentes. KPMG Auditores Independentes has reported that it has applied limited procedures in accordance with professional standards for a review of such information. However, its report included in our current report on Form 6-K furnished to the SEC on July 28, 2016, and incorporated by reference herein, states that it did not audit and does not express an opinion on that interim financial information. Accordingly, the degree of reliance on such information should be restricted in light of the limited nature of the review procedures applied. KPMG Auditores Independentes is not subject to the liability provisions of Section 11 of the Securities Act for its report on the unaudited interim financial information because this report is not a "report" or a "part" of the registration statement prepared or certified by the accountants within the meaning of Sections 7 and 11 of the Securities Act.

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VALIDITY OF THE NOTES

The validity of the notes, including the guaranty, offered and sold in this offering will be passed upon for Vale Overseas and Vale by Cleary Gottlieb Steen & Hamilton LLP and for the underwriters by Gibson, Dunn & Crutcher LLP. Certain matters of Cayman Islands law relating to the notes will be passed upon by Walkers, Cayman Islands counsel for Vale and Vale Overseas. Certain matters of Brazilian law relating to the notes will be passed upon by Mr. Clovis Torres, the general counsel of Vale. Pinheiro Guimarães Advogados will pass upon certain matters of Brazilian law relating to the notes for the underwriters.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference herein is considered to be part of this prospectus supplement, and certain later information that we file with the SEC will automatically update and supersede earlier information filed with the SEC or included in this prospectus supplement. We incorporate by reference the following documents:

our current report on Form 6-K furnished to the SEC on the date hereof (SEC Accession No: 0001104659-16-136374) containing: (i) our operating and financial review as of and for the six-month periods ended June 30, 2016 and June 30, 2015; (ii) our ratios of earnings to fixed charges; and (iii) some recent developments;

our current report on Form 6-K furnished to the SEC on August 2, 2016 (SEC Accession No: 0001104659-16-135950), announcing a sale of an additional gold stream in copper concentrate from its Salobo mine;

our current report on Form 6-K furnished to the SEC on July 28, 2016 (SEC Accession No: 0001104659-16-134704), containing our unaudited condensed consolidated interim financial statements as of and for the three and six months ended June 30, 2016 and June 30, 2015, prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB);

our current report on Form 6-K furnished to the SEC on July 28, 2016 (SEC Accession No: 0001104659-16-134701), announcing the delisting of our HDRs from the Hong Kong Stock Exchange (HKEx);

our current report on Form 6-K furnished to the SEC on July 28, 2016 (SEC Accession No: 0001104659-16-134795), announcing the resignation of Tarcisio Massote de Godoy from his position as member of the Board of Directors and the nomination of Eduardo Refinetti Guardia to replace him as member of the Board;

our current report on Form 6-K furnished to the SEC on July 21, 2016 (SEC accession No: 0001104659-16-133613), containing our production report for the six-month period ended June 30, 2016;

our current report on Form 6-K furnished to the SEC on July 1, 2016 (SEC Accession No: 0001104659-16-130717), announcing the completion of a sale of certain vessels by Vale to a consortium led by ICBC International (ICBC);

our current report on Form 6-K furnished to the SEC on June 20, 2016 (SEC Accession No: 0001104659-16-128219), announcing the repayment by Vale of certain principal drawn under Vale's revolving credit lines in January 2016;

our current report on Form 6-K furnished to the SEC on June 14, 2016 (SEC Accession No: 0001104659-16-126932), describing the dismissal of a public civil action filed by Sohumana Sociedade Humanitária Nacional against various parties, including Samarco and us;

our current report on Form 6-K furnished to the SEC on June 1, 2016 (SEC Accession No: 0001104659-16-124675), describing the conclusion of the sale of our stake in Companhia Siderúrgica do Atlântico (CSA) to Thyssenkrupp.

our current report on Form 6-K furnished to the SEC on May 24, 2016 (SEC Accession No: 0001104659-16-123027), informing that the Hong Kong Stock Exchange (HKEx) has approved the withdrawal of our HDR listing from the HKEx.

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our current report on Form 6-K furnished to the SEC on May 16, 2016 (SEC Accession No: 0001104659-16-121018), describing the public civil actions filed by two indigenous protection associations requesting the suspension of the environmental license of our S11D project;

our current report on Form 6-K furnished to the SEC on May 10, 2016 (SEC Accession No: 0001104659-16-121526), describing the end of the negotiations for sale of our stake in Mineração Rio do Norte (MRN);

our current report on Form 6-K furnished to the SEC on May 5, 2016 (SEC Accession No: 0001104659-16-118262), informing of the ratification of an agreement between Brazilian federal and state authorities and Samarco and its shareholders;

our current report on Form 6-K furnished to the SEC on May 5, 2016 (SEC Accession No: 0001104659-16-117854), describing the public civil action filed by the federal public prosecutor against various parties, including Samarco and us;

our current report on Form 6-K furnished to the SEC on April 26, 2016 (SEC Accession No: 0001104659-16-114026), announcing the approval of our shareholder remuneration policy;

our current report on Form 6-K furnished to the SEC on April 26, 2016 (SEC Accession No: 0001104659-16-113868), containing the minutes of our annual shareholders' meeting;

our current report on Form 6-K furnished to the SEC on April 5, 2016 (SEC Accession No: 0001104659-16-109665), announcing the sale of our minority stake in Companhia Siderúrgica do Atlântico; and

our annual report on Form 20-F for the year ended December 31, 2015, filed with the SEC on March 31, 2016 (SEC Accession No: 0001047469-16-011818).

We will provide without charge to each person to whom a copy of this prospectus supplement is delivered, upon the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to Vale's Investor Relations Department, Avenida das Américas, No. 700 Bloco 8, 2nd Floor, 22640-100 Rio de Janeiro, RJ, Brazil (telephone no: 55 21-3485-3900). Additionally, for so long as any notes shall be outstanding, copies of our financial statements for the then current fiscal year may be inspected on the Web site of the U.S. Securities and Exchange Commission at http://www.sec.gov/ or on our Web site at http://www.vale.com/. The information on our Web site is not part of this prospectus supplement nor is it incorporated herein by reference.

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PROSPECTUS

Vale S.A.

Debt Securities and Guarantees

Vale Overseas Limited

Guaranteed Debt Securities

Vale S.A. may offer debt securities from time to time, and Vale Overseas Limited may offer debt securities guaranteed by Vale S.A. from time to time. A prospectus supplement will set forth the specific terms of the securities, the offering price and the specific manner in which they may be offered.

We may sell these securities directly or to or through underwriters or dealers, and also to other purchasers or through agents. The names of any underwriters or agents will be set forth in the prospectus supplement.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

September 29, 2015

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We are responsible for the information contained in this prospectus, any accompanying prospectus supplement and the documents incorporated by reference herein and therein. We have not authorized any person to give you any other information, and we take no responsibility for any other information that others may give you. This document may only be used where it is legal to sell these securities. You should not assume that the information contained in this prospectus, any accompanying prospectus supplement and the documents incorporated by reference is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. We are not making an offer of these securities in any state where the offer is not permitted.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission, which we refer to as the SEC, using a "shelf" registration process. Under this shelf process, Vale may offer debt securities, and Vale Overseas may offer debt securities guaranteed by Vale, in one or more offerings.

This prospectus provides you only with a general description of the debt securities and guarantees that we may offer. Each time we offer securities pursuant to this prospectus, we will attach a prospectus supplement to the front of this prospectus that will contain specific information about the particular offering and the terms of those securities. We may also add, update or change other information contained in this prospectus by means of a prospectus supplement or by incorporating by reference information we file with the SEC. The registration statement on file with the SEC includes exhibits that provide more detail on the matters discussed in this prospectus. Before you invest in any securities offered by this prospectus, you should read this prospectus, any related prospectus supplements and the related exhibits filed with the SEC, together with the additional information described under the heading "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference."

In this prospectus, unless otherwise specified or the context otherwise requires, references to "Vale" are to Vale S.A. and its consolidated subsidiaries. References to "Vale Overseas" are to Vale Overseas Limited. Terms such as "we," "us" and "our" generally refer to one or both of Vale and Vale Overseas, as the context may require.

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ENFORCEMENT OF CIVIL LIABILITIES

Brazil

A final conclusive judgment for the payment of money rendered by any New York State or federal court sitting in New York City in respect of the securities would be recognized in the courts of Brazil and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action only if such judgment has been ratified by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). This ratification is available only if:

- the judgment fulfills all formalities required for its enforceability under the laws of the State of New York;
- the judgment was issued by a competent court either after due service of process on the parties, which service of process if made in Brazil must comply with Brazilian law, or after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- the judgment is not subject to appeal;
- the judgment has been authenticated by a Brazilian consulate in the State of New York;
- the judgment has been translated into Portuguese by a certified sworn translator; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

In addition:

- Civil actions may be brought before Brazilian courts in connection with this prospectus supplement based on the federal securities laws of the United States, and Brazilian courts may enforce such liabilities in such actions against Vale (provided that the relevant provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action).
- The ability of a judgment creditor to satisfy a judgment by attaching certain assets of the defendant is limited by Brazilian law. In addition, a Brazilian or foreign plaintiff who resides abroad or is abroad during the course of a suit in Brazil must post a bond to cover the legal fees and court expenses of the defendant, unless there are real estate assets in Brazil to assure payment thereof, except in case of execution actions or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure.

Notwithstanding the foregoing, no assurance can be given that ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect to the securities.

Cayman Islands

Vale Overseas has been advised by its Cayman Islands counsel, Walkers, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will, based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given, recognize and enforce a foreign judgment of a court having jurisdiction over a defendant according to Cayman Islands conflict of law rules. To be so enforced the foreign judgment must be final and conclusive and for a liquidated sum (or, in certain circumstances, for *in personam* non-money relief) and not

in respect of taxes or a fine or penalty or similar fiscal or revenue obligations or of a kind inconsistent with a Cayman Islands judgment in respect of the same matters or obtained in a manner, and is not of a kind

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the enforcement of which is, contrary to natural justice, statute or the public policy of the Cayman Islands. There is doubt, however, as to whether the courts of the Cayman Islands will:

- recognize or enforce judgments of U.S. courts based on the civil liability provisions of the securities laws of the United States or any state thereof; or

- in original actions brought in the Cayman Islands, impose liabilities upon the civil liability provisions of the securities laws of the United States or any state thereof, in each case, on the grounds that such provisions are penal in nature.

A Cayman Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

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FORWARD-LOOKING STATEMENTS

Some of the information contained or incorporated by reference in this prospectus and the accompanying prospectus supplement may constitute forward-looking statements within the meaning of the safe harbor provisions of U.S. Private Securities Litigation Reform Act of 1995. Many of those forward-looking statements can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "estimate" and "potential," among others. Those statements appear in a number of places and include statements regarding our intent, belief or current expectations with respect to:

- our direction and future operation;
- the implementation of our principal operating strategies, including our potential participation in acquisition, divestiture or joint venture transactions or other investment opportunities;
- the implementation of our financing strategy and capital expenditure plans;
- the exploration of mineral reserves and development of mining facilities;
- the depletion and exhaustion of mines and mineral reserves;
- trends in commodity prices and demand for commodities;
- the future impact of competition and regulation;
- the payment of dividends or interest on shareholders equity;
- compliance with financial covenants;
- industry trends, including the direction of prices and expected levels of supply and demand;
- other factors or trends affecting our financial condition or results of operations; and
- the factors discussed in other documents incorporated by reference in this prospectus.

We caution you that forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in forward-looking statements as a result of various factors. These risks and uncertainties include factors, such as (a) economic, political and social issues in the countries in which we operate, (b) the global economy, (c) commodity prices, (d) financial and capital markets, (e) the mining and metals businesses, which are cyclical in nature, and their dependence upon global industrial production, which is also cyclical, (f) regulation and taxation, and (g) the high degree of global competition in the markets in which we operate, among others. For additional information on some factors that could cause our actual results to differ from expectations reflected in forward-looking statements, please see "Risk Factors" in our SEC reports incorporated by reference in this prospectus. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments. All forward-looking statements attributed to us or a person acting on our behalf are expressly qualified in their entirety by this cautionary statement, and you should not place undue reliance on any forward-looking statement included in this prospectus or any accompanying prospectus supplement.

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VALE S.A.

We are one of the largest metals and mining companies in the world. We are the world's largest producer of iron ore and iron ore pellets and the world's largest producer of nickel. We also produce manganese ore, ferroalloys, metallurgical and thermal coal, copper, platinum group metals, gold, silver, cobalt, potash, phosphates and other fertilizer nutrients. We operate large logistics systems in Brazil and other regions of the world, including railroads, maritime terminals and ports, which are integrated with our mining operations. Directly and through affiliates and joint ventures, we also have investments in energy and steel businesses.

Vale is a stock corporation, or *sociedade por ações*, organized on January 11, 1943, and existing under the laws of the Federative Republic of Brazil. Vale was organized for an unlimited period of time. Vale's principal executive offices are located at Avenida Graça Aranha, No. 26, 20030-900 Rio de Janeiro, RJ, Brazil. Its telephone number is +55-21-3814-4540.

VALE OVERSEAS LIMITED

Vale Overseas is a finance company 100% owned by Vale. Vale Overseas's business is to issue debt securities to finance the activities of Vale and Vale's subsidiaries and affiliates. It has no other operations and no employees.

Vale Overseas was incorporated as a Cayman Islands exempted company with limited liability on April 3, 2001, and is registered with the Registrar of Companies in the Cayman Islands under registration number 109351. Vale Overseas was incorporated for an indefinite period of time. Its registered office is at Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands, and its principal executive offices are located at Avenida Graça Aranha, No. 26, 20030-900 Rio de Janeiro, RJ, Brazil. Its telephone number is +55-21-3814-4540.

USE OF PROCEEDS

Vale

Unless otherwise indicated in an accompanying prospectus supplement, Vale intends to use the net proceeds from the sale of the debt securities for general corporate purposes.

Vale Overseas

Unless otherwise indicated in an accompanying prospectus supplement, Vale Overseas intends to on-lend the net proceeds from the sale of the debt securities to Vale or Vale's subsidiaries and affiliates.

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LEGAL OWNERSHIP OF DEBT SECURITIES

In this prospectus and in any prospectus supplement, when we refer to the "holders" of debt securities as being entitled to specified rights or payments, we mean only the actual legal holders of the debt securities. While you will be the holder if you hold a security registered in your name, more often than not the registered holder will actually be either a broker, bank, other financial institution or, in the case of a global security, a depositary. Our obligations, as well as the obligations of the trustee, any registrar, any depositary and any third parties employed by us or the other entities listed above, run only to persons who are registered as holders of our debt securities, except as may be specifically provided for in a contract governing the debt securities. For example, once we make a payment to the registered holder, we have no further responsibility for the payment even if that registered holder is legally required to pass the payment along to you as a street name customer but does not do so.

Street Name and Other Indirect Holders

Holding debt securities in accounts with banks or brokers is called holding in "street name." If you hold our debt securities in street name, we will recognize only the bank or broker, or the financial institution that the bank or broker uses to hold the debt securities, as a holder. These intermediary banks, brokers, other financial institutions and depositaries pass along to you, as an indirect holder, principal, interest, dividends and other payments, if any, on the debt securities, either because they agree to do so in their customer agreements or because they are legally required to do so. This means that if you are an indirect holder, you will need to coordinate with the institution through which you hold your interest in a security in order to determine how the provisions involving holders described in this prospectus and any prospectus supplement will actually apply to you. For example, if the debt security in which you hold a beneficial interest in street name can be repaid at the option of the holder, you cannot redeem it yourself by following the procedures described in the prospectus supplement relating to that security. Instead, you would need to cause the institution through which you hold your interest to take those actions on your behalf. Your institution may have procedures and deadlines different from or additional to those described in the applicable prospectus supplement.

If you hold our debt securities in street name or through other indirect means, you should check with the institution through which you hold your interest in a security to find out, among other things:

- how it handles payments and notices with respect to the debt securities;
- whether it imposes fees or charges;
- how it handles voting, if applicable;
- how and when you should notify it to exercise on your behalf any rights or options that may exist under the debt securities;
- whether and how you can instruct it to send you debt securities registered in your own name so you can be a direct holder; and
- how it would pursue rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests.

Global Securities

A global security is a special type of indirectly held security. If we issue debt securities in the form of global securities, the ultimate beneficial owners can only be indirect holders. We do this by requiring that the global security be registered in the name of a financial institution we select and by requiring that the debt securities included in the global security not be transferred to the name of any other direct holder unless the special circumstances described below occur. The financial institution that acts as the sole direct holder of the global security is called the "depositary." Any person wishing to own a

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security issued in global form must do so indirectly through an account with a broker, bank or other financial institution that in turn has an account with the depositary. The prospectus supplement will indicate whether the debt securities will be issued only as global securities.

As an indirect holder, your rights relating to a global security will be governed by the account rules of your financial institution and of the depositary, as well as general laws relating to securities transfers. We will not recognize you as a holder of the debt securities and instead will deal only with the depositary that holds the global security.

You should be aware that if our debt securities are issued only in the form of global securities:

- You cannot have the debt securities registered in your own name;
- You cannot receive physical certificates for your interest in the debt securities;
- You will be a street name holder and must look to your own bank or broker for payments on the debt securities and protection of your legal rights relating to the debt securities;
- You may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their debt securities in the form of physical certificates;
- The depositary's policies will govern payments, dividends, transfers, exchange and other matters relating to your interest in the global security. We, the trustee and any registrar have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We, the trustee and any registrar also do not supervise the depositary in any way; and
- The depositary will require that interests in a global security be purchased or sold within its system using same-day funds for settlement.

In a few special situations described below, a global security representing our debt securities will terminate and interests in it will be exchanged for physical certificates representing the debt securities. After that exchange, the choice of whether to hold debt securities directly or in street name will be up to you. You must consult your bank or broker to find out how to have your interests in the debt securities transferred to your name, so that you will be a direct holder.

Unless we specify otherwise in a prospectus supplement, the special situations in which a global security representing our debt securities will terminate are:

- the depositary has notified us that it is unwilling or unable to continue as depositary for such global security or the depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when such depositary is required to be so registered in order to act as depositary, and, in each case, we do not or cannot appoint a successor depositary within 90 days; or
- Vale, or Vale Overseas, as applicable, decides in its sole discretion to allow some or all book-entry securities to be exchangeable for definitive securities in registered form.

A prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of debt securities covered by such prospectus supplement. When a global security terminates, the depositary (and not us, the trustee or any registrar) is responsible for deciding what institutions will be the initial direct holders.

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DESCRIPTION OF THE DEBT SECURITIES

The following briefly summarizes the material provisions of the debt securities and the indentures that will govern the debt securities, other than pricing and related terms and other specifications that will be disclosed in a prospectus supplement. You should read the more detailed provisions of the applicable indenture, including the defined terms, for provisions that may be important to you. You should also read the particular terms of your series of debt securities, which will be described in more detail in a prospectus supplement.

Indentures

Any debt securities and guarantees that we issue will be governed by an indenture. The trustee under the indenture has two main roles:

First, the trustee can enforce your rights against Vale and Vale Overseas if Vale or Vale Overseas defaults. There are some limitations on the extent to which the trustee acts on your behalf, described below under " Events of Default."

Second, the trustee performs administrative duties for us, such as sending principal and interest payments to you, transferring your debt securities to a new buyer if you sell and sending notices to you.

Vale will issue debt securities under an indenture dated as of September 29, 2015 between Vale, as issuer, and The Bank of New York Mellon, as trustee, which we refer to as the Vale indenture. Vale Overseas will issue debt securities guaranteed by Vale under the Amended and Restated Indenture dated as of September 29, 2015 among Vale Overseas, as issuer, Vale, as guarantor, and The Bank of New York Mellon, as trustee, which we refer to as the Vale Overseas indenture.

The indentures and their associated documents contain the full legal text of the matters described in this section. We have agreed in each indenture that New York law governs the indenture and the debt securities. We have filed a copy of the Vale indenture and the Vale Overseas indenture with the SEC as exhibits to our registration statement. We have consented in each indenture to the non-exclusive jurisdiction of any U.S. federal and state courts sitting in the borough of Manhattan in the City of New York. (*Sections 1.12 and 1.14*)

Types of Debt Securities

This section summarizes material terms of the debt securities that are common to all series and to both the Vale and Vale Overseas indentures, unless otherwise indicated in this section or in the prospectus supplement relating to a particular series.

Because this section is a summary, it does not describe every aspect of the debt securities. This summary is subject to and qualified in its entirety by reference to all the provisions of the indentures, including the definition of various terms used in the indentures. For example, we describe the meanings for only the more important terms that have been given special meanings in the indentures. We also include references in parentheses to some sections of the indentures. Whenever we refer to particular sections or defined terms of the indentures in this prospectus or in any prospectus supplement, those sections or defined terms are incorporated by reference herein or in such prospectus supplement.

We may issue original issue discount securities, which are debt securities that are offered and sold at a substantial discount to their stated principal amount. We may also issue indexed securities or securities denominated in currencies other than the U.S. dollar, currency units or composite currencies, as described in more detail in the prospectus supplement relating to any such debt securities. We will describe the U.S. federal income tax consequences and any other special considerations applicable to

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original issue discount, indexed or foreign currency debt securities in the applicable prospectus supplement.

In addition, the material financial, legal and other terms particular to a series of debt securities will be described in the prospectus supplement relating to that series. Those terms may vary from the terms described here. Accordingly, this summary also is subject to and qualified by reference to the description of the terms of the series described in the applicable prospectus supplement.

In addition, the prospectus supplement will state whether we will list the debt securities of the series on any stock exchanges and, if so, which ones.

Form, Exchange and Transfer

The debt securities will be issued, unless otherwise indicated in the applicable prospectus supplement, in any integral multiples of US$1,000 thereof. (*Section 3.2*)

You may have your debt securities broken into more debt securities of smaller authorized denominations or combined into fewer debt securities of larger authorized denominations, as long as the total principal amount is not changed. This is called an exchange. (*Section 3.4*)

You may exchange or transfer your registered debt securities at the office of the trustee. The trustee acts as our agent for registering debt securities in the names of holders and transferring registered debt securities. The entity that maintains the list of registered holders is called the "security registrar." It will also register transfers of the registered debt securities. (*Sections 3.4 and 10.2*)

You will not be required to pay a service charge for any registration of transfer or exchange of the debt securities, but you may be required to pay any tax or other governmental charge associated with the registration of transfer or exchange. The registration of transfer or exchange of a registered debt security will only be made if you have duly endorsed the debt security or provided the security registrar with a written instrument of transfer satisfactory in form to the security registrar. (*Section 3.4*)

Payment and Paying Agents

If your debt securities are in registered form, we will pay interest to you if you are listed in the trustee's records as a direct holder at the close of business on a particular day in advance of each due date for interest, even if you no longer own the security on the interest due date. That particular day is called the "regular record date" and will be stated in the prospectus supplement. (*Sections 3.6 and 3.1.5*)

We will pay interest, principal, additional amounts and any other money due on global registered debt securities pursuant to the applicable procedures of the depositary or, if the debt securities are not in global form, at our office or agency maintained for that purpose in New York City. We may also choose to pay interest by mailing checks. We may also arrange for additional payment offices, and we may cancel or change our use of these offices, including the trustee's corporate trust office. These offices are called "paying agents." We may also choose to act as our own paying agent. (*Sections 2.2, 10.2 and 10.3*)

Regardless of who acts as paying agent, all money that we pay as principal, premium or interest to a paying agent, or then held by us in trust, that remains unclaimed at the end of two years after the amount is due to a direct holder will be repaid to us or (if then held in trust) discharged from trust. After that two-year period, direct holders may look only to us for payment and not to the trustee, any other paying agent or anyone else. (*Section 10.3*)

Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

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Notices

We and the trustee will send notices only to direct holders, using their addresses as listed in the trustee's records. (*Section 1.6*)

Modification and Waiver

Each indenture provides several categories of changes that can be made to the indenture and the debt securities. Such changes may or may not require the consent of the holders, as described below. A supplemental indenture will be prepared if holder approval is required.

Changes Requiring Each Holder's Approval

Each indenture provides that there are changes to the indenture that cannot be made without the approval of each holder of the outstanding debt securities affected thereby. Those types of changes are:

- a change in the stated maturity for any principal or interest payment on the debt securities;
- a reduction in the principal amount, the interest rate, the redemption price for the debt securities or the principal amount that would be due and payable upon acceleration;
- a change in the obligation to pay additional amounts;
- a change in the currency of any payment on the debt securities;
- a change in the place of any payment on the debt securities;
- an impairment of the holder's right to sue for payment of any amount due on its securities;
- a reduction in the percentage in principal amount of the outstanding debt securities needed to change the indenture or the debt securities;
- a change in the terms of payment from, or control over, or release or reduction of any collateral or security interest to secure the payment of principal, interest or premium, if any, under any debt security;
- a reduction in the percentage in principal amount of the outstanding debt securities needed to waive compliance with the indenture or to waive defaults; and
- a modification of the sections of the indenture relating to supplemental indentures, waiver with the consent of holders or waiver of past defaults, except to increase the percentage of holders required to make a revision or to provide that certain other provisions of the indenture cannot be modified or waived without the approval of each holder of the debt securities. (*Section 9.2*)

Changes Not Requiring Approval

Each indenture provides that some changes do not require any approval by holders of outstanding debt securities under that indenture. This type of change is limited to clarifications of ambiguities, omissions, defects and inconsistencies, amendments, supplements and other changes that would not adversely affect the holders of outstanding debt securities under the indenture in any material respect, such as adding covenants,

additional events of default or successor trustees. (*Section 9.1*)

Changes Requiring Majority Approval

Each indenture provides that other changes to the indenture and the outstanding debt securities under the indenture and any waiver of any provision of the indenture must be approved by the holders of a majority in principal amount of each series of securities affected by the change or waiver. The required approval must be given by written consent. (*Section 9.2*)

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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

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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

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,

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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.

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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.

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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

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.

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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.

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.

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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

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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.

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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).

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.

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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.

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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

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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.

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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.

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.

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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:

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

- *Logging Services.* Logging requires the use of a single or multi-conductor, braided steel cable (electric-line), mounted on a hydraulically operated drum, and a specialized logging truck. Electronic instruments are attached to the end of the cable and lowered to the bottom of the well and the line is slowly pulled out of the well transmitting wellbore data up the cable to the surface where the information is processed by a surface computer system and displayed on a 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

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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.

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.

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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.

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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.

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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

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.

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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.

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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.

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

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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.

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.

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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.

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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 Administration	2003						
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 Executive Officer	2003						

(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.

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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 President and Chief Executive Officer	597,660	34.2%	$ 6.69	06/2015	$2,514,538	$6,372,333
J. Michael Mayer Senior Vice President and Chief Financial Officer						
James F. Maroney, III Vice President, Secretary and General Counsel	52,000	3.0%	$11.66	11/2015	$ 381,311	$ 966,318
Kenneth L. Nibling Vice President Human Resources and Administration	52,000	3.0%	$11.66	11/2015	$ 381,311	$ 966,318
Robert L. Weisgarber Vice President Accounting and Controller						
Andrew L. Waite Chairman of the Board	5,000	0.3%	$11.66	10/2015	36,665	92,915

(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

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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

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.

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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.

We believe that all of these related party transactions were either on terms at least as favorable to us as could have been obtained through arm s-length negotiations with unaffiliated third parties or were negotiated in connection with acquisitions, the overall terms of which were as favorable to us as could have been obtained through arm s-length negotiations with unaffiliated third parties. We intend to address future material transactions with our affiliates by having the transactions approved by a committee of disinterested directors.

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PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 31, 2006 by:

each person who is known by us to own beneficially 5% or more of our outstanding common stock;

each of our named executive officers;

each of our directors; and

all of our executive officers and directors as a group (12 persons).

Except as otherwise indicated, the person or entities listed below have sole voting and investment power with respect to all shares of our common stock beneficially owned by them, except to the extent this power may be shared with a spouse. Unless otherwise indicated, the address of each stockholder listed below is 11700 Old Katy Road, Suite 300, Houston, Texas 77079.

	Shares Beneficially Owned Prior to this Offering		Shares Beneficially Owned After Offering (Assuming No Exercise of Over-Allotment Option)		Shares Beneficially Owned After Offering (Assuming Exercise of Over-Allotment Option in Full)	
	Number	Percent	Number	Percent	Number	Percent
SCF-IV, L.P.(2)	39,396,756	68.5%	31,775,731	45.1%	28,832,956	40.9%
Andrew L. Waite(3)(7)	4,290	*	4,290	*	4,290	*
Joseph C. Winkler(7)	235,308	*	235,308	*	235,308	*
J. Michael Mayer(4)(7)	180,236	*	180,236	*	180,236	*
James F. Maroney, III(7)	57,920	*	57,920	*	57,920	*
Kenneth L. Nibling(7)	57,920	*	57,920	*	57,920	*
Robert L. Weisgarber(4)	57,890	*	57,890	*	57,890	*
David C. Baldwin(5)(7)	4,290	*	4,290	*	4,290	*
Robert S. Boswell(4)(7)	28,164	*	28,164	*	28,164	*
Harold G. Hamm(6)(7)	4,058,266	7.1%	4,058,266	5.8%	4,058,266	5.8%
W. Matt Ralls		*		*		*
R. Graham Whaling(4)(7)	26,166	*	26,166	*	26,166	*
James D. Woods(4)(7)	17,505	*	17,505	*	17,505	*
Directors and Executive Officers as a Group (12 persons) (3)(4)(5)(6)(7)	4,727,955	8.2%	4,727,955	6.7%	4,727,955	6.7%

* Less than one percent.

(1) Assuming the over-allotment option is exercised in full.

(2) L.E. Simmons is the natural person who has voting and investment control over the securities owned by SCF-IV, L.P. Mr. Simmons serves as chairman of the Board and President of L.E. Simmons and Associates,

Incorporated, the ultimate general partner of SCF-IV, L.P.

(3) Mr. Waite serves as Managing Director of L.E. Simmons and Associates, Incorporated, the ultimate general partner of SCF-IV, L.P. As such, Mr. Waite may be deemed to have voting and dispositive power over the shares beneficially owned by SCF-IV, L.P. Mr. Waite disclaims beneficial ownership of the shares owned by SCF-IV, L.P.

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(4) Includes shares that may be acquired within 60 days through the exercise of options to purchase shares of our common stock as follows: Messrs. Mayer 83,428; Weisgarber 31,286; Boswell 4,170; Whaling 2,466; and Woods 13,215.

(5) Mr. Baldwin serves as Managing Director of L.E. Simmons and Associates, Incorporated, the ultimate general partner of SCF-IV, L.P. As such, Mr. Baldwin may be deemed to have voting and dispositive power over the shares beneficially owned by SCF-IV, L.P. Mr. Baldwin disclaims beneficial ownership of the shares owned by SCF-IV, L.P.

(6) Includes an aggregate of 4,053,976 shares owned by Harold G. Hamm GRAT 4, Harold G. Hamm GRAT 6, and Harold G. Hamm GRAT 8, each of which is an estate planning trust (collectively, the Hamm Trusts). Mr. Hamm serves as the trustee of each of the Hamm Trusts. As such, Mr. Hamm may be deemed to have voting and dispositive power over the shares beneficially owned by the Hamm Trusts.

(7) Includes restricted common stock as follows: Waite 4,290; Winkler 117,654; Mayer 39,408; Maroney 15,020; Nibling 15,020; Baldwin 4,290; Boswell 4,290; Hamm 4,290; Whaling 4,290; Woods 4,290.

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SELLING STOCKHOLDERS

The following table sets forth certain information regarding the selling stockholders. To our knowledge, except as otherwise indicated, the person or entities listed below have sole voting and investment power with respect to all shares of our common stock beneficially owned by them, except to the extent this power may be shared with a spouse.

	Shares Beneficially Owned Prior to this Offering		Number of Shares to be Sold in Offering	Maximum Number of Shares to be Sold Upon Exercise of Over-Allotment Option(1)	Shares Beneficially Owned After Offering (Assuming No Exercise of Over-Allotment Option)		Shares Beneficially Owned After Offering (Assuming Exercise of Over-Allotment Option in Full)	
	Number	Percent			Number	Percent	Number	Percent
SCF-IV, L.P.(2)	39,396,756	68.5%	7,621,025	2,942,775	31,775,731	45.1%	28,832,956	40.9%
Maria Zenaida Pemberton(3)	839,282	1.5%	162,353	62,691	676,929	*	614,238	*
Zenaida s Nietos, Ltd.(3)	833,046	1.4%	161,147	62,225	671,899	*	609,674	*
Bison Oil Field Tools, Ltd.(3)	672,282	1.2%	100,000		572,282	*	572,282	*
Shirley K. Guerra(3)	70,370	*	13,613	5,256	56,757	*	51,501	*
Sherry Fay Pemberton(3)	70,370	*	13,613	5,256	56,757	*	51,501	*
I.E. Miller & Company, L.L.C.(4)	970,500	1.7%	187,736	72,492	782,764	1.1%	710,272	1.0%
Lee Daniel, III(5)	452,481(6)	*	76,232	22,268	376,249	*	353,981	*
LEED LLLP(5)	275,856	*	53,362	15,588	222,494	*	206,906	*
Kathryn L. Daniel(5)	118,224	*	22,870	6,630	95,354	*	88,724	*
Douglas W. Reed(7)	715,321(8)	1.2%	136,760	38,240	578,561	*	540,321	*
David L. Reed(7)	55,937(9)	*	5,000		50,937	*	50,937	*

C. Ronald Wright(10)	164,212	*	18,000		146,212	*	146,212	*
Gary Wright(10)	170,886(11)	*	16,500		154,386	*	154,386	*
Donald Wright(10)	170,886(12)	*	16,500		154,386	*	154,386	*
Mike Rykhus(13)	131,696	*	10,000		121,696	*	121,696	*
Ronald D. Austin(14)	98,520	*	19,058	942	79,462	*	78,520	*
Darron Anderson(15)	80,116(16)	*	14,146	5,463	65,970	*	60,507	*
Louis Chenault(17)	56,190	*	10,870	130	45,320	*	45,190	*
Russell Doerr(18)	56,190	*	10,870	4,197	45,320	*	41,123	*
David Yager(19)	74,372(20)	*	10,224	3,276	64,148	*	60,872	*
Alessandra Predolin(19)	11,180	*	2,163	637	9,017	*	8,380	*
Thomas P. Burke(21)	123,277(22)	*	10,060	3,885	113,217	*	109,332	*
Amegy Bank National Association(23)	15,992	*	3,094	1,194	12,898	*	11,704	*
Eric Tanzberger(24)	12,434	*	2,405	929	10,029	*	9,100	*
Jose Bayardo(25)	23,729(26)	*	1,150	444	22,579	*	22,135	*
Marvin Gregory(27)	6,544(28)	*	633	244	5,911	*	5,667	*
Kevin Medlin(29)	3,182	*	616	238	2,566	*	2,328	*
Total	45,669,831		8,700,000	3,255,000	36,969,831		33,714,831	

* Less than one percent.

(1) Assuming the over-allotment option is exercised in full.

(2) See footnote (2) under the table for Principal Stockholders.

(3) Maria Zenaida Pemberton is the spouse of Ken Pemberton. Mr. Pemberton served as one of our directors prior to the Combination. He also was a stockholder and served as president and chief executive officer and a director of Parchman Energy Group, Inc. prior to the time that it was acquired by us in February 2005. Mr. Pemberton serves as the general partner of Zenaida s Nietos, Ltd. and of Bison Oil Field Tools, Ltd. and as such, may be deemed to have voting and dispostive power over the shares beneficially owned by these entities. Shirley K. Guerra and Sherry Fay Pemberton are daughters of Mr. Pemberton.

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(4) John E. Soileau is the managing member of I.E. Miller & Company, L.L.C., which was a stockholder of IEM, one of our predecessor companies, prior to the time it was acquired by us in August 2004. As such, Mr. Soileau may be deemed to have voting and dispositive power over the shares beneficially owned by I.E. Miller & Company, L.L.C. Mr. Soileau serves as an officer of one of our subsidiaries and served as president and a director of IEM before it was acquired by us.

(5) Lee Daniel, III serves as our President Rockies Division and as an officer and director of certain of our subsidiaries. Mr. Daniel was a stockholder of one of our subsidiaries prior to the time it was acquired by us in February 2004. Mr. Daniel is the general partner of LEED LLLP and as such, he may be deemed to have voting and dispositive power over the shares beneficially owned by LEED LLLP. The shares shown as beneficially owned by Lee Daniel, III do not include the shares shown as beneficially owned by LEED LLLP. Kathryn L. Daniel is the spouse of Mr. Daniel.

(6) Includes 58,401 shares of common stock subject to options that are exercisable within 60 days of this prospectus.

(7) Douglas Reed serves as a consultant for us and served as president of certain of our subsidiaries and was a stockholder, and served as president and a director, of certain of our subsidiaries prior to the time those subsidiaries were acquired by us in May 2004. David Reed serves as president of one of our subsidiaries and is the son of Douglas Reed. David was a stockholder of certain of our subsidiaries prior to the time those subsidiaries were acquired by us in May 2004.

(8) Includes 8,343 shares of common stock subject to options that are exercisable within 60 days of this prospectus.

(9) Includes 4,589 shares of common stock subject to options that are exercisable within 60 days of this prospectus.

(10) Gary Wright serves as an officer of one of our subsidiaries and was a stockholder, and served as an officer and a director, of one of our subsidiaries prior to the time it was acquired by us in March 2004. Donald Wright serves as an officer of one of our subsidiaries and was a stockholder, and served as a director, of one of our subsidiaries prior to the time it was acquired by us in March 2004. C. Ronald Wright served as an officer and a director of one of our subsidiaries prior to the time that it was acquired by us in March 2004. Messrs. Wright, Wright and Wright are brothers.

(11) Includes 6,674 shares of common stock subject to options that are exercisable within 60 days of this prospectus.

(12) Includes 6,674 shares of common stock subject to options that are exercisable within 60 days of this prospectus.

(13) Mike Rykhus is employed by us and was a stockholder of Double Jack Testing & Services, Inc., which was acquired by us in March 2004.

(14) Ronald D. Austin was a stockholder and served as an officer of one of subsidiaries before it was acquired by us in February 2004.

(15) Darron Anderson served as one of our officers until December 2004.

(16) Includes 6,986 shares of common stock subject to options that are exercisable within 60 days of this prospectus.

(17) Louis Chenault was employed by us as a product manager until May 2005. Mr. Chenault was an owner of Sentry Oil Tools LLC and related companies, which were acquired by us in April 2003.

(18) Russel Doerr was employed by us as a manager until July 2005. Mr. Doerr was an owner of Sentry Oil Tools LLC and related companies, which were acquired by us in April 2003.

(19) David Yager serves as a consultant for us. Alessandra Predolin is the spouse of Mr. Yager.

(20) Includes 21,518 shares of common stock subject to options that are exercisable within 60 days of this prospectus.

(21) Thomas P. Burke serves as one of our officers.

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(22) Includes 41,715 shares of common stock subject to options that are exercisable within 60 days of this prospectus and 29,556 shares of restricted stock subject to forfeiture provisions.

(23) Amegy Bank National Association is a lender and provider of commercial bank services to us. Amegy has identified itself as an affiliate of a registered broker-dealer and has represented to us that it acquired its common stock in the ordinary course of business and, at the time of the purchase of the common stock, it had no agreements or understandings, directly or indirectly, with any person to distribute the common stock.

(24) Eric Tanzberger served as one of our officers until June 2005.

(25) Jose Bayardo serves as one of our officers.

(26) Includes 17,783 shares of common stock subject to options that are exercisable within 60 days of this prospectus.

(27) Marvin Gregory is employed by us and was a stockholder of Parchman Energy Group, Inc. prior to the time it was acquired by us.

(28) Includes 3,272 shares of restricted stock subject to forfeiture restrictions.

(29) Kevin Medlin was employed by us until July 2005 and was a stockholder of Parchman Energy Group, Inc. prior to the time it was acquired by us.

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DESCRIPTION OF OUR CAPITAL STOCK

Our authorized capital stock consists of 200,000,000 shares of common stock, par value $.01 per share, and 5,000,000 shares of preferred stock, par value $.01 per share. As of March 31, 2006, we had 57,519,752 shares of common stock outstanding, including 771,297 shares of restricted stock. The shares of restricted stock have voting rights, rights to receive dividends and are subject to certain forfeiture restrictions.

Common Stock

As of March 31, 2006, there were approximately 140 holders of our common stock. Holders of our common stock are entitled to one vote per share on all matters to be voted upon by our stockholders. Because holders of our common stock do not have cumulative voting rights, the holders of a majority of the shares of our common stock can elect all of the members of the board of directors standing for election, subject to the rights, powers and preferences of any outstanding series of preferred stock. Subject to the rights and preferences of any preferred stock that we may issue in the future, the holders of our common stock are entitled to receive:

- dividends as may be declared by our board of directors; and
- all of our assets available for distribution to holders of our common stock in liquidation, pro rata, based on the number of shares held.

There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our common stock are fully paid and non-assessable.

Preferred Stock

Subject to the provisions of our certificate of incorporation and legal limitations, our board of directors has the authority, without further vote or action by our stockholders:

- to issue up to 5,000,000 shares of preferred stock in one or more series; and
- to fix the rights, preferences, privileges and restrictions of our preferred stock, including provisions related to dividends, conversion, voting, redemption, liquidation and the number of shares constituting the series or the designation of that series, which may be superior to those of our common stock.

There were no shares of preferred stock outstanding as of March 31, 2006, and we have no present plans to issue any preferred stock.

The issuance of shares of preferred stock by our board of directors as described above may adversely affect the rights of the holders of our common stock. For example, preferred stock may rank prior to our common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of our common stock. The issuance of shares of preferred stock may discourage third-party bids for our common stock or may otherwise adversely affect the market price of our common stock. In addition, the preferred stock may enable our board of directors to make more difficult or to discourage attempts to obtain control of our company through a hostile tender offer, proxy contest, merger or otherwise, or to make changes in our management.

Anti-Takeover Provisions of Our Certificate of Incorporation and Bylaws

Our certificate of incorporation and bylaws contain several provisions that could delay or make more difficult the acquisition of us through a hostile tender offer, open market purchases, proxy contest, merger or other takeover attempt that a stockholder might consider in his or her best interest, including those attempts that might result in a premium over the market price of our common stock.

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Written Consent of Stockholders

Our certificate of incorporation provides that, on and after the date when SCF ceases to own a majority of the shares of our outstanding securities entitled to vote in the election of directors, any action by our stockholders must be taken at an annual or special meeting of stockholders, and stockholders cannot act by written consent. Until that date, any action required or permitted to be taken by our stockholders may be taken at a duly called meeting of stockholders or by the written consent of stockholders owning the minimum number of shares required to approve the action.

Special Meetings of Stockholders

Subject to the rights of the holders of any series of preferred stock, our bylaws provide that special meetings of the stockholders may only be called by the chairman of the board of directors or by the resolution of our board of directors approved by a majority of the total number of authorized directors. No business other than that stated in our notice may be transacted at any special meeting.

Advance Notice Procedure for Director Nominations and Stockholder Proposals

Our bylaws provide that adequate notice must be given to nominate candidates for election as directors or to make proposals for consideration at annual meetings of our stockholders. For nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have delivered a written notice to the secretary of our company at our principal executive offices not earlier than the close of business on the 120th calendar day prior to the first anniversary of the date of the preceding year s annual meeting nor later than the close of business on the 90th calendar day prior to the first anniversary of the date of the preceding year s annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 70 calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting nor later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement, if any, of the date of such meeting is first made by us.

Nominations of persons for election to our board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to our notice of meeting (i) by or at the direction of our board of directors, or (ii) by any stockholder of our company who is a stockholder of record at the time of the giving of notice of the meeting, who is entitled to vote at the meeting and who complies with the notice procedures set forth in our bylaws. In the event we call a special meeting of stockholders for the purpose of electing one or more directors to our board of directors, any stockholder may nominate a person or persons (as the case may be) for election to such position(s) if the stockholder provides written notice to the secretary of our company at our principal executive offices not earlier than the close of business on the 120th calendar day prior to such special meeting, nor later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement, if any, is first made of the date of the special meeting and of the nominees proposed by our board of directors to be elected at such meeting.

These procedures may operate to limit the ability of stockholders to bring business before a stockholders meeting, including the nomination of directors and the consideration of any transaction that could result in a change in control and that may result in a premium to our stockholders.

Classified Board of Directors

Our certificate of incorporation divides our directors into three classes serving staggered three-year terms. As a result, stockholders will elect approximately one-third of the board of directors each year. This provision, when coupled with the provision of our restated certificate of incorporation authorizing only the board of directors to fill vacant or newly created directorships or increase the size of the board of directors and the provision providing that directors may only be removed for cause, may deter a stockholder from

gaining control of our board of directors by removing incumbent directors or increasing the number of directorships and simultaneously filling the vacancies or newly created directorships with its own nominees.

Renouncement of Business Opportunities

SCF has investments in other oilfield service companies that may compete with us, and SCF and its affiliates, other than us, may invest in other such companies in the future. We refer to SCF, 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:

- 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; or
- any business opportunity that is identified by the SCF group solely through the disclosure of information by or on behalf of us.

Thus, for example, members of the SCF group may pursue opportunities in the oilfield services industry for their own account or present such opportunities to SCF s other portfolio companies. Our certificate of incorporation provides that the SCF group has no obligation to offer such opportunities to us, even if the failure to provide such opportunity would have a competitive impact on us. We are not prohibited from pursuing any business opportunity with respect to which we have renounced any interest.

Amendment of the Bylaws

Our board of directors may amend or repeal the bylaws and adopt new bylaws by the affirmative vote of a majority of the total number of authorized directors. The holders of common stock may amend or repeal the bylaws and adopt new bylaws by a majority vote at any annual meeting or special meeting for which notice of the proposed amendment, repeal or adoption was contained in the notice for such special meeting.

Limitation of Liability of Directors

Our directors will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except, if required by Delaware law, for liability:

- for any breach of the duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;
- for unlawful payment of a dividend or unlawful stock purchases or redemptions; or
- for any transaction from which the director derived an improper personal benefit.

As a result, neither we nor our stockholders have the right, through stockholders derivative suits on our behalf, to recover monetary damages against a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior, except in the situations described above.

Delaware Takeover Statute

Under the terms of our certificate of incorporation and as permitted under Delaware law, we have elected not to be subject to Delaware s anti-takeover law in order to give our significant stockholders, including SCF, greater flexibility in transferring their shares of our common stock. This law provides that specified persons who, together with affiliates and associates, own, or within three years did own, 15% or more of the outstanding voting stock of a corporation could not engage in specified business combinations with the corporation for a period of three years after the date on which the person became an interested stockholder. The law defines the term business combination to encompass a wide variety of transactions with or caused by an interested stockholder, including mergers, asset sales and other transactions in which

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the interested stockholder receives or could receive a benefit on other than a pro rata basis with other stockholders. With the approval of our stockholders, we may amend our certificate of incorporation in the future to become governed by the anti-takeover law. This provision would then have an anti-takeover effect for transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our common stock. By opting out of the Delaware anti-takeover law, a transferee of SCF could pursue a takeover transaction that was not approved by our board of directors.

Stockholders Agreement

Complete and the existing stockholders are parties to a stockholders agreement (the Stockholders Agreement).

Management Rights

As long as SCF owns 20% or more of our outstanding common stock, we have agreed to take all action within our power required to cause the board of directors at all times to include at least two members designated by SCF and so long as SCF owns 5% or more, at least one member designated by SCF.

Demand Registration Rights

Under the Stockholders Agreement, from and after 180 days following this offering, SCF has the right to demand on five occasions, and Non-SCF stockholders holding at least 50% of our unregistered common stock not held by SCF have the right to demand on one occasion, that we register all or any portion of their registrable securities so long as the registrable securities proposed to be sold on an individual registration statement have an aggregate gross offering price of at least $20 million, unless we otherwise agree to a lesser amount (a Demand Registration). Holders of registrable securities may not require us to effect more than one Demand Registration in any six-month period. After such time that we become eligible to use Form S-3 (or comparable form) for the registration under the Securities Act of any of its securities, any demand request by SCF with a reasonably anticipated aggregate offering price of $100 million may be for a shelf registration statement pursuant to Rule 415 under the Securities Act.

Piggyback Registration Rights

If we propose to file a registration statement under the Securities Act relating to an offering of our common stock, subject to certain exceptions, upon the written request of holders of registrable securities, we will use our commercially reasonable efforts to include in such registration, and any related underwriting, all of the registrable securities included in such requests, subject to customary cutback provisions.

Registration Procedures and Expenses

The Stockholders Agreement contains customary procedures relating to underwritten offerings and the filing of registration statements. We have agreed to pay all registration expenses incurred in connection with any registration, including all registration, qualification and filings fees, printing expenses, accounting fees, escrow fees, legal fees of our company, reasonable fees of one counsel to the holders of registrable securities, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration. All underwriting discounts and selling commissions and stock transfer taxes applicable to securities registered by holders and fees of counsel to any such holder (other than as described above) will be payable by holders of registrable securities.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is Wells Fargo Shareowner Services.

Listing

Our common stock has been approved for listing on the NYSE, subject to official notice of issuance, under the symbol CPX.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. The market price of our common stock could drop due to sales of a large number of shares of our common stock or the perception that these sales could occur. These factors also could make it more difficult to raise funds through future offerings of common stock.

After this offering, 70,519,755 shares of common stock will be outstanding. Of these shares, the shares sold in this offering, including any shares sold pursuant to the underwriters over-allotment option, will be freely tradable without restriction under the Securities Act of 1933, as amended (Securities Act), except for any shares purchased by one of our affiliates as defined in Rule 144 under the Securities Act. All of our other outstanding shares of common stock will be restricted securities within the meaning of Rule 144 under the Securities Act or subject to lock-up arrangements.

The restricted securities generally may not be sold unless they are registered under the Securities Act or are sold under an exemption from registration, such as the exemption provided by Rule 144 under the Securities Act. After this offering, the holders of shares of our common stock prior to this offering will have rights, subject to some limited conditions, to demand that we include their shares in registration statements that we file on their behalf, on our behalf or on behalf of other stockholders. By exercising their registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline. Furthermore, if we file a registration statement to offer additional shares of our common stock and have to include shares held by those holders, it could impair our ability to raise needed capital by depressing the price at which we could sell our common stock. For a description of the registration rights held by our stockholders, please see Description of Our Capital Stock Stockholders Agreement.

Our officers and directors and the selling stockholders will enter into lock-up agreements described in Underwriting.

As restrictions on resale end, the market price of our common stock could drop significantly if the holders of these restricted shares sell them, or are perceived by the market as intending to sell them.

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 exercise of unexercised options or the expiration or waiver of vesting conditions for restricted stock and the expiration of lock-ups that we and our stockholders have entered into, shares registered under these registration statements on Form S-8 will be available for resale immediately in the public market without restriction.

Rule 144

In general, beginning 90 days after the date of this prospectus, under Rule 144 as currently in effect, any person (or persons whose shares are aggregated), including an affiliate, who has beneficially owned shares for a period of at least one year is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of common stock; and
- the average weekly trading volume in the common stock on the NYSE during the four calendar weeks immediately preceding the date on which the notice of the sale on Form 144 is filed with the SEC.

Sales under Rule 144 are also subject to other provisions relating to notice and manner of sale and the availability of current public information about us.

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Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell the shares without complying with the manner of sale, public information, volume limitation or notice provision of Rule 144.

Rule 701

In general, under Rule 701 under the Securities Act as currently in effect, any of our employees, consultants or advisors who purchased or received shares from us in connection with a compensatory stock or option plan or other written agreement in a transaction that was completed in reliance on Rule 701 and complied with the requirements of Rule 701 is eligible to resell such shares beginning 90 days after the date of this prospectus in reliance on Rule 144, but without compliance with most of its restrictions, including the holding period, contained in Rule 144.

PRINCIPAL U.S. FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS OF COMMON STOCK

The following is a general discussion of the principal U.S. federal income and estate tax consequences of the ownership and disposition of our common stock applicable to Non-U.S. Holders. For purposes of this discussion, a Non-U.S. Holder is any beneficial owner of our common stock that is not:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxed as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust, or a trust in existence on August 20, 1996 that has elected to continue to be treated as a United States person (as defined for U.S. federal income tax purposes).

In the case of shares of our common stock held by a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes), the tax treatment of a partner generally will depend upon the status of the partner as a Non-U.S. Holder and the activities of the partnership. An individual may be treated as a resident of the United States for federal income tax purposes with respect to a calendar year if the individual is present in the United States on at least 31 days in that calendar year and at least 183 days during that calendar year and the two preceding calendar years (counting, for this purpose, each day present in the first preceding year as 1/3 of a day and each day present in the second preceding year as 1/6 of a day). Residents are taxed for U.S. federal income tax purposes as if they were U.S. citizens.

This discussion is based on current provisions of the Internal Revenue Code, Treasury Regulations promulgated under the Internal Revenue Code, judicial opinions, published positions of the Internal Revenue Service, and other applicable authorities, all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income and estate taxation or any aspects of state, local, or non-U.S. taxation, nor does it consider any specific facts or circumstances that may apply to particular Non-U.S. Holders that may be subject to special treatment under the U.S. federal tax laws, such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, regulated investment companies, real estate investment trusts, and certain former citizens or former long-term residents of the United States. This discussion does not address special tax rules that may apply to a Non-U.S. Holder that holds our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment, and assumes that a Non-U.S. Holder holds our common stock as a capital asset.

Each Non-U.S Holder is urged to consult a tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of our common stock.

Dividends

Distributions on our common stock generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. In general, dividends paid to a Non-U.S. Holder of our common stock that are not effectively connected with the conduct of a trade or business in the United States will be subject to U.S. withholding tax at a rate of 30% of the gross amount, or a lower rate prescribed by an applicable income tax treaty. In order to claim a reduced rate of withholding tax under an applicable income tax treaty, a Non-U.S. Holder must certify its eligibility by filing Internal Revenue Service Form W-8BEN. In the case of common stock held by a foreign partnership, the certification generally is

applied to the partners of the partnership, unless the partnership agrees to become a withholding foreign partnership and to provide eligibility information to the Internal Revenue Service.

Dividends that are effectively connected with a Non-U.S. Holder s conduct of a trade or business in the United States (and, if an income tax treaty applies, that are attributable to the Non-U.S. Holder s permanent establishment in the United States) are taxed on a net income basis at the regular graduated rates generally in the manner applicable to U.S. persons. Such dividends are not subject to U.S. withholding tax if the Non-U.S. Holder files Internal Revenue Service Form W-8ECI. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30%, or such lower rate as may be specified by an applicable income tax treaty, on the repatriation from the United States of its earnings and profits effectively connected with its U.S. trade or business.

A Non-U.S. Holder of our common stock that is eligible for a reduced rate of U.S. withholding tax under a tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

Gain on Disposition of Common Stock

In general, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale, exchange, redemption, retirement or other disposition of shares of our common stock so long as:

- the gain is not effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Holder (or, if an income tax treaty applies, is not attributable to the Non-U.S. Holder s permanent establishment in the United States);

- if the Non-U.S. Holder is an individual, the Non-U.S. Holder either is not present in the United States for 183 days or more in the taxable year of disposition or does not have a tax home in the United States for U.S. federal income tax purposes and meets certain other requirements;

- the Non-U.S. Holder is not subject to tax under the provisions of the Internal Revenue Code regarding the taxation of certain former citizens or former long-term residents of the United States; and

- we are not and have not been a U.S. real property holding corporation for U.S. federal income tax purposes at any time during the shorter of the Non-U.S. Holder s holding period of our common stock and the five-year period ending on the date of disposition.

Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests equals or exceeds 50% of the fair market value of its worldwide real property and its other assets used or held for use in a trade or business. We believe that we are not currently, and we do not anticipate becoming in the future, a U.S. real property holding corporation.

Certain U.S. Federal Estate Tax Consequences

Common stock owned or treated as owned by an individual who is not a citizen or resident (as defined for U.S. federal estate tax purposes) of the United States at the time of death will be includible in the individual s gross estate for U.S. federal estate tax purposes and therefore may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Dividends paid to you may be subject to information reporting and U.S. backup withholding tax (at a rate of 28%). If you are a Non-U.S. Holder you will be exempt from backup withholding if you provide a Form W-8BEN certifying that you are a Non-U.S. Holder or you otherwise meet documentary evidence requirements for establishing that you are a Non-U.S. Holder, or you otherwise establish an exemption.

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The gross proceeds from the disposition of our common stock may be subject to information reporting and U.S. backup withholding tax. If you sell your common stock outside the United States through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States, information reporting and backup withholding generally will not apply to that payment. However, information reporting, but not backup withholding, will generally apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your common stock through a non-U.S. office of a broker that is:

- a U.S. person;
- a controlled foreign corporation for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from a specified period is effectively connected with the conduct of a U.S. trade or business; or
- a foreign partnership if at any time during its tax year either (i) one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interests in the partnership, or (ii) the foreign partnership is engaged in a U.S. trade or business,

unless the broker has documentary evidence in its files that you are a Non-U.S. Holder and certain other conditions are met, or you otherwise establish an exemption.

If you receive payments of the proceeds of a sale of our common stock to or through a U.S. office of a broker, the payment is subject to both U.S. backup withholding tax and information reporting unless you provide a Form W-8BEN certifying that you are a Non-U.S. Holder, or you otherwise establish an exemption.

Backup withholding is not an additional tax. You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability by timely filing a properly completed refund claim with the U.S. Internal Revenue Service.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2006, we and the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC and UBS Securities LLC are acting as representatives, the following respective number of shares of our common stock:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
UBS Securities LLC	
Banc of America Securities LLC	
Jefferies & Company, Inc.	
Johnson Rice & Company L.L.C.	
Raymond James & Associates, Inc.	
Simmons & Company International	
Pickering Energy Partners, Inc.	
Total	21,700,000

The underwriting agreement provides that the underwriters are obligated to purchase all of the shares of our common stock in this offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of the non-defaulting underwriters may be increased or this offering may be terminated.

The selling stockholders have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 3,255,000 additional outstanding shares from the selling stockholders at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $ per share. The underwriters and selling group members may allow a discount of $ per share on sales to other broker/ dealers. After the initial public offering, the representatives may change the public offering price and concession and discount to broker/ dealers.

The following table summarizes the compensation and estimated expenses we and the selling stockholders will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting discounts and commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$
Underwriting discounts and commissions paid by selling stockholders	$	$	$	$

We estimate that our out-of-pocket expenses for this offering will be approximately $3,350,000.

The representatives have informed us that the underwriters do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of common stock being offered.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of

our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse Securities (USA) LLC and UBS Securities LLC for a period of 180 days after the date of this prospectus, except with respect to common stock issued or issuable pursuant to stock options outstanding on the date of this prospectus, common stock contingently issuable under existing acquisition contracts, common stock, not to exceed 10,500,000 shares, issued in connection with future acquisitions subject to the same 180-day restriction on resales, common stock and other stock-based awards issued or issuable pursuant to our stock incentive plans and the filing of a registration statement on Form S-8 relating to common stock issued or issuable pursuant to stock options outstanding on the date of this prospectus and common stock and other stock-based awards issued or issuable pursuant to our stock incentive plans. However, in the event that either (1) during the last 17 days of the lock-up period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, then in either case the expiration of the lock-up will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC and UBS Securities LLC waive, in writing, such an extension.

Our officers and directors, the selling stockholders and certain other persons have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and UBS Securities LLC for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the lock-up period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, then in either case the expiration of the lock-up will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC and UBS Securities LLC waive, in writing, such an extension.

The underwriters have reserved for sale at the initial public offering price up to 5% of the total shares of our common stock offered hereby (excluding any shares to be sold pursuant to the over-allotment option)for employees, directors and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We and the selling stockholders have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol CPX .

Some of the underwriters and their affiliates have engaged in transactions with, and performed commercial and investment banking financial advisor or lending services for, us and our affiliates from time to time, for which they have received customary compensation and may do so in the future. Affiliates of UBS Securities LLC are arrangers and agents under our credit facility and receive fees customary for

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performing these services and interest on such. In addition, a portion of the net proceeds from this offering may be used to repay a portion of our revolving credit facility and term loan facility, in which case lenders under such facilities, including affiliates of some of the underwriters, will receive their proportionate share of the net proceeds (consisting of less than 10% of such proceeds) used to repay such debt.

Prior to this offering, there has been no public market for our common stock. The initial public offering price for our common stock will be determined by negotiation between us and the underwriters. The principal factors to be considered in determining the initial public offering price include the following:

- the information included in this prospectus and otherwise available to the underwriters;
- market conditions for initial public offerings;
- the history of and prospects for our business and our past and present operations;
- the history of and prospects for the industry in which we compete;
- our past and present earnings and current financial position;
- an assessment of our management;
- the market of securities of companies in businesses similar to ours; and
- the general condition of the securities markets.

The initial public offering price may not correspond to the price at which our common stock will trade in the public market subsequent to this offering, and an active trading market may not develop and continue after this offering.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over- allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas and certain legal matters in connection with this offering will be passed upon for the underwriters by Baker Botts L.L.P., Houston, Texas.

EXPERTS

The consolidated financial statements of Complete Production Services, Inc. and subsidiaries as of December 31, 2005 and 2004 and for the years then ended included in this prospectus and elsewhere in the registration statement have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Complete Production Services, Inc. and subsidiaries for the year ended December 31, 2003, have been included herein and in the registration statement in reliance upon the report of KPMG LLP (KPMG), independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

Complete Production Services, Inc. has agreed to indemnify and hold KPMG harmless against and from any and all legal costs and expenses incurred by KPMG in the successful defense of any legal action or proceeding that arises as a result of KPMG s consent to the inclusion of its audit reports on the Company s past financial statements included in this registration statement.

The combined financial statements of BSI Companies, a predecessor of Complete Production Services, Inc., as of November 6, 2003 and December 31, 2002 and for the period from January 1, 2003 through November 6, 2003 and for the year ended December 31, 2002, included in this prospectus and elsewhere in the registration statement have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

The combined financial statements of I.E. Miller Companies, a predecessor of Complete Production Services, Inc., as of August 31, 2004 and for the eleven month period ended August 31, 2004 included in this prospectus and elsewhere in the registration statement have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

The combined financial statements of I.E. Miller Companies, a predecessor of Complete Production Services, Inc., as of September 30, 2003 and for the year ended September 30, 2003 have been included

herein and in the registration statement in reliance upon the report of Darnall, Sikes & Frederick, independent public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Oil Tool Rentals, Inc., an acquired entity of a predecessor of Complete Production Services, Inc., as of September 30, 2004, December 31, 2003 and December 31, 2002 and for the periods then ended, and the financial statements of Hamm Co., an acquired entity of a predecessor of Complete Production Services, Inc., as of September 30, 2004 and December 31, 2003 and for the respective nine-month and year periods then ended, have been included herein and in the registration statement in reliance upon the reports of BKD LLP, independent registered public accountants, appearing elsewhere in this prospectus, given upon the authority of said firm as experts in accounting and auditing.

The financial statements of Big Mac Tank Trucks LLC, an acquired entity of Complete Production Services, Inc., as of October 31, 2005 and December 31, 2004 and for the ten months and year then ended, included in this prospectus and elsewhere in the registration statement have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

The financial statements of Hyland Enterprises Inc., an acquired entity of Complete Production Services, Inc., as of August 31, 2004 and February 29, 2004, and for the six months ended August 31, 2004 and the year ended February 29, 2004, included in this prospectus and elsewhere in the registration statement have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

The financial statements of Monument Well Service, Inc., an acquired entity of Complete Production Services, Inc., as of April 30, 2004 and December 31, 2003, and for the four months ended April 30, 2004 and the year ended December 31, 2003, included in this prospectus and elsewhere in the registration statement have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 regarding the common stock offered by this prospectus. This prospectus does not contain all of the information found in the registration statement. For further information regarding us and the common stock offered in this prospectus, you may desire to review the full registration statement, including its exhibits. The registration statement, including the exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at prescribed rates, or accessed at the SEC s website on the Internet at *www.sec.gov.* Please call the SEC at 1-800-SEC-0330 for further information on its public reference room. In addition, our future public filings can also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

Following the completion of this offering, we will file with or furnish to the SEC periodic reports and other information. These reports and other information may be inspected and copied at the public reference facilities maintained by the SEC or obtained from the SEC s website as provided above. Our website on the Internet is located at *www.completeproduction.com*, and we expect to make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to

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the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus. You may also request a copy of these filings at no cost, by writing or telephoning us at the following address: Complete Production Services, Inc., Attention: Chief Financial Officer, 11700 Old Katy Road, Suite 300, Houston, Texas 77079, (281) 372-2300.

We intend to furnish or make available to our stockholders annual reports containing our audited financial statements prepared in accordance with GAAP. We also intend to furnish or make available to our stockholders quarterly reports containing our unaudited interim financial information, including the information required on a Quarterly Report on Form 10-Q, for the first three fiscal quarters of each fiscal year.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Complete Production Services, Inc.:

We have audited the accompanying consolidated balance sheets of Complete Production Services, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, comprehensive income, stockholders equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of Integrated Production Services, Inc., which financial statements reflect total assets constituting 35 percent as of December 31, 2004 and total revenues constituting 38 percent for the year ended December 31, 2004 of the related consolidated totals. Those consolidated financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Integrated Production Services, Inc., is based solely on the accompanying report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Complete Production Services, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP
Houston, Texas
March 17, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Complete Energy Services, Inc.:

We have audited the accompanying consolidated balance sheet of Complete Energy Services, Inc. and subsidiaries as of December 31, 2003, and the related consolidated statements of earnings, shareholder s equity and cash flows for the period from inception (November 7, 2003) through December 31, 2003 (not presented separately herein). These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Complete Energy Services, Inc. and subsidiaries as of December 31, 2003, and the consolidated results of their operations and their consolidated cash flows for the period from inception (November 7, 2003) through December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP
Houston, Texas
September 28, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Complete Production Services, Inc.:

We have audited the accompanying consolidated statements of operations, comprehensive income, stockholders equity and cash flows of Complete Production Services, Inc. and subsidiaries for the year ended December 31, 2003. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the consolidated financial statements of Complete Energy Services, Inc., which financial statements reflect total revenues constituting 10 percent for the period from its formation on November 7, 2003 to December 31, 2003 of the consolidated total. Those consolidated financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Complete Energy Services, Inc., is based solely on the accompanying report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Complete Production Services, Inc. and subsidiaries for the year ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
Calgary, Canada
September 30, 2005
(except as to notes 1 and 12(b),
which are as of January 17, 2006)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Integrated Production Services, Inc.:

We have audited the consolidated balance sheet of Integrated Production Services, Inc. and subsidiaries as of December 31, 2004, and the related consolidated statements of earnings, comprehensive income, stockholders equity and cash flows for the year then ended (not presented separately herein). These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Integrated Production Services, Inc. and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
Calgary, Canada
April 8, 2005
(except as to note 18, which is as of August 19, 2005)

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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Balance Sheets
December 31, 2005 and 2004

	2005	2004
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,405	$ 11,547
Trade accounts receivable, net	167,395	85,801
Inventory	41,290	21,910
Prepaid expenses	25,404	5,825
Deferred tax asset	1,992	870
Total current assets	247,486	125,953
Property, plant and equipment, net	384,580	235,211
Intangible assets, net	4,967	4,073
Deferred financing costs, net	2,048	4,467
Goodwill	298,297	145,449
Other long-term assets	275	
Total assets	$ 937,653	$ 515,153
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Bank operating loans	$	$ 21,745
Current maturities of long-term debt	5,953	28,493
Convertible debentures		4,150
Accounts payable	50,693	27,688
Accrued liabilities	40,972	18,848
Unearned revenue	6,407	
Notes payable	14,985	2,735
Taxes payable	1,193	1,081
Total current liabilities	120,203	104,740
Long-term debt	509,990	169,190
Deferred income taxes	54,334	26,225
Minority interest	2,365	42,918
Total liabilities	686,892	343,073
Commitments and contingencies		
Stockholders equity:		
Common stock, $0.01 par value per share, 200,000,000 shares authorized, 55,531,510 issued (2004 - 38,895,220 issued to controlling stockholders)	555	389
Treasury stock, at cost	(202)	

Additional paid-in capital	220,786	143,147
Retained earnings	16,885	14,799
Deferred compensation	(3,803)	(752)
Accumulated other comprehensive income	16,540	14,497
Total stockholders equity	250,761	172,080
Total liabilities and stockholders equity	$ 937,653	$ 515,153

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Operations
Years Ended December 31, 2005, 2004 and 2003

	2005	2004	2003
	(In thousands, except per share data)		
Revenue:			
Service	$ 639,421	$ 239,427	$ 67,732
Product	118,305	81,320	35,547
	757,726	320,747	103,279
Service expenses	393,856	157,540	47,329
Product expenses	87,538	58,633	25,795
Selling, general and administrative expenses	111,754	46,077	16,591
Depreciation and amortization	48,840	21,616	7,648
Write-off of deferred financing fees	3,315		
Income before interest, taxes and minority interest	112,423	36,881	5,916
Interest expense	24,461	7,471	2,687
Income before taxes and minority interest	87,962	29,410	3,229
Taxes	33,716	10,821	1,506
Income before minority interest	54,246	18,589	1,723
Minority interest	384	4,705	247
Net income	$ 53,862	$ 13,884	$ 1,476
Earnings per share:			
Basic	$ 1.16	$ 0.47	$ 0.11
Diluted	$ 1.06	$ 0.46	$ 0.10
Weighted average shares:			
Basic	46,603	29,548	13,675
Diluted	50,656	30,083	14,109

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2005, 2004 and 2003

	2005	2004	2003
	(In thousands)		
Net income	$ 53,862	$ 13,884	$ 1,476
Change in cumulative translation adjustment	2,043	4,034	10,143
Comprehensive income	$ 55,905	$ 17,918	$ 11,619

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Stockholders Equity
Years Ended December 31, 2005, 2004 and 2003

	No. of Shares	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income	Total
	(In thousands, except share amounts)							
Balance at December 31, 2002	12,278,020	$ 123	$ 65,380		$ (561)		$ 320	$ 65,262
Net income					1,476			1,476
Cumulative translation adjustment							10,143	10,143
Issuance of common stock:								
Acquisition of CES	7,881,600	79	19,921					20,000
Other acquisitions	147,498	1	839					840
Exercise of options	56,190		320					320
For cash	12,866		73					73
Repurchase of common stock	(27,774)		(158)					(158)
Balance at December 31, 2003	20,348,400	203	86,375		915		10,463	97,956
Net income					13,884			13,884
Cumulative translation adjustment							4,034	4,034
Issuance of common stock:								
Acquisition of IEM	3,882,000	39	9,961					10,000
Other acquisitions	533,454	5	3,036					3,041
Exercise of options	81,180	1	184					185
For cash	656,568	7	1,753					1,760
Exercise of warrants	13,393,618	134	40,861					40,995
Issuance of restricted stock			977			(977)		
Amortization of deferred compensation						225		225

Balance at December 31, 2004	38,895,220	389	143,147		14,799	(752)	14,497	172,080
Net income					53,862			53,862
Cumulative translation adjustment							2,043	2,043
Issuance of common stock:								
Acquisition of Parchman	2,655,336	27	16,861					16,888
Acquisition of Spindletop	90,364		1,053					1,053
Exercise of warrants	2,048,526	20	9,980					10,000
For cash	136,376	1	1,403					1,404
Exercise of stock options	15,082		79					79
Purchase of warrants			(256)					(256)
Stock compensation	16,096		187					187
Noncash compensation-options			230					230
Issuance of restricted stock	153,736	2	4,616			(4,618)		
Amortization of deferred compensation						1,747		1,747
Purchase of minority interest	11,556,344	116	138,604			(180)		138,540
Dividend paid			(95,118)		(51,776)			(146,894)
Repurchase of common stock	(35,570)			(202)				(202)
Balance at December 31, 2005	55,531,510	$ 555	$ 220,786	$ (202)	$ 16,885	$ (3,803)	$ 16,540	$ 250,761

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2005, 2004 and 2003

	2005	2004	2003
		(In thousands)	
Cash provided by (used in):			
Operating activities:			
Net income (loss)	$ 53,862	$ 13,884	$ 1,476
Items not affecting cash:			
Depreciation and amortization	48,840	21,616	7,648
Deferred income taxes (benefit)	17,993	9,267	728
Write-off of deferred financing fees	3,315		
Minority interest	384	4,705	247
Noncash compensation expense	1,984		
Other noncash items	2,451	(44)	125
Net change in working capital	(52,402)	(14,806)	3,741
	76,427	34,622	13,965
Financing activities:			
Issuances of long-term debt	741,599	121,639	35,878
Repayments of long-term debt	(464,605)	(9,859)	(7,275)
Net borrowings (repayments) under lines of credit	(19,603)	32,500	6,429
Proceeds from issuances of common stock	12,267	16,611	21,075
Repayment of convertible debenture	(4,069)		
Repurchase of common stock/warrants	(458)		
Issuances (repayments) of notes payable	(1,690)	376	(18)
Dividends paid	(146,894)		
Deferred financing costs	(4,408)	(3,637)	(808)
	112,139	157,630	55,281
Investing activities:			
Business acquisitions, net of cash acquired	(67,689)	(139,362)	(54,798)
Additions to property, plant and equipment	(125,142)	(46,904)	(11,084)
Proceeds on disposal of other assets	4,473	489	652
Additions to intangible assets		(999)	(984)
	(188,358)	(186,776)	(66,214)
Effect of exchange rate changes on cash	(350)	(23)	(58)
Change in cash and cash equivalents	(142)	5,453	2,974
Cash and cash equivalents, beginning of year	11,547	6,094	3,120
Cash and cash equivalents, end of year	$ 11,405	$ 11,547	$ 6,094

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2005, 2004 and 2003
(In thousands, except share and per share data)

1. Significant accounting policies:

Complete Production Services, Inc. (Complete or the Company) is a provider of specialized services and products focused on developing hydrocarbon reserves, reducing operating costs and enhancing production for oil and gas companies. The Company focuses on basins within North America and delivers targeted services and products required by its customers within each specific basin. The Company manages its operations from regional field service facilities located throughout the U.S. Rocky Mountain region, Texas, Oklahoma, Louisiana, western Canada and Mexico. The Company also has offices in Southeast Asia from which it delivers products to international oil and gas customers. Complete s business depends, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of natural gas or oil, which could have a material impact on exploration, development and production activities, also could materially affect our financial position, results of operations and cash flows.

On September 12, 2005, the Company completed the combination (Combination) of Complete Energy Services, Inc. (CES), Integrated Production Services, Inc. (IPS) and I.E. Miller Services, Inc. (IEM) pursuant to which the CES and IEM shareholders exchanged all of their common stock for common stock of IPS. CES shareholders received 19.704 shares of IPS for each share of CES, and IEM shareholders received 19.410 shares of IPS for each share of IEM. Subsequent to the combination, IPS changed its name to Complete Production Services, Inc. The former CES shareholders owned 57.6% of Complete common shares, IPS shareholders owned 33.2% and the former IEM shareholders owned 9.2%.

The consolidated financial statements include the activities of CES, IPS and IEM for the respective periods and have been prepared using the continuity of interests accounting method, which yields results similar to the pooling of interests method, under which the Company combined entities which were under common control and majority ownership of SCF-IV, L.P. (SCF), a private equity fund that focuses on investments in the energy services segment of the energy industry. Under this method of accounting, the historical financial statements of CES, IPS and IEM were combined for the period January 1, 2005 through September 12, 2005, and for the years ended December 31, 2004 and 2003, in each case from the date each became controlled by SCF (IPS May 22, 2001, CES November 7, 2003, and IEM August 26, 2004). The accounting policies adopted by the Company were the same policies that the predecessor companies employed. IPS was the legal acquirer in the Combination. The minority interest ownership in net income for each year is calculated based upon the percentage of equity ownership not held by SCF in each of CES and IEM. The consolidated financial statements have been adjusted to reduce net income and stockholders equity by the interest of minority stockholders in CES and IEM, as applicable.

The consolidated financial statements of the Company are expressed in U.S. dollars and have been prepared by management in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management s opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Complete Energy Services, Inc.

CES, a Delaware corporation, was formed on November 7, 2003. CES is an integrated wellsite services provider with operations in north and east Texas as well as in the Mid-continent and the Rocky

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Mountain regions of the United States. CES provides a wide range of services to the oil and gas exploration industry, including contract drilling, well servicing, fluid handling, wellsite rentals, materials and supplies and other support services.

These consolidated financial statements include the operations of CES from the date of its incorporation on November 7, 2003.

Integrated Production Services, Inc. (formerly Saber Energy Services, Inc. (Saber))

IPS, a Delaware corporation, was formerly named Saber Energy Services, Inc. On September 18, 2002, an amendment to the certificate of incorporation for Saber was filed with the State of Delaware to change the name of the company from Saber to IPS. Saber was incorporated on May 22, 2001 at which date SCF was its controlling shareholder. Saber entered into a combination agreement with Integrated Production Services Ltd. (IPSL) on September 20, 2002. SCF held an equity interest in IPSL from October 16, 2000 and became the controlling shareholder of IPSL on July 3, 2002. IPS provides a wide range of services and products to the oil and gas industry designed to reduce customers operating costs and increase production from customers hydrocarbon reserves. Services provided include coiled tubing, wireline, production testing and production optimization. Operations are located in western Canada, Texas, Louisiana and Southeast Asia.

These consolidated financial statements include the operations of Saber from the date of its incorporation on May 22, 2001 and the operations of Integrated Productions Services Ltd. (IPSL) from the date of an initial investment by SCF on October 16, 2000, following the continuity of interest method of accounting based on common ownership by SCF.

I.E. Miller Services, Inc.

IEM, a Delaware corporation, was formed on August 26, 2004 to acquire certain businesses that perform land rig moving services in Louisiana and Texas and vacuum truck services in south Louisiana.

These consolidated financial statements include the operations of IEM from the date of its incorporation on August 26, 2004.

(a) Basis of preparation:

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

(b) Foreign currency translation:

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

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(c) Revenue recognition:

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

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

The Company recognizes revenue under service contracts as services are performed. For the year ended December 31, 2005, the Company entered into two separate agreements whereby customers advanced funds totaling $7,400, and the Company agreed to provide contract drilling services. This amount was recorded as a current liability when received. Under this arrangement, a third-party constructed two drilling rigs on the Company s behalf for these customers. The first rig was completed in October 2005, and the second was completed in January 2006. The Company recognizes revenue under this arrangement when the rigs drill for the customers. 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 Complete s revenue recognition policy. The rates charged to the customers are equal to or greater than prevailing marking rates. As revenues are earned, the prepayment liability is offset by billings to the customers. One rig began operating in October 2005, and Complete has recognized revenues totaling $993 under this arrangement in 2005. The other rig began operating in January 2006. Unearned revenue totaled $6,407 at December 31, 2005. The Company expects that the entire portion of the deferred revenue will be earned and recognized by December 31, 2006. The Company had no unearned revenues associated with long-term service contracts as of December 31, 2004 and 2003.

(d) Cash and cash equivalents:

Short-term investments with maturities less than three months are considered to be cash equivalents and are recorded at cost, which approximates fair market value. The Company considers all investments in highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(e) Trade accounts receivable:

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company s best estimate of the amount of probable credit losses in the Company s existing accounts receivable. The Company determines the allowance based on historical write-off experience, account aging and management s assumptions about the oil and gas industry economic cycle. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. All other balances are reviewed on a pooled basis. Account balances are charged off against the allowance after all appropriate means of collection have been exhausted and the potential for recovery is considered remote. Based on its customer base, the Company does not believe that it has any significant concentrations of credit risk other than its concentration in the oil and gas industry. The Company does not have any off balance-sheet credit exposure related to its customers.

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(f) Inventory:

Inventory consisting of finished goods and materials and supplies held for resale is carried at the lower of cost or market. Market is defined as net realizable value for finished goods and as replacement cost for manufacturing parts and materials. Cost, which includes the cost of raw materials and labor for finished goods, is determined on a first-in first-out basis for refurbished parts and an average cost basis for all other inventories.

(g) Property, plant and equipment:

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

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

Asset	**Basis**	**Rate**
Buildings	straight-line	39 years
Field Equipment		
Wireline, optimization and coiled tubing equipment	straight-line	10 years
Gas testing equipment	straight-line	15 years
Drilling rigs	straight-line	20 years
Well-servicing rigs	straight-line	25 years
Office furniture and computers	declining balance	30%
Leasehold improvements	straight-line	5 years
Vehicles and other equipment	straight-line	3 to 10 years

(h) Intangible assets:

Intangible assets, consisting of acquired customer relationships, service marks, non-compete agreements, acquired patents and technology, are carried at cost less accumulated amortization, which is calculated on a straight-line basis over a period of 2 to 10 years depending on the asset s estimated useful life. The weighted average remaining amortization period was approximately 4 years as of December 31, 2005.

(i) Impairment of long-lived assets:

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

The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

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(j) Asset retirement obligations:

In June 2001, SFAS 143, *Accounting for Asset Retirement Obligations,* was issued. SFAS 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The Company also would record a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation would be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company was required to adopt SFAS 143 on January 1, 2003. The adoption of SFAS 143 did not affect the Company s financial statements.

(k) Deferred financing costs:

Deferred financing costs associated with long-term debt are carried at cost and are expensed over the term of the relevant long-term debt.

(l) Goodwill:

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill acquired in a business combination is not amortized, but instead tested for impairment at least annually in the fourth quarter. Under this goodwill impairment test, if the fair value of a reporting unit does not exceed its carrying value, the excess of fair value of a reporting unit over the fair value of its net assets is considered to be the implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, the difference is recognized as an impairment loss. Goodwill was evaluated for impairment at December 31, 2005. Management determined that goodwill was not impaired, and thus no impairment charge has been recorded related to goodwill for the year ended December 31, 2005.

(m) Deferred income taxes:

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

(n) Financial instruments:

The financial instruments recognized in the balance sheet consist of cash and cash equivalents, trade accounts receivable, bank operating loans, accounts payable and accrued liabilities, long-term debt and convertible debentures. The fair value of all financial instruments approximates their carrying amounts due to their current maturities or market rates of interest.

(o) Per share amounts:

The treasury stock method of calculating diluted per share amounts is utilized. This method assumes that any proceeds from the exercise of options and other dilutive instruments where the fair value exceeds the exercise price would be used to purchase common stock at the average fair value during the period.

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(p) Stock-based compensation:

The Company has stock-based compensation plans for its employees, officers and directors to acquire common stock. Options are issued with an exercise price equal to fair value of the stock on the date of grant; consequently, under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* no compensation expense is recorded. Consideration paid on the exercise of stock options is credited to share capital and additional paid-in capital. Pro forma information required by Statement of Financial Accounting Standard (SFAS) No. 123, *Accounting for Stock-Based Compensation,* is noted below. The Company adopted SFAS No. 123R on January 1, 2006. See note 12(e). Restricted shares are awarded at a price equal to fair value and the related compensation expense is charged to income over the vesting period of the restricted stock.

The Company applied the minimum value method prescribed in APB No. 25 in accounting for its stock-based compensation plans. If compensation cost for the Company s stock-based compensation plans had been determined using the fair value approach set forth in SFAS No. 123, the Company s results of operations for the years ended December 31, 2005, 2004 and 2003 would approximate the pro forma amounts below:

	2005	2004	2003
Net income:			
As reported	$ 53,862	$ 13,884	$ 1,476
Add: Compensation expense related to stock-based compensation, net of tax	1,318	42	
Deduct: Impact of stock-based compensation expense determined under fair value method, net of tax	(1,645)	(340)	(202)
Pro forma net income	$ 53,535	$ 13,586	$ 1,274
Basic earnings per share:			
As reported	$ 1.16	$ 0.47	$ 0.11
Pro forma	$ 1.15	$ 0.46	$ 0.09
Diluted earnings per share:			
As reported	$ 1.06	$ 0.46	$ 0.10
Pro forma	$ 1.06	$ 0.45	$ 0.09

The fair value of each stock option award on the grant date was estimated using the minimum value option pricing model with the following fair values and assumptions:

	2005	2004	2003
Weighted average fair value	$ 1.36	$ 0.76	$ 0.92
Assumptions:			
Risk free interest rate	3.8% to 4.9%	4.9%	6%
Dividend yield			
Expected life (in years)	3.0 to 4.5	3.0	3.0

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(q) Research and development:

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

(r) Contingencies:

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

(s) Measurement uncertainty:

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

(t) Comparative figures:

Certain prior year figures have been reclassified to conform to the current year s presentation.

2. Business combinations:

(a) The Combination:

On September 12, 2005, IPS, later renamed Complete Production Services, Inc., acquired all of the interest of the minority stockholders in CES and IEM in conjunction with the Combination. The Combination was accounted for using the continuity of interest method as described in Note 1. The purchase of the interest of the minority stockholders by IPS was accounted for using the purchase method of accounting. The purchase resulted in goodwill of $93,792, which represented the excess of the purchase price over the carrying value of the net assets acquired.

The following table summarizes the acquisition of the interest of minority stockholders of CES and IEM in exchange for shares of the Company s common stock and the elimination of the historical amounts reflected in the combined group:

	CES	IEM	Total
Common stock to minority interest	$ 129,718	$ 13,167	$ 142,885
Minority interest in fair value of net assets acquired	44,565	4,528	49,093
Amount recorded as goodwill	$ 85,153	$ 8,639	$ 93,792

Since this transaction represents the purchase of a minority interest in the combined entity, assets and liabilities were deemed to be recorded at historical cost which approximated fair value. Therefore, the

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Company recorded an increase in additional paid-in capital with a similar increase in goodwill, with no other changes to asset or liability accounts.

(b) Post-Combination Acquisitions (After September 12, 2005):

(i) Spindletop Production Services, Ltd. (Spindletop):

On September 29, 2005, the Company acquired all of the assets of Spindletop, an entity owned by a related party, in a transaction accounted for as a purchase. This business consists of a manufacturing and equipment repair operation located in Gainsville, Texas, which produces completion products to be sold through our supply stores, distributors and direct sales force, with a primary service area of the Barnett Shale region of north Texas. The results of operations for this business were included in the accounts of the Company from the date of acquisition. Goodwill of $613 resulted from the acquisition and was allocated entirely to the product sales segment.

The following table summarizes the preliminary purchase price allocation:

Net assets acquired:		
Non-cash working capital	$	(9)
Property, plant and equipment		686
Goodwill		613
Net assets acquired	$	1,290
Consideration:		
Cash, net of cash and cash equivalents acquired	$	237
Issuance of common stock (90,364 shares)		1,053
Consideration	$	1,290

The price for common shares was based on internal calculations of the fair value for such shares. The purchase price allocation is preliminary and certain items such as acquisition costs, final tax basis and fair values of asset and liabilities as of the acquisition date have not yet been finalized.

(ii) Big Mac Tank Trucks, Inc. and Affiliates (Big Mac):

On November 1, 2005, the Company 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 $40,800 in cash. Big Mac is based in McAlester, Oklahoma, and provides fluid handling services primarily to customers in eastern Oklahoma and western Arkansas. 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. Goodwill of $23,724 resulted from this transaction and was allocated entirely to the completion and production services business segment. The Company has included the operating results of Big Mac in the completion and production services business segment from the date of acquisition. The Company believes that this acquisition provides a platform to enter the eastern Oklahoma market and new Fayetteville Shale play in Arkansas.

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The following table summarizes the preliminary purchase price allocation:

Net assets acquired:		
Non-cash working capital	$	4,833
Property, plant and equipment		11,715
Goodwill		23,724
Net assets acquired	$	40,272
Consideration:		
Cash, net of cash and cash equivalents acquired	$	40,272

(iii) Wolsey Well Service, LP (Wolsey):

On December 15, 2005, the Company acquired the well servicing assets of Wolsey, a well operating company with a fleet of five well servicing rigs based in Bowie, Texas, for $6,500 in cash. Of the total purchase price, $3,500 was allocated to property, plant and equipment. This purchase price allocation has not yet been finalized. Goodwill of $3,000 resulted from this transaction and has been allocated entirely to the completion and production services business segment. The results of operations of Wolsey were included in the completion and production services business segment since the date of acquisition.

The following table provides pro forma information related to the acquisitions of Spindletop, Big Mac and Wolsey, assuming each acquisition occurred on January 1, 2004:

	Pro Forma Results Year Ended December 31,	
	2005	**2004**
	(unaudited)	
Revenues	$ 782,344	$ 350,277
Income before taxes and minority interest	$ 93,752	$ 36,167
Net income	$ 57,322	$ 17,921
Earnings per share:		
Basic	$ 1.23	$ 0.61
Diluted	$ 1.13	$ 0.60

To calculate pro forma amounts, the Company used the audited financial statements of Big Mac for the ten months ended October 31, 2005 and year ended December 31, 2004, and assumed 7% debt service costs to finance the transaction, net of tax effect calculated at the statutory tax rate of 35%. Results for the Spindletop and Wolsey transactions were calculated by annualizing results obtained during the period the assets were held by the Company in 2005 and based on certain management assumptions, adjusted for debt service costs and related tax effect, as described above, for each of the years ended December 31, 2005 and 2004. Although the accounting policies and procedures used to prepare the pro forma results are deemed reasonable by the Company, these pro forma results do not purport to be indicative of the actual results which would have been achieved had the acquisitions been

consummated on January 1, of the respective year, and are not intended to be a projection of future results.

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(c) Pre-Combination 2005 Acquisitions (Before September 12, 2005):

(i) Parchman Energy Group, Inc. (Parchman):

On February 11, 2005, the Company acquired all of the common shares of Parchman in a business combination accounted for as a purchase. Parchman performs coiled tubing services, well testing services, snubbing services and wireline services in Louisiana, Texas, Wyoming and Mexico. The results of operations for Parchman were included in the accounts of the Company from the date of acquisition. In addition, the purchase agreement provides for the issuance of up to 1,000,000 shares of common stock of the Company as contingent consideration over the period from the date of acquisition to December 31, 2005 based on certain operating results of the Company s operations in the United States. See note 20(b). Goodwill of $20,255 resulted from the acquisition and was allocated entirely to the completion and production services segment. Intangible assets included customer relationships and patents that are being amortized over a 3-to-5 year period. The Company awarded 344,664 shares of non-vested restricted common stock to certain former Parchman employees, which will vest over a three-year term. Of these restricted shares, 153,736 shares vested on December 31, 2005. The Company recorded deferred compensation associated with these shares totaling $2,192, of which $731 was expensed during the year ended December 31, 2005.

The following table summarizes the preliminary purchase price allocation:

Net assets acquired:		
Non-cash working capital	$	1,657
Property, plant and equipment		49,975
Intangible assets		459
Goodwill (no tax basis)		20,255
Long-term debt		(32,017)
Deferred income taxes		(8,608)
Net assets acquired	$	31,721
Consideration:		
Cash, net of cash and cash equivalents acquired	$	9,833
Subordinated note		5,000
Issuance of common stock (2,655,336 shares)		16,888
Consideration	$	31,721

The price for common shares was based on internal calculations of the fair value for such shares and consultations with the seller. The purchase price allocation is preliminary and certain items such as acquisition costs, final tax basis and fair values of asset and liabilities as of the acquisition date have not yet been finalized.

(ii) Premier Integrated Technologies (Premier):

On January 1, 2005, the Company acquired a 50% interest in Premier in a business combination accounted for as a purchase. Premier provides optimization services in Alberta, British Columbia and Saskatchewan. The Company consolidates Premier, including results of operations, in the accounts of the Company from the date of acquisition and has recorded the minority interest ownership. Goodwill of $997 resulted from this acquisition and was allocated entirely to the completion and production services segment.

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The following table summarizes the preliminary purchase price allocated to the Company s 50% interest:

Net assets acquired:	
Non-cash working capital	$ 2,390
Property, plant and equipment	2,164
Goodwill	997
Long-term debt	(750)
Minority interest	(1,902)
Net assets acquired	$ 2,899
Consideration:	
Non-cash working capital	$ 1,559
Property, plant and equipment	1,340
Consideration	$ 2,899

The purchase price allocation is preliminary and certain items such as fair value of assets and liabilities as of the acquisition date have not yet been finalized.

(iii) Roustabout Specialties Inc. (RSI):

On July 7, 2005, the Company acquired all of the common shares of RSI in a business combination accounted for as a purchase. RSI is a field services and rental company headquartered in Grand Junction, Colorado, with a primary service area of operation in the Piceance Basin of western Colorado. The results of operations for RSI were included in the accounts of the Company from the date of acquisition. Goodwill of $3,073 resulted from the acquisition and was allocated entirely to the completion and production services segment.

The following table summarizes the preliminary purchase price allocation:

Net assets acquired:	
Non-cash working capital	$ 1,843
Property, plant and equipment	4,900
Goodwill	3,073
Net assets acquired	$ 9,816
Cash consideration, net of cash and cash equivalents acquired	$ 8,656
Issuance of common stock to minority interest (136,444 shares)	1,160
Total	$ 9,816

The price for common shares was based on internal calculations of the fair value for such shares. The purchase price allocation is preliminary and certain items such as acquisition costs, final tax basis and fair values of asset and liabilities as of the acquisition date have not yet been finalized.

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(d) IPS 2004 Acquisitions:

During 2004, the Company acquired all of the interests of the following entities in transactions accounted for as a purchase. The businesses acquired included Double Jack Testing and Services, Inc. (Double Jack), Nortex Perforating Group, Inc. (Nortex), and MGM Well Service, Inc. (MGM).

The following table summarizes the purchase price allocation in millions of dollars:

	Double Jack	Nortex	MGM	Total
Non-cash working capital	$ 0.8	$	$ 2.6	$ 3.4
Property, plant and equipment	2.5	0.8	0.9	4.2
Goodwill	7.5	1.0	5.2	13.7
Deferred income taxes	(0.6)		(0.8)	(1.4)
Net assets acquired	$ 10.2	$ 1.8	$ 7.9	$ 19.9
Consideration:				
Cash	$ 8.0	$ 1.8	$ 6.7	$ 16.5
Issuance of common stock	1.9		1.2	3.1
Cash contingent consideration	0.3			0.3
Total consideration	$ 10.2	$ 1.8	$ 7.9	$ 19.9

There were 533,454 common shares issued as consideration on these acquisitions. The share price of $5.70 per share was determined based on an internal valuation using a market multiple methodology and approved by the Company s Board of Directors. These acquisitions provide platforms for the provision of the Company s services in the Barnett Shale and Rocky Mountain regions. In addition, MGM operates an optimization and swabbing business in Texas, and through distributors in Wyoming and Canada, provides the Company with expertise, personnel, and a platform to expand its optimization business in North America. The results of operations are included in the accounts from the date of acquisition. The purchase agreement for Double Jack provides for up to $1,200 of contingent consideration over the period from the date of acquisition to December 31, 2005 based on operating results of the acquired business. Contingent consideration will be accounted for as an adjustment to the purchase price in the period earned. At December 31, 2004, $300 of the contingent consideration was earned. The purchase agreement for MGM provides for contingent consideration of up to $3,430 of cash and 214,132 common shares over the period from the date of acquisition to December 31, 2006 based on certain operating results of the acquired MGM business. Contingent consideration will be accounted for as an adjustment to the purchase price in the period earned. See note 20(b). The goodwill for these acquisitions was allocated entirely to the completion and production services segment. Of the total goodwill recorded of $13,700, $12,700 is without tax basis.

(e) CES 2004 Acquisitions:

During 2004, the Company acquired all of the interests (except as noted) of the following entities in a combination accounted for as a purchase. The businesses acquired included LEED Energy Services (LEED), Salmon Drilling (Salmon), A&W Water Service (A&W), Monument Well Service and R&W Rentals (MWS), Hyland Enterprises (Hyland), Hamm Co. Companies (Hamm Management Co., Hamm and Phillips Service Co., Stride Well Service Company, Inc., Rigmovers, Co., Guard Drilling Mud Disposal, Inc., and Oil Tool Rentals, Co.) (collectively, Hamm),

and the remaining 50% interest in Price Pipeline (Price).

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The following table summarizes the purchase price allocation associated with these transactions in millions of dollars:

	LEED	Salmon	A&W	MWS	Hyland	Hamm	Price	Total
Current assets	$ 6.9	$ 0.5	$ 1.4	$ 0.8	$ 7.1	$ 7.4	$ 0.4	$ 24.5
Property, plant and equipment	14.4	3.6	5.5	7.0	21.9	48.7	0.7	101.8
Other assets	0.6	0.2	0.5	0.3	0.4	0.1	0.3	2.4
Intangible assets	0.3		0.2	0.3	0.3	0.4		1.5
Goodwill	5.5	0.4	8.8	5.7	5.5	33.8	1.2	60.9
Liabilities	(6.8)		(1.4)	(0.4)	(9.7)	(2.5)	(1.2)	(22.0)
Net assets acquired	$ 20.9	$ 4.7	$ 15.0	$ 13.7	$ 25.5	$ 87.9	$ 1.4	$ 169.1
Cash consideration and seller notes	$ 14.4	$ 4.0	$ 6.6	$ 6.6	$ 17.7	$ 48.1	$ 0.2	$ 97.6
Issuance of common stock	5.9	0.5	7.9	6.6	6.6	37.0	1.2	65.7
Acquisition costs	0.6	0.2	0.5	0.5	1.2	2.8		5.8
Total	$ 20.9	$ 4.7	$ 15.0	$ 13.7	$ 25.5	$ 87.9	$ 1.4	$ 169.1

There were 6,568,332 common shares issued to minority interest as consideration in connection with these acquisitions. The share price of $2.54 or $6.09 per share was determined based on an internal valuation using a market multiple methodology and approved by the Company s board of directors. These acquisitions provide the Company with a presence in the completion and production services and drilling services segments to the oil and gas industry in the Mid-continent and Rocky Mountain and Barnett Shale regions. The results of operations have been included in the accounts of Complete from the dates of the respective acquisitions. Goodwill associated with these acquisitions was allocated as follows: $1,549 to the drilling services segment and $59,386 to the completion and production services segment. Intangible assets are comprised of customer relationships, service marks and non-compete agreements and are being amortized over a 3 to 5 year period.

(f) I.E. Miller 2004 Acquisitions:

On August 31, 2004, the Company acquired all of the stock of I.E. Miller of Eunice (Texas) No. 2, L.L.C., I.E. Miller Fowler Trucking (Texas) No. 2, L.L.C. and I.E. Miller Heldt Brothers Trucking (Texas) No. 2, L.L.C. in a combination accounted for as a purchase. The results of operations were included in the accounts of Complete from the date of acquisition. Goodwill associated with these acquisitions was entirely allocated to the drilling services segment. The price per common share of $2.58 was a negotiated price with the seller.

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The following table summarizes the purchase price allocation:

Net assets acquired:		
Current assets	$	8,641
Property, plant and equipment		12,250
Goodwill (no tax basis)		8,543
Current liabilities		(3,361)
Net assets acquired	$	26,073
Cash consideration	$	13,573
Issuance of common stock to minority interest (4,852,500 common shares)		12,500
Total consideration	$	26,073

(g) CES 2003 Acquisitions:

On November 7, 2003, the Company acquired all of the interests (except as noted) of BSI in a combination accounted for as a purchase. BSI included Basin Tool, Bell Supply I, LP, Felderhoff Drilling, Mercer Well Service, Price Pipeline (50% interest acquired), Shale Tank Truck, L.P., Tejas Oilfield Services, LLC, and Western Bentonite. BSI provided the Company with a platform business in the Barnett Shale region of north Texas. The results of operations of these acquired companies have been included in the accounts of Complete from the date of acquisition. Goodwill associated with these acquisitions was allocated $9,471 to the completion and production services segment and $4,940 to the drilling services segment. The price for common stock, of $2.54 per share, issued pursuant to the transaction was based on a negotiated price with the seller. Intangible assets acquired were comprised of customer relationships, service marks and non-compete agreements and are being amortized over a 3-to-5 year period.

The following table summarizes the purchase price allocation:

Current assets	$	12,226
Property, plant and equipment		36,160
Intangible assets		1,048
Goodwill		14,411
Current liabilities		(5,252)
Net assets acquired	$	58,593
Cash consideration	$	50,093
Issuance of common stock to minority interest (3,377,896 common shares)		8,500
Total	$	58,593

(h) IPS 2003 Acquisitions:

On April 30, 2003, the Company acquired all of the stock of Ess-Ell Tool Co. Ltd., 852592 Alberta Ltd. and Sentry Oil Tools LLC as well as related holding companies in a business combination accounted for as a purchase.

The companies operate a flow control products business in Canada and Texas providing the Company with an expanded line of production enhancement products and geographic platforms from

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which to expand. The results of operations of these acquired companies have been included in the accounts of Complete from the date of acquisition. Goodwill associated with these acquisitions was entirely allocated to the product sales segment. The price for common stock of $5.70 per share issued pursuant to the transaction was based on the fair value estimated by the financial advisor engaged in connection with the September 20, 2002 combination as described in note 2(f) and updated with an internally-prepared valuation using a market-multiple approach.

The following table summarizes the purchase price allocation:

Net assets acquired:	
Non-cash working capital	$ 528
Property, plant and equipment	167
Goodwill (no tax basis)	4,062
Long-term debt	(54)
Net assets acquired	$ 4,703
Consideration:	
Cash, net of cash acquired	$ 3,863
Issuance of common stock (147,498 common shares)	840
Total consideration	$ 4,703

3. Accounts receivable:

	2005	2004
Trade	$ 158,585	$ 80,980
Unbilled revenue	9,636	4,152
Notes receivable	193	183
Other	883	1,029
	169,297	86,344
Allowance for doubtful accounts	1,902	543
	$ 167,395	$ 85,801

4. Inventory:

	2005	2004
Finished goods	$ 30,306	$ 19,929
Manufacturing parts and materials	12,966	3,344
Bulk fuel	88	

	$ 43,360	$ 23,273
Inventory reserves	2,070	1,363
	$ 41,290	$ 21,910

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5. Property, plant and equipment:

December 31, 2005	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$ 4,906	$	$ 4,906
Building	6,798	609	6,189
Field equipment	376,979	64,272	312,707
Vehicles	37,848	8,692	29,156
Office furniture and computers	5,667	1,374	4,293
Leasehold improvements	4,083	507	3,576
Construction in progress	23,753		23,753
	$ 460,034	$ 75,454	$ 384,580

December 31, 2004			
Land	$ 848	$	$ 848
Building	6,577	340	6,237
Field equipment	238,948	29,314	209,634
Vehicles	18,610	2,232	16,378
Office furniture and computers	2,254	775	1,479
Leasehold improvements	1,556	921	635
	$ 268,793	$ 33,582	$ 235,211

Construction in progress at December 31, 2005 primarily included progress payments to vendors for equipment to be delivered in future periods and component parts to be used in final assembly of operating equipment, which in all cases have not yet been placed into service.

6. Intangible assets:

		As of December 31, 2005			As of December 31, 2004		
Description	Term (in months)	Historical Cost	Accumulated Amortization	Net Book Value	Historical Cost	Accumulated Amortization	Net Book Value

Patents and trademarks	60	$ 2,619	$ 810	$ 1,809	$ 2,049	$ 461	$ 1,588
Contractual agreements	24 to 120	3,489	1,381	2,108	3,031	546	2,485
Customer lists and other	36 to 60	1,346	296	1,050			
Totals		$ 7,454	$ 2,487	$ 4,967	$ 5,080	$ 1,007	$ 4,073

The Company recorded amortization expense associated with intangible assets of $1,493, $740 and $212 for the years ended December 31, 2005, 2004 and 2003, respectively. The Company expects to record amortization expense associated with these intangible assets for the next five years approximating: 2006 - $1,633; 2007 - $1,323; 2008 - $844; 2009 - $572; and 2010 - $231.

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7. Deferred financing costs:

December 31, 2005	Cost	Accumulated Amortization	Net Book Value
Deferred financing costs	$2,144	$ 96	$2,048

December 31, 2004			
Deferred financing costs	$5,763	$1,296	$4,467

The Company expensed unamortized deferred financing fees totaling $3,315 associated with debt facilities which were retired on September 12, 2005 with the proceeds from the Company s new $580.0 million term loan and revolving credit facilities.

8. Taxes:

Tax expense (benefit) consisted of:

	2005	2004	2003
Domestic:			
Franchise taxes	$	$ 171	$ 172
Current income taxes	11,653	218	
Deferred income taxes (benefit)	18,557	8,015	(594)
	30,210	8,404	(422)
Foreign:			
Capital taxes		197	344
Current income taxes	4,070	968	262
Deferred income taxes (benefit)	(564)	1,252	1,322
	3,506	2,417	1,928
Tax expense (benefit)	$ 33,716	$ 10,821	$ 1,506

The Company operates in several tax jurisdictions. A reconciliation of the U.S. federal income tax rate of 35% (2004 and 2003 34%) to the Company s effective income tax rate follows:

	2005	2004	2003
Expected provision (benefit) for taxes:	$ 30,787	$ 9,999	$ 1,098

Increase (decrease) resulting from			
Foreign tax rate differential	(698)	(396)	(297)
Foreign capital taxes		197	344
State taxes, net of federal benefit	2,190	631	172
Non-deductible expenses	1,169	200	122
Other, net	268	190	67
Tax expense (benefit)	$ 33,716	$ 10,821	$ 1,506

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

	2005	2004
Deferred income tax assets:		
Net operating loss	$ 909	$ 11,062
Intangible assets	2,781	443
Tax credits	1,490	344
Restricted stock compensation costs	79	18
	5,259	11,867
Less valuation allowance	(877)	(877)
	4,382	10,990
Deferred income tax liabilities:		
Property, plant and equipment	(48,888)	(33,159)
Goodwill	(3,243)	(2,432)
Other	(4,593)	(754)
	(56,724)	(36,345)
Net deferred income tax liability	$ (52,342)	$ (25,355)

The net deferred income tax liability consisted of:

	2005	2004
Domestic	$ (45,766)	$ (18,566)
Foreign	(6,576)	(6,789)
	$ (52,342)	$ (25,355)

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately $15,000 prior to the expiration of the net operating loss carryforwards in 2024.

The Company has U.S. loss carryforwards of $1,599 at December 31, 2005, compared to $26,023 at December 31, 2004. The Company has a $1,163 foreign non-capital loss carryforward at December 31, 2005, compared to $3,772 at December 31, 2004.

In 2003, the Company completed a review of the tax basis arising from certain acquisitions which resulted in a reduction to the valuation allowance by $1,400. The reduction in the valuation allowance resulted in a reduction in goodwill attributable to the completion and production services segment.

No deferred income taxes were provided on approximately $1,700 of undistributed earnings of foreign subsidiaries as of December 31, 2005, as the Company intends to indefinitely reinvest these funds. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of

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taxes that may be payable on the eventual distribution of these earnings after consideration of available foreign tax credits.

9. Bank operating loans:

At December 31, 2004, the Company had Canadian and U.S. dollar syndicated revolving operating credit facilities (see note 10(b)) in place. The Canadian operating facility provided up to C$10,000. The U.S. operating facility line provided a revolving credit facility up to $10,000. Interest was on a grid based on certain financial ratios and ranged from prime to prime plus 1.25% per annum. At December 31, 2004, Canadian and U.S. prime were 4.25% and 5.25%, respectively. The facilities were secured by a general security agreement providing a first charge against the Company s assets. The Canadian and U.S. credit facilities included a commitment fee of 0.25% and 0.375% per annum, respectively, on the average unused portion of the revolving credit facilities.

The maximum amounts available under these credit facilities were subject to a borrowing base formula based upon trade accounts receivable and inventory. As at December 31, 2004, the maximum available under these combined facilities was limited by the borrowing base formula to $20,536.

At December 31, 2004, the Company had drawn $15,745 on these operating lines and an additional amount of $6,000 outstanding pursuant to an overnight facility in the United States offset by a corresponding $6,000 of cash on deposit in Canada. As at December 31, 2004, $48 of letters of credit were outstanding.

On September 12, 2005, the Company retired all amounts outstanding under these bank operating loans with proceeds from borrowings under the new $580,000 term loan and revolving credit facilities, as further described in note 10(a).

10. Long-term debt:

	2005	2004
U.S. term loan facility(a)	$ 418,950	$
U.S. revolving credit facility(a)	58,096	
Canadian revolving credit facility(a)	27,016	
Reducing Canadian term facility(b)		22,552
Reducing U.S. term facility(b)		17,168
Term loan(c)		120,650
Revolving line of credit(c)		19,850
Subordinated seller notes(d)	8,450	3,450
Term loan(e)		9,274
Subordinated note(f)		4,383
Capital leases(g)	1,830	356
Other(h)	1,601	
	515,943	197,683
Less: current maturities of long-term debt and capital leases	(5,953)	(28,493)
	$ 509,990	$ 169,190

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(a) Concurrent with the consummation of the Combination on September 12, 2005, the Company entered into a syndicated senior secured credit facility (the Credit Facility) pursuant to which all bank debt held by each of IPS, CES and IEM was repaid and replaced with the proceeds from the Credit Facility. The Credit Facility was comprised of a $420,000 term loan credit facility that will mature in September 2012, a U.S. revolving credit facility of $130,000 that will mature in September 2010, and a Canadian revolving credit facility of $30,000 that will mature in September 2010. Interest on the Credit Facility is determined by reference to LIBOR plus a margin of 1.25% to 2.75% (dependent on the ratio of total debt to EBITDA, as defined in the agreement) for revolving advances and a margin of 2.75% for term loan advances. Interest on advances under the Canadian revolving facility was calculated at the Canadian Prime Rate plus a margin of 0.25% to 1.75%. Quarterly principal repayments of 0.25% of the original principal amount are required for the term loans commencing December 2005. The Credit Facility contains covenants restricting the levels of certain transactions including: entering into certain loans, the granting of certain liens, capital expenditures, acquisitions, distributions to stockholders, certain asset dispositions and operating leases. The Company was in compliance with all debt covenants under the Credit Facility at December 31, 2005. The Credit Facility is secured by substantially all of the assets of the Company. As of December 31, 2005, the Company had borrowings of $418,950 outstanding under the term loan portion of this facility, which bore interest at 7.28%, with no borrowing capacity available under the term loan. Borrowings outstanding under the U.S. revolving and Canadian revolving portions of this facility at December 31, 2005 were $58,096 and $27,016, respectively, and bore interest at 7.23% and 6.5%, respectively. In addition, there were letters of credit outstanding which totaled $5,519 under the U.S. revolving portion of the facility that further reduced the available borrowing capacity at December 31, 2005.

(b) At December 31, 2004, the Company had a syndicated credit facility which included four separate facilities secured by a common security package. The two operating facilities are described in Note 9. The agreement also included a Canadian reducing term facility (CTF) and a U.S. reducing term facility (UTF). The CTF had been fully drawn and was repayable in equal quarterly installments of C$1,370 and $175. The UTF had also been fully drawn and was repayable in equal quarterly installments of C$954. The facilities were to mature on June 30, 2007 and bore interest from prime plus 0.25% to prime plus 1.50% per annum on a grid based on certain financial ratios. At December 31, 2004, Canadian and U.S. prime were 4.25% and 5.25% (2003 4.5% and 4.0%, 2002 4.5% and 4.25%), respectively. The Company was in compliance with all of the terms of these facilities at December 31, 2004.

Effective February 11, 2005, in conjunction with the acquisition of Parchman Energy Group, Inc., the Company and a group of banks entered into a new credit facility replacing the current credit facility. The new credit facility was comprised of five separate facilities secured by a common security package including a first charge against the Company s assets. There are two operating facilities ($20,000 and C$15,000), each of which was to mature on February 10, 2008, which replaced the existing operating facilities. There were two reducing term facilities ($20,000 and C$30,000) which were to mature on February 10, 2010 and which required quarterly payments of $1,000 and C$1,500 respectively. Each of these four facilities bore interest from prime plus 0.25% to prime plus 1.50% per annum on a grid based on certain financial ratios. The fifth term facility was in the amount of $35,000, was to mature on February 10, 2011, required quarterly payments of $88, and bore interest at LIBOR plus 3.5%. Each of the three term facilities were drawn in full on February 11, 2005. The credit facilities required maintenance of certain financial ratios and other covenants and were secured by substantially all of the assets of IPS. This facility was retired on September 12, 2005.

(c) In November 2003, the Company established a secured $30,600 term loan and an $8,000 secured revolving line of credit. During 2004, the Company amended the term loan and revolving line of credit several times to facilitate the acquisitions described in note 2, which resulted in increasing the Company s total borrowing capacity to $120,650 and $30,000, respectively, and extension of the

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maturity dates. At December 31, 2004, the Company did not have any remaining borrowing capacity on the term loan and $10,200 of remaining capacity on the revolving line of credit.

Substantially all of CES s real and personal property and a pledge of the ownership interest of present and future subsidiaries secure both the term loan and the revolving line of credit. The term loan and revolving line of credit bore interest at either the lead bank s prime rate plus a margin of 1.75% to 2.25% or the LIBOR plus a margin of 2.75% to 3.25%, depending on the Company s leverage ratio, as defined. The interest rate on the term loan in 2004 averaged 5.75%. The interest rate on the revolving loan in 2004 averaged 6.13%.

There are quarterly principal payments on the term loan in the amount of $4,350 with final maturity on August 31, 2009. The revolving line of credit was due on August 31, 2007. The Company must pay a commitment fee in the amount of 0.50% on the unused revolving line of credit capacity.

The Company was required to maintain certain financial ratios and other financial conditions. In addition, the Company was prohibited from making certain investments, advances or loans. The term loan and credit agreements restrict substantial asset sales, capital expenditures and cash dividends. The Company was in compliance with all covenants and conditions as of December 31, 2004.

During the first quarter of 2005, the Company amended the term loan and revolving loans described above several times which resulted in increased total borrowing capacity and the extension of the maturity dates of the term loan to February 2012 and the revolving line of credit to February 2009. Quarterly principal payments of $350 were required on the term loan. All borrowings under these facilities were retired on September 12, 2005.

(d) On February 11, 2005, the Company issued subordinated notes to certain sellers of Parchman common shares. These notes are unsecured, subordinated to all present and future senior debt and bear interest at 6.0% during the first three years of the note, 8.0% during year four and 10.0% thereafter. The notes mature on the earliest of February 11, 2010 or ten days after an initial public offering or change of control. The Company, at its option, may repay the notes at anytime so long as such payment does not result in an event of default under any loan agreement. These subordinated notes, recorded as long-term debt at December 31, 2005, included notes totaling $4,765 which were beneficially held by directors or employees of the Company. In addition, the Company issued subordinated seller notes totaling $3,450 in 2004 related to certain business acquisitions. These notes bear interest at 6% and mature in March 2009.

(e) In August 2004, the Company entered into a Senior Secured Agreement (the Agreement) with a group of financial institutions with a maximum commitment of $12,000 and a maturity date of August 31, 2008. Quarterly principal payments of $464 are required under the facility. As part of the Agreement, the Company entered into a Revolving Note Agreement (Revolver) providing for borrowings of up to $8,000 with a maturity date of August 31, 2007. At December 31, 2004, there were no outstanding borrowings under the Revolver. Pursuant to the Agreement, interest on the borrowings was calculated using a variable base rate plus a margin. The margin ranges from 0.25% to 1.25% for base rate advances and from 2.50% to 3.50% for LIBOR loans depending on IEM s leverage ratio. The interest rate averaged approximately 5.18% for the four months ended December 31, 2004. In addition to interest, the banks receive various fees, including a commitment fee. The commitment fee varies from 0.375% to 0.50% of average unused commitment amount on the Revolver, depending on IEM s leverage ratio. The note was subject to restrictive covenants. The Company was in compliance with all covenants

during 2004. The Agreement was secured by substantially all of IEM s assets. This facility was retired on September 12, 2005.

(f) On August 31, 2004, the Company entered into a Subordinate Credit Agreement with a maximum term commitment of $20,000 and maturity of August 31, 2009. Principal plus accrued interest was to be due at maturity. Pursuant to the credit agreement, interest on borrowings was calculated using a variable base rate equal to the greater of the agent bank s Prime Rate or the Federal Funds Rate plus

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0.5% plus a margin. The margin ranges from 2.0% to 4.0% depending on IEM s leverage ratio. The interest rate for the four months ended December 31, 2004 was approximately 7.25%. The note was subject to restrictive covenants. The Company was in compliance with all covenants during 2004. This facility was retired on September 12, 2005.

(g) At December 31, 2005, the Company s capital leases are collateralized by specific assets and bear interest at various rates averaging 10.30% (2004 10.29%).

(h) Other includes: (1) a mortgage loan totaling $320 at December 31, 2005 related to property in Wyoming, which requires annual principal payments of approximately $56, accrues interest at 6% and matures in 2012; and (2) loans totaling $1,281 at December 31, 2005 related to equipment purchases with terms of 12 to 36 months and extend through December 2008.

At December 31, 2005, principal maturities under the Company s long-term debt facilities (including capital leases) for the next five years were:

2006	$ 5,953
2007	5,422
2008	4,534
2009	7,706
2010	94,368

11. Convertible debentures:

On May 31, 2000, IPSL, a wholly-owned subsidiary of the Company, issued convertible debentures of C$5,000 maturing June 30, 2005 and convertible into 627,408 shares of common stock at the holders option at C$7.97 per share at any time prior to maturity. The debentures were secured by a general security agreement providing a charge against IPSL s assets, subordinated to any other senior indebtedness, and bore interest at 9% per annum. The chief executive officer of the debenture holder was a director of the Company. The debenture was repaid in full on June 30, 2005.

12. Share capital:

On September 12, 2005, the Company completed the Combination of CES, IPS and IEM pursuant to which CES and IEM stockholders exchanged all of their common stock for common stock of IPS. The CES stockholders received 19.704 shares of IPS common stock for each share of CES, and the IEM received 19.410 shares of IPS common stock for each share of IEM. Subsequent to the combination, IPS changed its name to Complete Production Services, Inc. In the Combination, the former CES stock was converted into approximately 57.6% of the Company s common stock, the IPS stock remained outstanding and represented approximately 33.2% of the Company s common stock and the former IEM stock was converted into approximately 9.2% of the Company s common shares. The amounts of authorized and issued stock, warrants and options of CES have been adjusted to reflect the exchange ratio of 19.704 per share pursuant to the Combination. The amounts of authorized and issued stock, warrants and options of IEM have been adjusted to reflect the exchange ratio of 19.410 per share pursuant to the Combination.

(a) Authorized:

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

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(b) Stock Split:

On December 29, 2005, the Company 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 the accompanying financial statements, except par value which remained at $0.01 per share, resulting in an insignificant reclassification between common stock and additional paid-in capital.

(c) Dividend:

On September 12, 2005, the Company paid a dividend of $2.62 per share for an aggregate payment of approximately $146,900 to stockholders of record on that date. We are also obligated 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 have agreed to make additional cash payments (up to $3,100) 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.

(d) Warrants:

On May 23, 2001, the Company issued a warrant to its major shareholder, SCF-IV, L.P. (SCF), to purchase up to 4,000,000 shares of the Company s common stock at an exercise price of $5.00 per share any time through May 23, 2011. The warrant was issued as a source of future financing for the Company s growth. In 2001 and 2004, SCF purchased 740,000 shares and 400,000 shares, respectively, under the warrant. On February 9, 2005, SCF purchased another 2,000,000 shares under the warrant. The warrant was cancelled on September 12, 2005.

In November 2003, the Company issued a warrant to SCF to purchase up to 13,792,800 shares of the Company s common stock at an exercise price of $2.54 per share. This warrant was exercised in full during 2004.

In August 2004, the Company issued a warrant to SCF to purchase up to 6,211,200 shares of the Company s common stock at an exercise price of $2.58 per share at any time through August 31, 2007 and a warrant to one of the Company s minority stockholders to purchase up to 970,500 shares of the Company s common stock at an exercise price of $2.58 per share at any time through August 31, 2007. These warrants were cancelled on September 12, 2005.

Pursuant to the Subordinate Credit Agreement (note 10(f)), the Company issued detachable warrants to the lenders to purchase up to 71,818 shares of the Company s common stock at $2.58 per share at any time through August 31, 2007. These warrants were cancelled on September 12, 2005.

Also pursuant to the Subordinate Credit Agreement (note 10(f)), the Company issued detachable warrants to the lenders to purchase up to 48,526 shares of the Company s common stock at $0.01 per share at any time through August 31, 2007. The fair value of these warrants, $125,000, was recorded as additional paid-in capital and as a discount on the liability under the subordinate credit agreement. These warrants were exercised on September 12, 2005.

(e) Employee stock incentive plan:

Following the Combination, the Company maintains each of the options plans previously maintained by IPS, CES and IEM. Under the three option plans, the options could be granted to employees, officers

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and directors to purchase up to 2,540,485 common shares, 1,876,806 common shares (increased to 3,003,463 during 2005) and 986,216 common shares, respectively. The exercise price of each option is based on the fair value of the individual company s stock at the date of grant. Options may be exercised over a 5-year period and generally a third of the options vest on each of the first three anniversaries from the grant date.

	Options Outstanding	
	Number	Weighted Average Exercise Price
Balance at December 31, 2002	659,888	$ 5.39
Granted	196,414	3.95
Exercised	(56,190)	5.70
Cancelled	(43,064)	5.70
Balance at December 31, 2003	757,048	4.97
Granted	1,118,856	4.14
Exercised	(81,180)	2.29
Cancelled	(16,012)	5.70
Balance at December 31, 2004	1,778,712	$ 4.58

Pursuant to the Combination, upon payment of the dividend of $2.62 per share as described above at (c), the terms of all options outstanding at that time were adjusted to offset the decrease in the Company s per share price attributable to the dividend. The result of this adjustment was applied to the options outstanding at December 31, 2004, resulting in an increase in the number of options outstanding to 2,259,396 and a reduction of the average exercise price to $3.60.

	Options Outstanding	
	Number	Weighted Average Exercise Price
Balance at December 31, 2004, adjusted for dividend	2,259,396	$ 3.60
Granted	1,746,309	7.39
Exercised	(15,082)	4.11
Cancelled	(478,179)	4.15
Balance at December 31, 2005	3,512,444	$ 5.42

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	Options Outstanding			Options Exercisable	
Range of Exercise Price	Outstanding at December 31, 2005	Weighted Average Remaining Life (months)	Weighted Average Exercise Price	Exercisable at December 31, 2005	Weighted Average Exercise Price
$2.00-2.20	763,154	40	$ 2.04	304,443	$ 2.06
$3.94	85,782	12	3.94	85,782	3.94
$4.49-4.80	1,328,100	41	4.67	536,622	4.57
$5.01	223,944	48	5.01	70,414	5.01
$6.59-6.69	630,196	111	6.68		
$11.66	481,268	117	11.66		
	3,512,444	64	$ 5.42	997,261	$ 3.78

The Company adopted SFAS No. 123R on January 1, 2006. This pronouncement requires the Company 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, by using an option-pricing model to determine fair value. As permitted by SFAS No. 123R, the Company will continue to account for stock-based compensation for grants prior to September 30, 2005, the date of the Company s initial public filing with the SEC, using 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), the Company 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, the Company will utilize the prospective transition method, whereby the Company 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. For stock options outstanding as of December 31, 2005, the Company expects to record compensation expense of $844 over the remaining term of the options, of which $307 would be recognized in 2006. Future stock option grants will result in additional compensation expense.

(f) Per share amounts:

The weighted average number of common shares outstanding used in calculating basic and diluted earnings per share at December 31, 2005 were 46,602,504 (2004 29,548,312; 2003 13,675,096) and 50,655,930 (2004 30,083,490; 2003 14,109,094), respectively. The reconciling items between basic and diluted weighted average common shares outstanding included the dilutive impact of outstanding restricted stock, stock options, convertible debt and warrants. The Company excluded the impact of anti-dilutive potential common shares from the calculation of diluted weighted average shares for the years ended December 31, 2005 and 2004. If these potential common shares were included in the calculation, diluted weighted average shares would have been 50,775,802 and 30,318,802 for the years ended December 31, 2005 and 2004, respectively, with no impact on diluted earnings per share as presented. The Company had no anti-dilutive potential common shares for the year ended December 31, 2003 except as related

to convertible debentures discussed below.

In 2004, interest expense, net of tax, of $234 (2003 $209) on the convertible debentures (see note 11) was added back to the numerator in calculating diluted earning per share when the impact, if converted, is dilutive. In 2004 and 2003, the impact of conversion of the convertible debentures would have been anti-dilutive.

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13. Supplemental cash flow information:

	2005	2004	2003
Change in:			
Trade accounts receivable	$ (69,755)	$ (20,585)	$ (687)
Inventory	(18,346)	(7,936)	(1,959)
Prepaid expenses and other current assets	(4,903)	(3,480)	(614)
Accounts payable	18,647	5,032	1,635
Accrued liabilities	21,955	11,094	5,366
Notes payable		1,069	
	$ (52,402)	$ (14,806)	$ 3,741
Cash interest paid	$ 23,718	$ 6,756	$ 2,415
Cash taxes paid	$ 15,138	$ 1,136	$ 778
Common stock issued by controlling stockholder for acquisitions	$ 20,118	$ 3,041	$ 840
Acquisition of minority interest	$ 93,792		
Notes issued for acquisitions	$ 5,000	$ 4,510	
Notes issued for equipment	$ 1,281		
Additional acquisition consideration accrued	$ 5,800		
Capital expenditures in accounts payable	$ 792		
Non-cash assets as acquisition consideration	$ 2,899		

14. Segment information:

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

The Company has three reportable operating segments: completion and production services (C&PS), drilling services and product sales, and three geographic regions: the United States, Canada and International. The accounting policies of the segments are the same as those described in note 1. Inter-segment transactions are accounted for on a cost-recovery basis.

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Operational segments:

Year Ended December 31, 2005	C&PS	Drilling Services	Product Sales	Corporate	Total
Revenue from external customers	$ 510,304	$ 129,117	$ 118,305	$	$ 757,726
EBITDA, as defined	$ 114,033	$ 42,336	$ 16,507	$ (11,613)	$ 161,263
Depreciation and amortization	$ 40,149	$ 5,666	$ 1,580	$ 1,445	$ 48,840
Operating income (loss)	$ 73,884	$ 36,670	$ 14,927	$ (13,058)	$ 112,423
Capital expenditures	$ 81,086	$ 38,574	$ 4,382	$ 3,173	$ 127,215
December 31, 2005					
Segment assets	$ 639,856	$ 118,751	$ 65,636	$ 113,410	$ 937,653

Year Ended December 31, 2004	C&PS	Drilling Services	Product Sales	Corporate	Total
Revenue from external customers	$ 194,953	$ 44,474	$ 81,320	$	$ 320,747
EBITDA, as defined	$ 38,349	$ 10,093	$ 12,924	$ (2,869)	$ 58,497
Depreciation and amortization	$ 16,750	$ 2,737	$ 907	$ 1,222	$ 21,616
Operating income (loss)	$ 21,599	$ 7,356	$ 12,017	$ (4,091)	$ 36,881
Capital expenditures	$ 32,004	$ 11,840	$ 2,944	$ 116	$ 46,904
December 31, 2004					
Segment assets	$ 384,014	$ 72,839	$ 53,751	$ 4,549	$ 515,153

Year Ended December 31, 2003	C&PS	Drilling Services	Product Sales	Corporate	Total
Revenue from external customers	$ 65,025	$ 2,707	$ 35,547	$	$ 103,279
EBITDA, as defined	$ 9,134	$ 712	$ 4,951	$ (1,233)	$ 13,564
Depreciation and amortization	$ 6,147	$ 130	$ 644	$ 727	$ 7,648
Operating income (loss)	$ 2,987	$ 582	$ 4,307	$ (1,960)	$ 5,916
Capital expenditures	$ 7,474	$ 2,623	$ 987	$	$ 11,084

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The Company changed the presentation of EBITDA for the year ended December 31, 2005 to reallocate certain corporate costs to the operating segments to align the presentation of operating results with the basis used by the chief operating decision maker to evaluate operating performance. This change did not impact results presented for prior periods. The following table reconciles EBITDA and operating income (loss) for the year ended December 31, 2005 to amounts previously reported.

	C&PS	Drilling Services	Product Sales	Corporate	Total
EBITDA:					
As originally presented	$ 119,171	$ 44,393	$ 18,444	$ (20,745)	$ 161,263
Allocated corporate costs	(5,138)	(2,057)	(1,937)	9,132	
Adjusted EBITDA	$ 114,033	$ 42,336	$ 16,507	$ (11,613)	$ 161,263
Operating income (loss):					
As originally presented	$ 79,022	$ 38,727	$ 16,864	$ (22,190)	$ 112,423
Allocated corporate costs	(5,138)	(2,057)	(1,937)	9,132	
Adjusted operating income (loss)	$ 73,884	$ 36,670	$ 14,927	$ (13,058)	$ 112,423

The following table summarizes the changes in the carrying amount of goodwill by segment for the three-year period ended December 31, 2005:

	C&PS	Drilling Services	Product Sales	Corporate	Total
Balance at December 31, 2002	$ 33,870	$	$ 1,814	$	$ 35,684
Acquisitions	9,471	4,940	4,062		18,473
Tax valuation adjustment	(1,400)				(1,400)
Foreign currency translation	6,515		24		6,539
Balance at December 31, 2003	48,456	4,940	5,900		59,296
Acquisitions	73,101	10,082			83,183
Contingency adjustment	250				250
Foreign currency translation	2,390		330		2,720
Balance at December 31, 2004	124,197	15,022	6,230		145,449
Acquisitions	50,089		1,610		51,699
Purchase of minority interest				93,792	93,792
Accrue contingent consideration	5,800				5,800
Contingency adjustment and other	263				263
Foreign currency translation	1,164		130		1,294
Balance at December 31, 2005	$ 181,513	$ 15,022	$ 7,970	$ 93,792	$ 298,297

The Company did not allocate the $93,792 goodwill balance associated with the acquisition of minority interests in IEM and CES, which arose as result of the Combination (as described in note 2), as this goodwill is not specifically associated with any of the Company s segments. In addition, the chief operating decision maker of the Company does not include this goodwill in the measure of segment assets when evaluating operating performance of the Company s segments.

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The tax valuations adjustment of $1,400 was recorded to properly reflect management s estimate of the net realizable deferred tax assets associated with acquisitions made prior to December 31, 2003, based upon a review of the tax provision as of that date.

Geographic information:

Year Ended December 31, 2005	United States	Canada	Other International	Total
Revenue by sale origin to external customers	$ 609,939	$ 106,261	$ 41,526	$ 757,726
Income before taxes and minority interest	$ 74,946	$ 7,173	$ 5,843	$ 87,962
December 31, 2005				
Long-lived assets	$ 597,834	$ 85,685	$ 6,648	$ 690,167

Year Ended December 31, 2004	United States	Canada	Other International	Total
Revenue by sale origin to external customers	$ 231,509	$ 73,743	$ 15,495	$ 320,747
Income before taxes and minority interest	$ 22,786	$ 4,048	$ 2,576	$ 29,410
December 31, 2004				
Long-lived assets	$ 306,140	$ 79,662	$ 3,398	$ 389,200

Year Ended December 31, 2003	United States	Canada	Other International	Total
Revenue by sale origin to external customers	$ 28,129	$ 62,376	$ 12,774	$ 103,279
Income (loss) before taxes and minority interest	$ (771)	$ 2,211	$ 1,789	$ 3,229

The Company does not have revenue from any single customer which amounts to 10% or more of the Company s total revenue.

15. Financial instruments:

(a) Interest rate risk:

The Company manages its exposure to interest rate risks through a combination of fixed and floating rate borrowings. At December 31, 2005, 98% of long-term debt was in floating rate borrowings.

(b) Foreign currency rate risk:

The Company is exposed to foreign currency fluctuations in relation to its foreign operations. In 2005, approximately 14% of the Company s operations were conducted in Canadian dollars and the related balance sheet accounts were denominated in Canadian dollars.

(c) Credit risk:

A significant portion of the Company s trade accounts receivable are from companies in the oil and gas industry, and as such, the Company is exposed to normal industry credit risks. The Company evaluates the credit-worthiness of its major new and existing customers financial condition and generally does not require collateral.

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16. Commitment and contingences:

The Company has non-cancelable operating lease commitments for equipment and office space. These commitments for the next five years were as follows at December 31, 2005:

2006	$ 15,954
2007	13,195
2008	8,779
2009	4,906
2010	3,171
	$ 46,005

In 2005, operating lease payments expensed were approximately $10,110 (2004 $6,585; 2003 $4,031).

The Company is subject to legal procedures and claims, either asserted or unasserted, in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on its combined financial position, results of operations or cash flows.

17. Related party transactions:

The Company believes all transactions with related parties have the terms and conditions no less favorable to the Company as transactions with unaffiliated parties.

The Company has entered into lease agreements for properties owned by employees and directors of the Company. The leases expire at different times through December 2016. In 2005, the total lease expense pursuant to these leases was $2,976 (2004 $1,439; 2003 $151).

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

The Company provided services to companies that are majority-owned by directors of the Company during 2005 which aggregate $21,724, of which $21,255 was sold to CRI (2004 $2,680; 2003 $620) and $469 was sold to other companies. The Company purchased services from companies that are majority-owned by its directors during 2005 totaling $2,164, of which $2,034 was purchased from CRI and $130 was purchased from other companies. At December 31, 2005, the Company s trade receivables and trade payables included amounts from CRI of $3,544 and $130, respectively.

The Company provided services totaling $8,794 in 2005 to companies majority-owned by officers of the Company or its subsidiaries, of which $7,804 was sold to HEP Oil (HEP) and $990 was sold to other companies. Purchases of services from companies majority-owned by these officers totaled $5,149, of which $598 related to HEP, $1,390 related to other companies owned by the same officer, $2,805 related to companies owned by an officer of Parchman and $356 related to other companies. At December 31, 2005, the Company s trade receivables included amounts from HEP of $859. There were no amounts due to HEP at December 31, 2005.

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The Company provided services totaling $1,910 in 2005 to Laramie Energy LLC (Laramie), a company for which one of the Company s directors serves as an officer. At December 31, 2005, the Company s trade receivables included $457 due from Laramie.

In addition, the Company provided services totaling $1,423 and purchased services totaling $2,576 from companies that formerly employed current officers of Complete or for which certain directors of the Company currently serve on the customer s board of directors.

Effective December 1, 2002, the Company entered into a management services agreement with an affiliate of its major shareholder. This agreement provides for monthly payments of $20 for services rendered. In 2004, $60 (2003 $240) was expensed pursuant to this agreement. This agreement was terminated March 31, 2004. Effective November 7, 2003, the Company entered into a financial advisory services agreement with an affiliate of its major shareholder, which provided for an upfront fee of $250 and quarterly payments of $31. This agreement was cancelled effective September 12, 2005. Effective August 14, 2004, the Company entered into a financial advisory services agreement with an affiliate of its major shareholder pursuant to which it paid fees of $1,600 in conjunction with the Company s 2004 acquisitions, and management fees of $350 during 2004. This agreement was cancelled effective September 12, 2005.

In 2003, the Company purchased equipment with aggregate value of $2,378 from a company in which the Company s major shareholder has an equity interest. The Company s major shareholder no longer holds an equity interest in this equipment supplier.

The Company is obligated to pay employees an aggregate principal amount of $8,450 pursuant to subordinated promissory notes issued in connection with acquisitions in 2005 and 2004 (see note 10(d)). Certain of these employees are officers of the Company s subsidiaries.

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

Premier Integrated Technologies Ltd. (PIT), a subsidiary of IPS, purchased $819 of machining services from a company controlled by employees of PIT during the year ended December 31, 2005.

On September 29, 2005, the Company entered into an Asset Purchase Agreement with Spindletop and Mr. Schmitz. Pursuant to the agreement, the Company purchased the assets of Spindletop in exchange for approximately $200 cash and 90,364 shares of the Company s common stock. Mr. Schmitz is a member of our key operational management.

18. Retirement plans:

The Company maintains defined contribution retirement plans for substantially all of its U.S. and Canadian employees who have completed six months of service. Employees may voluntarily contribute up to a maximum percentage of their salaries to these plans subject to certain statutory maximum dollar values. The maximums range from 20% to 60%, depending on the plan. The Company makes matching contributions at 25% 50% of the first 6% or 7% of the employee s contributions, depending on the plan. The employer contributions vest immediately with respect to the Canadian RRSP plan and vest at varying rates under the U.S. 401(k) plans. Vesting ranges from immediately to a graduated scale with 100% vesting after five years of service.

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In 2005, the Company recognized an expense of $2,039 (2004 $853; 2003 $331) related to its various defined contribution plans.

The Company provides a seniority premium benefit to substantially all of its Mexican employees, through a subsidiary, in accordance with Mexican law. The benefit consists of a one-time payment equivalent to 12-days wages for each year of service (calculated at the employee s current wage rate but not exceeding twice the minimum wage), payable upon voluntary termination after fifteen years of service, involuntary termination or death. In addition, Complete provides statutory mandated severance benefits to substantially all Mexican employees, which includes a one-time payment of three months wages, plus 20-days wages for each year of service, payable upon involuntary termination without cause and charged to income as incurred. The Company s liability pursuant to these benefit arrangements in Mexico for 2005 was approximately $280.

19. 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. The Company adopted SFAS No. 151 as of January 1, 2006, with no material impact on its 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 on 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. The Company adopted SFAS No. 153 as of January 1, 2006, with no material impact on its 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 the Company 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. The Company adopted SFAS No. 123R on January 1, 2006. See note 12(e) for discussion of the impact of adopting SFAS No. 123R on the Company s 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

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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. The Company adopted SFAS No. 154 on January 1, 2006, and will apply its provisions, as applicable, to future reporting periods.

20. Subsequent events:

(a) Acquisitions:

On January 3, 2006, the Company acquired substantially all of the operating assets of Outpost Office Inc. (Outpost), a Grand Junction, Colorado oilfield equipment rental company, for $6,535 in cash. The purchase price allocation has not yet been finalized. The Company will include the operating results of Outpost in the completion and production services segment from the date of acquisition.

On January 25, 2006, the Company 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, for approximately $13,900 in cash. The purchase price allocation has not yet been finalized. The Company expects this acquisition to extend its presence in the Mid-continent region and enhance its completion and production services business. Rosel s operating results will be included in the completion and production services segment from the date of acquisition.

(b) Earn-out Agreements:

Pursuant to earn-out agreement with the former owners and employees of Double Jack, MGM and Parchman, the Company expects to issue approximately 1,200,000 shares of its common stock during the first quarter of 2006. The underlying agreements state that the shares are issuable based upon financial results, a specified number of days following an audit by the Company s independent registered public accountants. If the shares were issued at December 31, 2005, the Company would record additional goodwill associated with these earn-out provisions totaling approximately $24,300, with an offsetting credit to additional paid-in capital. In addition, the recipients would be entitled to approximately $3,200 associated with the dividend paid to all stockholders at the date of the Combination, or $2.62 per share, as well as cash consideration of approximately $2,600. The Company has accrued $5,800 related to these cash commitments at December 31, 2005, with an offsetting adjustment to goodwill.

(c) Financing of Insurance Premiums:

On January 5, 2006, the Company entered into a note agreement with its insurance broker to finance annual insurance premiums for the policy year beginning December 1, 2005 through November 31, 2006. As of December 31, 2005, the Company has recorded a note payable totaling $14,584 and an offsetting prepaid asset which includes a broker s fee of $600. The prepaid asset will be amortized to expense over the policy term. In addition, the Company expects to incur finance charges totaling $268 as interest expense related to this arrangement over the policy term.

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Notes to Consolidated Financial Statements (Continued)
Years Ended December 31, 2005, 2004 and 2003
(In thousands, except share and per share data)

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

On March 28, 2006, the Company s Board of Directors approved an amendment to the 2001 Stock Incentive Plan which increased the maximum number of shares issuable under the plan to 4,500,000 from 2,540,485, pursuant to which the Company could grant up to 1,959,515 additional shares of stock-based compensation to its directors, officers and employees.

(e) Amendment of Term Loan and Revolving Credit Facility (unaudited):

On March 29, 2006, the Company amended and restated its Senior Secured Credit Agreement to provide for, among other things: (1) an increase in the amount of the U.S. Revolving Credit Facility to $170,000 from $130,000, (2) an increase in the level of capital expenditures permitted under the agreement for the years ended December 31, 2006 and 2007, (3) a waiver of the requirement to prepay up to $50,000 of term debt using the first $100,000 of proceeds from an equity offering in 2006, and (4) a reduction in the Eurocurrency margin on the term loan to LIBOR + 250 basis points. In addition, at any time prior to maturity and as long as no default or event of default has occurred (and is continuing), the Company has the right to increase the aggregate commitments under the Amended Senior Credit Facilities by a total of up to $150,000, subject to receiving commitments from one or more lenders totaling this amount.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Owners
BSI Companies:

We have audited the combined balance sheets of BSI Companies (the Company) as of November 6, 2003 and December 31, 2002, and the related statements of earnings, owners equity and cash flows for the period from January 1, 2003 through November 6, 2003 and for the year ended December 31, 2002. These combined financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of BSI Companies as of November 6, 2003 and December 31, 2004, and the results of their operations and their cash flows for the period from January 1, 2003 through November 6, 2003 and for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Houston, Texas
February 1, 2005

BSI COMPANIES
Combined Balance Sheets

	November 6, 2003	December 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 22,124	$ 369,224
Accounts receivable, net of allowance for doubtful accounts of $157,218 and $110,606	7,245,632	5,351,266
Notes receivable	534,886	803,525
Investment in partnership		294,669
Inventory	4,413,285	4,691,575
Prepaid expenses	49,479	166,499
Total current assets	12,265,406	11,676,758
PROPERTY, PLANT AND EQUIPMENT, net	23,950,811	10,232,776
GOODWILL	375,555	
TOTAL ASSETS	$ 36,591,772	$ 21,909,534
LIABILITIES AND OWNERS EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 72,538	$ 255,560
Accounts payable	3,700,569	3,164,249
Accrued liabilities	1,254,799	569,201
Note payable shareholder		
Lines of credit	3,190,000	2,785,000
Total current liabilities	8,217,906	6,774,010
LONG-TERM DEBT, less current maturities		252,334
MINORITY INTEREST IN SUBSIDIARY	171,888	9,675
COMMITMENTS AND CONTINGENCIES		
OWNERS EQUITY		
Paid-in capital	11,757,909	8,207,336
Retained earnings	16,444,069	6,666,179
Total owners equity	28,201,978	14,873,515
TOTAL LIABILITIES AND OWNERS EQUITY	$ 36,591,772	$ 21,909,534

The accompanying notes are an integral part of these statements.

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BSI COMPANIES
Combined Statements of Earnings
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

	2003	2002
REVENUES	$ 49,119,656	$ 33,962,689
OPERATING EXPENSES		
Costs of goods and services	30,188,568	22,963,942
General and administrative expenses	2,035,329	1,643,842
Taxes and insurance	327,315	356,284
Depreciation	1,525,022	726,937
Salaries and employee benefits	3,962,819	3,982,169
Shop and automobile expenses	1,040,867	1,740,998
Total operating expenses	8,891,352	8,450,230
OPERATING INCOME	10,039,736	2,548,517
OTHER INCOME, net	39,523	81,462
INTEREST EXPENSE	(139,156)	(47,668)
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY	(162,213)	(9,675)
NET EARNINGS	$ 9,777,890	$ 2,572,636

The accompanying notes are an integral part of these statements.

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BSI COMPANIES
Combined Statement of Owners Equity
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

	Paid-in capital	Retained earnings	Total owners equity
Balance at January 1, 2002	$ 5,880,320	$ 4,093,543	$ 9,973,863
Capital contributions:			
Bell Supply I, LP	266,015		266,015
Shale Tank Truck, LP	2,061,001		2,061,001
Net earnings		2,572,636	2,572,636
Balance at December 31, 2002	8,207,336	6,666,179	14,873,515
Capital contributions:			
BSI Holdings, L.P. and BSI Holdings Management LLC	3,376,983		3,376,983
Acquire New Tejas, L.L.C. (50% Interest)	173,590		173,590
Net earnings		9,777,890	9,777,890
Balance at November 6, 2003	$ 11,757,909	$ 16,444,069	$ 28,201,978

The accompanying notes are an integral part of these statements.

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BSI COMPANIES
Combined Statements of Cash Flows
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

	2003	2002
Cash flows from operating activities		
Net earnings	$ 9,777,890	$ 2,572,636
Adjustments to reconcile net earnings to net cash used in operating activities		
Minority interest in net earnings of subsidiaries	162,213	9,675
Equity earnings in investment		(26,291)
Depreciation	1,525,022	726,937
Gain on sale of equipment	16,268	3,884
Change in assets and liabilities		
Increase in accounts receivable	(1,894,366)	(790,379)
Decrease in prepaid expenses and other	117,020	320,305
Decrease (increase) in notes receivable	268,639	(372,927)
Decrease (increase) in inventory	278,290	(1,787,879)
Increase in accounts payable and accrued expenses	1,221,918	978,555
Net cash provided by operating activities	11,472,894	1,634,516
Cash flows from investing activities		
Acquisition of Western Bentonite, net of cash acquired	(375,555)	
Purchase of equipment and improvements	(15,209,054)	(5,897,181)
Proceeds from sale of equipment and improvements	244,398	59,789
Investment in partnership		(29,295)
Net cash used in investing activities	(15,340,211)	(5,866,687)
Cash flows from financing activities		
Net advances in lines of credit	405,000	1,285,000
Proceeds on long-term debt	2,156,629	388,800
Payments on long-term debt	(2,591,985)	(307,133)
Contributions from partners	3,550,573	2,327,016
Net cash provided by financing activities	3,520,217	3,693,683
Net decrease in cash and cash equivalents	(347,100)	(538,488)
Cash and cash equivalents at beginning of period	369,224	907,712
Cash and cash equivalents at end of period	$ 22,124	$ 369,224

The accompanying notes are an integral part of these statements.

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BSI COMPANIES
Notes to Combined Financial Statements
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

NOTE A NATURE OF OPERATIONS

BSI Companies (BSI) is an integrated well site services provider with operations in north and east Texas. BSI provides a wide range of services to the oil and gas exploration industry, including contract drilling, well servicing, fluid handling, well site rentals, materials and supplies and other support services.

BSI s business depends, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of natural gas or oil, which could have a material impact on exploration, development and production activities, also could materially affect our financial position, results of operations and cash flows.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The combined financial statements of BSI include entities under common control that were acquired by SCF-IV, L.P. through its majority-ownership interest in Complete Energy Services, Inc. on November 7, 2003. At November 6, 2003, BSI includes the following entities:

BSI Holdings, LP

BSI Holdings Management, LLC

Bell Supply I, LP

Red River Well Service Ltd. (dba s Mercer Well Service, Brammer Supply, Basin Tool)

Shale Tank Truck, L.P.

New Tejas, L.L.C.

Price Pipeline Construction, Ltd. (50% interest)

As of January 1, 2003, a common group of individuals and related entities owned 100% of BSI Holdings, LP and BSI Holdings Management, LLC (the Controlling Entities). For the period January 1, 2003 through November 6, 2003, the Controlling Entities owned 100% of Bell Supply I, LP; Red River Well Service Ltd. and Shale Tank Truck, L.P. Operations of Brammer Supply, Inc. were transferred to Bell Supply I, LP on January 1, 2003. The Controlling Entities acquired the assets of Felderhoff Drilling and the accounts of Western Bentonite as of January 1, 2003, and acquired a remaining 50% ownership in New Tejas, L.L.C., an entity that was accounted for under the equity method in 2002. Price Pipeline Construction, Ltd. was consolidated in 2003, with a 50% ownership interest held by a related party shown as minority interest.

For the year ended December 31, 2002; Bell Supply I, LP; Red River Well Service Ltd. and Shale Tank Truck, L.P., as well as an equity investment in New Tejas, L.L.C. and a 50% ownership interest in Price Pipeline Construction, Ltd. were managed by an individual with a significant equity interest in each. The operations of these entities were combined for the year ended December 31, 2002 for comparative presentation with 2003 results.

All intercompany accounts among the entities in BSI were eliminated for the year ended December 31, 2002 and the period January 1, 2003 through November 6, 2003.

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BSI COMPANIES
Notes to Combined Financial Statements (Continued)
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

BSI considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

4. Inventory

Inventory, which is stated at the lower of average cost or market, consists primarily of materials and supplies held for resale.

5. Property, Plant and Equipment

Property, plant and equipment, including renewals and betterments, are stated at cost, while maintenance and repairs are expensed currently. Depreciation on our buildings, drilling rigs, well-servicing rigs, oilfield hauling and mobile equipment, and other machinery and equipment is computed using the straight-line method over the estimated useful life of the asset after provision for salvage value (buildings 20 years; drilling rigs 20 years; well-servicing rigs 25 years; oilfield hauling and mobile equipment and other machinery and equipment 3 to 10 years). Upon retirement or other disposal of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in our results of operations.

BSI reviews our assets for impairment when events or changes in circumstances indicate that the net book value of property, plant and equipment may not be recovered over its remaining service life. Provisions for asset impairment are charged to income when the sum of estimated future cash flows, on an undiscounted basis, is less than the asset s net book value. Actual impairment charges are recorded using an estimate of discounted future cash flows. The determination of future cash flows requires us to estimate day rates and utilization in future periods, and such estimates can change based on market conditions, technological advances in the industry or changes in regulations governing the industry. There was no impairment recorded in 2003.

6. Goodwill

Goodwill represents the cost in excess of fair value of the net assets of companies acquired. Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, presumes that all goodwill will not be subject to amortization, but rather will be tested at least annually for impairment. In addition, the standard provides specific guidance on how to determine and measure goodwill impairment.

7. Revenue Recognition

BSI recognizes revenues and costs on drilling contracts as the work progresses. For certain contracts, we receive lump-sum payments for the mobilization of rigs and other drilling equipment. Revenues and the related direct costs incurred for the mobilization are deferred and recognized over the term of the related

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BSI COMPANIES
Notes to Combined Financial Statements (Continued)
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

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.

BSI recognizes revenues on service contracts (service rigs, hauling, etc.) in the period in which the service is provided. BSI recognizes revenue on the sale of materials and supplies when products have been shipped, title and risk of loss have been transferred and collectibility is probable.

NOTE C PROPERTY, PLANT AND EQUIPMENT

The major components of our property, plant and equipment as of November 6, 2003 and December 31, 2002 are as follows:

	2003	2002
Drilling and service rigs	$ 23,527,831	$ 9,765,282
Automobiles	2,997,672	1,782,770
Buildings	20,000	70,722
Leasehold improvements	530,854	233,981
Land	127,609	75,000
Office equipment	138,044	75,867
Total property, plant and equipment	27,342,010	12,003,622
Accumulated depreciation	(3,391,199)	(1,770,846)
Net property, plant and equipment	$ 23,950,811	$ 10,232,776

NOTE D INVENTORY

The major components of inventory as of November 6, 2003 and December 31, 2002 are as follows:

	2003	2002
Tubular products	$ 1,123,399	$ 595,633
Hardware	1,455,878	1,874,942
Plumbing and fittings	879,675	747,094
Other	954,333	1,473,906
Net inventory	$ 4,413,285	$ 4,691,575

NOTE E FAIR VALUE INSTRUMENTS

The fair values of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments. The fair value of our long-term debt approximates its carrying value as the stated variable interest rate approximates the market rate at November 6, 2003.

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BSI COMPANIES
Notes to Combined Financial Statements (Continued)
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

NOTE F DEBT

Long-term debt consists of the following at November 6, 2003 and December 31, 2002:

	2003	2002
Note payable to a finance company with interest payable monthly at a rate of 2.9% per annum; payments of $882 payable monthly with the last payment due May 12, 2003; collateralized by truck	$	$ 1,391
Note payable to a finance company with no interest; principal payments of $811 payable monthly with the last payment due December 9, 2004; collateralized by truck		18,662
Note payable to a finance company with no interest; principal payments of $811 payable monthly with the last payment due December 9, 2004; collateralized by truck		18,662
Note payable to a finance company with no interest; principal payments of $811 payable monthly with the last payment due December 9, 2004; collateralized by truck		18,662
Note payable to a finance company with no interest; principal payments of $811 payable monthly with the last payment due October 16, 2004; collateralized by truck		18,662
Note payable to a finance company with interest payable monthly at a rate of 8.75% per annum; principal payments of $1,057 payable monthly with the last payment due September 19, 2003; collateralized by truck		8,042
Note payable to a finance company with no interest; principal payments of $3,410 payable monthly with the last payment due April 6, 2006; collateralized by equipment		109,133
Note payable to a finance company with interest payable monthly at a rate of 6.53% per annum; principal payments of $5,420 payable monthly with the last payment due April 20, 2005; collateralized by equipment		136,129
Note payable to a finance company with interest payable monthly at a rate of 4.80% per annum; principal payments of $5,279 payable monthly with the last payment due September 29, 2004; collateralized by equipment		100,310
Note payable to a finance company with no interest; principal payments of $670 payable monthly with the last payment due February 3, 2005; collateralized by truck		16,741
Note payable to a finance company with no interest; principal payments of $630 payable monthly with the last payment due January 12, 2005; collateralized by truck		15,117
Note payable to a finance company with no interest; principal payments of $670 payable monthly with the last payment due February 3, 2005; collateralized by truck		16,741
Note payable to a finance company with no interest; principal payments of $593 payable monthly with the last payment due December 9, 2004; collateralized by truck		14,819
Note payable to a finance company with no interest; principal payments of $593 payable monthly with the last payment due December 9, 2004; collateralized by truck		14,823

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BSI COMPANIES
Notes to Combined Financial Statements (Continued)
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

	2003	2002
Note payable to a finance company with no interest; principal payments of $3,384 payable monthly with the last payment due September 5, 2004; collateralized by truck	$ 72,538	$
Total debt	72,538	507,894
Less current portion	72,538	255,560
Long-term debt	$	$ 252,334

In addition to its long-term debt, BSI has the following lines of credit at November 6, 2003 and December 31, 2002:

	2003	2002
$1,500,000 revolving line of credit, secured, with interest rate of 4.0%; due December 2003	$ 1,500,000	$ 1,385,000
$1,500,000 revolving line of credit, secured, with interest rate of 4.0%; due December 2003		1,400,000
$750,000 revolving line of credit, secured, with interest rate of 4.25%; due January 2004	190,000	
$1,500,000 revolving line of credit, secured, with interest rate of 5.25%; due June 2004	1,500,000	
	$ 3,190,000	$ 2,785,000

NOTE G RELATED PARTY TRANSACTIONS

In the normal course of business, BSI provides and receives goods and services with various entities in which an officer of BSI has an ownership interest. BSI believes that all transactions with related parties were on terms at least as favorable to BSI as could have been obtained through arm s-length negotiations with unaffiliated third parties.

NOTE H COMMITMENTS AND CONTINGENCIES

BSI and its subsidiaries occupy various facilities and lease certain equipment under various lease agreements. The minimum rental commitments under non-cancelable operating leases, with lease terms in excess of one year subsequent to November 6, 2003, are as follows:

2004	$ 477,894
2005	471,684
2006	436,560
2007	436,560
2008	401,060
Total	$ 2,223,758

Rental expense with operating lease terms greater than 30 days amounted to $520,577 for the period ended November 6, 2003.

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BSI COMPANIES
Notes to Combined Financial Statements (Continued)
Period from January 1, 2003 through November 6, 2003
and Year Ended December 31, 2002

Bell Supply I, LP and Shale Tank Truck, L.P., two entities of BSI, are defendants in litigation involving the death of an employee that occurred prior to November 6, 2003. BSI believes that any exposure in connection with this litigation would not exceed applicable insurance coverage. Depositions in this case are continuing, and BSI s management and counsel believe it is too early to predict the amount of any settlement. In addition, in connection with its acquisition of BSI, Complete Energy Services, Inc. is indemnified for any contingent liabilities existing at the acquisition date in excess of $250,000.

BSI is also subject to various other legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any liability with respect to these actions is either too early to determine or will not materially affect BSI s consolidated financial statements or results of operations.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Owners
I.E. Miller Companies:

We have audited the accompanying combined balance sheet of I.E. Miller Companies (defined in Note A1) as of August 31, 2004, and the related combined statements of operations, owners equity and cash flows for the eleven month period then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of I.E. Miller Companies as of August 31, 2004, and the results of their operations and their cash flows for the eleven month period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Houston, Texas
January 27, 2005

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I. E. MILLER COMPANIES
Combined Balance Sheet

		August 31, 2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	1,035,929
Accounts receivable trade, net of allowance for doubtful accounts of $103,354		6,948,834
Prepaid assets		1,569,830
Other current assets		323,562
Total current assets		9,878,155
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation and amortization		6,968,954
GOODWILL, net of accumulated amortization of $73,210		161,508
	$	17,008,617
LIABILITIES AND OWNERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$	1,252,475
Accrued liabilities		2,103,745
Payable to affiliates		164,077
Total current liabilities		3,520,297
COMMITMENTS AND CONTINGENCIES		
OWNERS EQUITY		13,488,320
	$	17,008,617

The accompanying notes are an integral part of this statement.

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I. E. MILLER COMPANIES
Combined Statement of Operations and Owners Equity

	Eleven Month Period Ended August 31, 2004
OPERATING REVENUE	$ 41,507,522
OPERATING EXPENSES	30,057,266
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,779,669
OPERATING INCOME	6,670,587
INTEREST EXPENSE	84,856
OTHER EXPENSE	183,774
NET INCOME	$ 6,401,957
BALANCE OF OWNERS EQUITY AS OF OCTOBER 1, 2003	10,925,363
DISTRIBUTION TO OWNERS DURING THE PERIOD	(3,839,000)
BALANCE OF OWNERS EQUITY AS OF AUGUST 31, 2004	$ 13,488,320

The accompanying notes are an integral part of these statements.

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I. E. MILLER COMPANIES
Combined Statement of Cash Flows

	Eleven Month Period Ended August 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 6,401,957
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	1,567,075
Change in assets and liabilities	
Decrease in accounts receivable	107,691
Increase in prepaid assets	(347,891)
Increase in other current assets	(105,250)
Increase in accounts payable	340,405
Increase in accrued liabilities	440,638
Increase in payable to affiliates	164,077
Net cash provided by operating activities	8,568,702
CASH FLOWS FROM INVESTING ACTIVITIES	
Fixed asset additions	(2,022,020)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of affiliated debt	(2,144,431)
Distributions to owners	(3,839,000)
Net cash used in financial activities	(5,983,431)
INCREASE IN CASH	563,251
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	472,678
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,035,929
Supplemental cash flow information:	
Interest paid during the period	$ 84,856

The accompanying notes are an integral part of these statements.

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I. E. MILLER COMPANIES

Notes to Combined Financial Statements

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Statement Presentation

The combined financial statements include the accounts of I. E. Miller of Eunice, L.L.C.; I. E. Miller Fowler Trucking, L.L.C.; and I. E. Miller Heldt Brothers Trucking, L.L.C, collectively referred to as the I. E. Miller Companies. These entities were 100% owned by an individual through personal ownership and affiliated persons or companies. The financial statements of these entities were combined with no adjustments to the balance sheet or statement of owners equity. All significant intercompany balances and transactions have been eliminated.

2. Nature of Operations

The I. E. Miller Companies principal business activity consists of land rig moving, line hauling, and vacuum truck service in Louisiana and southeast Texas.

3. Cash and Cash Equivalents

For purpose of the combined statement of cash flows, the I. E. Miller Companies consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at August 31, 2004.

4. Depreciation

Fixed assets are recorded at cost. Depreciation is provided by the straight-line method and declining balance method for financial statement and tax purposes, respectively, over the estimated useful lives of the assets as follows:

Buildings and improvements	25-39 years
Furniture and fixtures	1-5 years
Shop equipment	2-5 years
Vehicles	3 years
Revenue equipment	2-10 years

5. Intangible Assets

The I. E. Miller Companies have adopted Statement of Financial Accounting Standards (SFAS) 142, *Goodwill and Other Intangible Assets.* As a result of this pronouncement, goodwill is no longer subject to amortization. Rather, goodwill is tested for impairment on an annual basis, or more frequently if an event occurs or circumstances change that would indicate an impairment is possible. Prior to adoption of SFAS 142, the accumulated balance of amortized goodwill was $73,210. For the period ended August 31, 2004, management of the I. E. Miller Companies have concluded that there is no impairment of goodwill.

6. Income Taxes

I. E. Miller of Eunice, L.L.C. was formed and all the assets I. E. Miller of Eunice, Inc. were transferred to the L.L.C. effective October 1, 2002. Earnings and losses after that date are included in the income tax return of the owners. Accordingly, the L.L.C. will not incur additional income tax obligations, and the financial statements do not include a provision for income taxes.

I.E. Miller Heldt Brothers Trucking L.L.C. and I. E. Miller Fowler Trucking, L.L.C., with the consent of their owners, elected to be taxed as partnerships. In lieu of company level income taxes, the owners are taxed on their proportionate share of the net income from their operations. Accordingly, no

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I. E. MILLER COMPANIES

Notes to Combined Financial Statements (Continued)

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

provision or liability for income taxes is included in the accompanying combined financial statements for their operations.

7. Revenue recognition

Revenue is recognized when the service is rendered.

8. Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B ACCOUNTS RECEIVABLE

The I. E. Miller Companies provide for doubtful accounts using the allowance method. Accounts estimated to be uncollectible total $103,354 as of August 31, 2004.

NOTE C PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment at cost, less accumulated depreciation and amortization at August 31, 2004:

Land	$	265,732
Buildings and improvements		512,608
Furniture and fixtures		372,593
Shop equipment		59,213
Vehicles		1,120,180
Revenue equipment		11,611,855
		13,942,181
Less accumulated depreciation and amortization		6,973,227
	$	6,968,954

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I. E. MILLER COMPANIES

Notes to Combined Financial Statements (Continued)

NOTE D RELATED PARTY TRANSACTIONS

Related parties of the I. E. Miller Companies include the following entities: Sunland Construction, Inc., Sunland-Kori Services, L.L.C., I. E. Miller and Company, L.L.C., Gulfgate Construction, L.L.C., Andre Land and Cattle and Progressive Tractor & Implement Co., Inc. Related party transactions are as follows:

Accounts receivable from:		
Sunland Construction, Inc.	$	60,730
Progressive Tractor and Implement Co., Inc.		105
	$	60,835
Accounts payable to:		
Sunland Construction, Inc.	$	3,423
Purchases of services from:		
Sunland Construction, Inc.	$	896,494
Sunland-Kori Services, L.L.C		213,388
	$	1,109,882
Sales of services to:		
Sunland Construction, Inc.	$	175,431
Progressive Tractor and Implement Co., Inc.		1,515
	$	176,946

During the eleven months ended August 31, 2004, the I. E. Miller Companies rented property from Andre Land and Cattle for $33,000. The I. E. Miller Companies sold assets to Sunland Construction, Inc. for $59,000 and repaid debts of $2,144,431 and paid $9,063 in interest to Sunland.

NOTE E RETIREMENT PLAN

For the period ended August 31, 2004, the employees of I. E. Miller Companies were allowed to participate in the I. E. Miller Companies Profit Sharing 401(k) Plan. The Plan covers all full-time employees of I. E. Miller Companies who have one year of service and are age eighteen or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each year (at the option of I. E. Miller Companies management) the employer may make contributions. Participants may contribute up to 15 percent of their annual wages before bonuses and overtime. Employer contributions to the Plan were $17,978.17 for the period ended August 31, 2004.

NOTE F CONCENTRATION OF CREDIT RISK

The I. E. Miller Companies provide services to a diversified group of customers in the petroleum industry, including major oil companies, located primarily in the Southern United States. Credit is extended based on a evaluation of each customer s financial condition. Credit losses, upon occurrence, are provided for within the financial statements.

The I. E. Miller Companies maintain their cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

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I. E. MILLER COMPANIES

Notes to Combined Financial Statements (Continued)

NOTE G SALES TO MAJOR CUSTOMERS

The customer base for the I. E. Miller Companies is primarily concentrated in the oil and gas industry. The revenue earned for each customer varies from year to year based on the services provided. Sales to customers exceeding 10 percent or more of the I. E. Miller Companies total revenue during the period comprised one customer at 13%.

NOTE H COMMITMENTS AND CONTINGENCIES

The I. E. Miller Companies are involved in various claims and lawsuits in the normal course of business. Management does not believe that any accruals are necessary in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies.*

The I. E. Miller Companies lease equipment under various operating lease agreements. Total minimum rental commitments at August 31, 2004 are as follows:

Year Ended August 31,	Amount
2005	$ 398,400
2006	200,575
	$ 598,975

NOTE I SUBSEQUENT EVENTS

On August 31, 2004, the I. E. Miller Companies were purchased by I. E. Miller Services, Inc. in an asset acquisition.

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Eugene H. Darnall, CPA, Retired 1990
Paula D. Bihm, CPA, Deceased 2002

E. Larry Sikes, CPA, CVA, CFP
Danny P. Frederick, CPA
Clayton E. Darnall, CPA,CVA
Eugene H. Darnall, III, CPA

Stephanie M. Higginbotham, CPA
John P. Armato, CPA
Jennifer S. Ziegler, CPA, CFP
Chris A. Miller, CPA,CVA
Stephen R. Dischler, MBA, CPA
Steven G. Moosa, CPA

Erich G. Loewer, Jr. CPA, CVA

Kathleen T. Darnall, CPA
Erich G. Loewer, III, MTX, CPA
Tamera T. Landry, CPA
Raegan D. Maggio, CPA
Julie Templet DeVillier, CPA

Barbara A. Clark, CPA
Lauren F. Verrett, CPA
Michelle B. Borrello, CPA
Jeremy C. Meaux, CPA
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Other Locations:

1231 E. Laurel Avenue
Eunice, LA 70535
337.457.4146

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985.384.6264

404 Pere Megret
Abbeville, LA 70510
337.893.5470

INDEPENDENT AUDITOR S REPORT

Mr. John E. Soileau
I. E. Miller Companies
Eunice, Louisiana

We have audited the accompanying combined balance sheet of I.E. Miller Companies as of September 30, 2003, and the related combined statement of operations, stockholders and members equity and cash flows for the year then ended. These combined financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financing reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of I.E. Miller Companies as of September 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ DARNALL, SIKES & FREDERICK
A Corporation of Certified Public Accountants

Eunice, Louisiana
November 10, 2003

Member of:

American Institute of
Certified Public Accountants

Society of Louisiana
Certified Public Accountants

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I. E. MILLER COMPANIES
Combined Balance Sheet
September 30, 2003

ASSETS		
CURRENT ASSETS		
Cash	$	621,528
Accounts receivable trade net		7,116,525
Other receivables		191,091
Prepaid expenses		1,206,555
Total current assets		9,135,699
PROPERTY AND EQUIPMENT		
Land and improvements		314,475
Buildings and improvements		399,714
Furniture and fixtures		377,555
Shop equipment		56,625
Vehicles		1,000,356
Revenue equipment		12,837,793
Leasehold improvements		64,151
Construction in progress		31,398
		15,082,067
Less accumulated depreciation		8,568,031
		6,514,036
OTHER ASSETS		
Goodwill net		161,509
Deposits		27,192
		188,701
TOTAL ASSETS	$	15,838,436
LIABILITIES AND STOCKHOLDERS AND MEMBERS EQUITY		
LIABILITIES		
Bank overdrafts	$	133,467
Accounts payable		1,021,172
Accrued expenses		1,367,537
Note payable insurance		246,467
Due to related parties		2,144,431
Total current liabilities		4,913,074
MINORITY INTEREST		355,572

STOCKHOLDERS AND MEMBERS EQUITY		
Common stock		1,000
Members equity		8,564,759
Retained earnings		2,004,031
		10,569,790
TOTAL LIABILITIES AND STOCKHOLDERS AND MEMBERS EQUITY	$	15,838,436

See independent auditor s report and notes to combined financial statements.

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I. E. MILLER COMPANIES
Combined Statement of Operations
Year Ended September 30, 2003

OPERATING REVENUE	$	30,186,155
OPERATING EXPENSES		
Direct expenses		17,295,775
Indirect expenses		12,628,516
		29,924,291
OPERATING INCOME		261,864
OTHER INCOME		
Gain on sale of assets		36,088
Interest		7,676
Miscellaneous		175,001
		218,765
NET INCOME	$	480,629

See independent auditor s report and notes to combined financial statements.

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I. E. MILLER COMPANIES
Combined Statement of Stockholders and Members Equity
Year Ended September 30, 2003

	Common Stock	Members Equity	Retained Earnings	Minority Interest	Total Equity
Balances, September 30, 2002	$ 576,000	$ (149,683)	$ 10,381,565	$ 248,412	$ 11,056,294
Conversion of corporation to L.L.C.	(575,000)	8,783,005	(8,145,859)		62,146
Net income (loss)		605,144	(231,675)	107,160	480,629
Gain on liquidation of parent		214,468			214,468
Distributions		(888,175)			(888,175)
Balances, September 30, 2003	$ 1,000	$ 8,564,759	$ 2,004,031	$ 355,572	$ 10,925,362

See independent auditor s report and notes to combined financial statements.

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I. E. MILLER COMPANIES
Combined Statement of Cash Flows
Year Ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 480,629
Adjustments to reconcile net income to net cash provided by operating activities Depreciation	1,817,037
Gain on disposal of assets	(36,088)
(Increase) decrease in:	
Accounts receivable	(3,010,184)
Other receivables	15,280
Prepaid assets	947,774
Interest receivable	100,513
Deposits	(16,131)
Increase (decrease) in:	
Accounts payable	132,904
Accrued expenses	(63,223)
Deferred expenses	(62,146)
Total adjustments	(174,264)
Net cash provided by operating activities	306,635
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of fixed assets	195,432
Purchase of fixed assets	(839,196)
Net cash used by investing activities	(643,764)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from bank overdraft.	133,467
Net proceeds to affiliates	1,458,862
Net payments to member	(122,447)
Net decrease in short-term debt	(120,137)
Deferred compensation payments	(162,195)
Repayment of long-term debt	(1,404,454)
Net cash used by financing activities	(216,904)
DECREASE IN CASH AND CASH EQUIVALENTS	(554,303)
CASH AND CASH EQUIVALENTS, beginning of year	1,175,831
CASH AND CASH EQUIVALENTS, end of year	$ 621,528
Supplemental disclosures	
Interest paid	$ 131,360
Income taxes paid	$ 70,656

See independent auditor s report and notes to combined financial statements.

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I. E. MILLER COMPANIES
Notes to Combined Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Principles of Combination

The combined financial statements include the accounts of I. E. Miller of Eunice, L.L.C. (wholly owned by I. E. Miller & Company, L.L.C.), I. E. Miller Holding Co., Inc. and its subsidiary, I. E. Miller Fowler Trucking, L.L.C., and I. E. Miller Heldt Brothers Trucking, L.L.C. collectively referred to as the I. E. Miller Companies. During the year ended September 30, 2003, with the shareholder s consent, I. E. Miller of Eunice, Inc. transferred all of its operating assets to I. E. Miller of Eunice, L.L.C. in exchange for 100% ownership in the L.L.C. Subsequent to this transaction, I. E. Miller & Company, L.L.C. elected to liquidate I. E. Miller of Eunice, Inc., which resulted in I. E. Miller of Eunice, LLC. being 100% owned by I. E. Miller & Company, L.L.C. The I. E. Miller Companies were 100% owned by an individual through personal ownership and affiliated persons or companies. The financial statements of the I. E. Miller Companies were combined with no adjustments to the balance sheet or statement of owners equity. All significant intercompany transactions have been eliminated in the combination.

Nature of Operations

The I. E. Miller Companies principal business activity consists of land rig moving, line hauling, and vacuum truck service in Louisiana and southeast Texas.

Cash and Cash Equivalents

For purposes of the Combined Statement of Cash Flows, the I. E. Miller Companies consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2003.

Depreciation

Fixed assets are recorded at cost. Depreciation, for financial statement purposes, is provided by the straight-line method and declining balance method over the estimated useful lives of the assets as follows:

Building and improvements	25
Furniture and fixtures	1-5
Shop equipment	2-5
Vehicles	3
Revenue equipment	2-10

Intangible Assets

Goodwill represents the excess of the cost of the I. E. Miller Companies over the fair value of its net assets at the date of acquisition. In prior periods goodwill was being amortized on the straight-line basis over 40 years. For the year ended September 30, 2003 the I. E. Miller Companies have adopted SFAS No. 142, Goodwill and Other Intangible Assets, which changes the accounting for goodwill and other intangible assets. Goodwill is no longer amortized using the straight-line method over 40 years. Instead, SFAS No. 142 requires the Company to test for any impairment of goodwill. The I. E. Miller Companies have concluded that there has been no impairment of goodwill during the current year and therefore has not charged any expense to the income statement for the year ended September 30, 2003. Amortization expense charged to operations for 2002 was $6,682.

I. E. MILLER COMPANIES
Notes to Combined Financial Statements (Continued)

<u>*Income Taxes*</u>

I. E. Miller of Eunice, L.L.C.

I. E. Miller of Eunice, L.L.C. was formed and all the assets of I. E. Miller of Eunice, Inc. were transferred to the L.L.C. effective October 1, 2002. Earnings and losses after that date will be included in the income tax return of the member. Accordingly, the L.L.C. will not incur additional income tax obligations, and future financial statements will not include a provision for income taxes. Prior to the change, income taxes currently payable and deferred income taxes based on differences between the financial basis of assets and liabilities and their tax basis were recorded in the financial statements.

I. E. Miller Holding Co., Inc. & Subsidiary/ I.E. Miller Heldt Brothers Trucking, L.L.C.

I. E. Miller Holding Co., Inc. and Subsidiary and I. E. Miller Heldt Brothers Trucking, L.L.C., with the consent of their stockholders (members), elected to be taxed as an S corporation and a partnership, respectively. In lieu of company level income taxes, the stockholders (members) are taxed on their proportionate share of the net income from their operations. Accordingly, no provision or liability for income taxes is included in the accompanying combined financial statement for their operations.

<u>*Uses of Estimates*</u>

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 ACCOUNTS RECEIVABLE

The I. E. Miller Companies provide for doubtful accounts using the allowance method. Accounts estimated to be uncollectible total $124,153 as of September 30, 2003.

NOTE 3 NOTE PAYABLE

Note payable to Canonwill, Inc., dated March 14, 2003, original amount of $864,476, with a downpayment of $216,119, bearing interest at 5% per annum, payable in 9 monthly installments of $73,549, collateralized by insurance policies	$	213,172
Note payable to Hibernia Insurance, dated March 17, 2003, original amount of $131,537, with a downpayment of $32,884, bearing interest at 5% per annum, payable in 9 monthly installments of $11,191, collateralized by insurance policies		33,295
	$	246,467

NOTE 4 DEFERRED COMPENSATION

The I. E. Miller Companies had established a deferred compensation agreement with a key employee. Additional compensation, if any, was earned based on profitability of the I. E. Miller Companies through a formula set forth in the plan. The plan also included a vesting schedule and withdrawal options of amounts earned and vested. Included in long-term liabilities is the deferred compensation payable earned as of September 30, 2002 in the amount of $162,195. During the year ended September 30, 2003, the covered individual discontinued employment with the I. E. Miller Companies and was paid all amounts owed as of that date.

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I. E. MILLER COMPANIES
Notes to Combined Financial Statements (Continued)

NOTE 5 RELATED PARTY TRANSACTIONS

Related parties of the I. E. Miller Companies include the following entities: Sunland Construction, Inc., Sunland-Kori Services, L.L.C., I. E. Miller and Company, L.L.C., Gulfgate Construction, L.L.C., and Progressive Tractor & Implement Co., Inc. Related party transactions are as follows:

Accounts Receivable		
Sunland Construction, Inc.	$	262
Accounts Payable/ Accrued Expenses		
Sunland-Kori Services, L.L.C	$	10,102
Due (to) from Affiliates/ Stockholders		
Due to Sunland Construction, Inc.	$	2,144,431
Sales		
Sunland Construction, Inc.	$	27,940
Gulfgate Construction, L.L.C		1,306
Progressive Tractor & Implement Co., Inc.		317
	$	29,563
Purchases		
Sunland Construction, Inc.	$	2,899
Sunland-Kori Services, L.L.C		18,144
Progressive Tractor & Implement Co., Inc.		2,573
	$	23,616

NOTE 6 RETIREMENT PLAN

For the year ended September 30, 2002, the employees of the I. E. Miller Companies were allowed to participate in the Sunland Construction, Inc. Profit Sharing 401(k) Plan. For the year ended September 30, 2003, the employees of the I. E. Miller Companies are allowed to participate in the I. E. Miller Companies Profit Sharing 401(k) Plan. The Plans cover all full-time employees of the I. E. Miller Companies who have one year of service and are age eighteen or older. They are subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each year (at the option of the I. E. Miller Companies management) the employer may make contributions. Participants may contribute up to 15 percent of their annual wages before bonuses and overtime. Employer contributions to the plans were $21,100 for the year ended September 30, 2003.

NOTE 7 BENEFIT TRUST

The I. E. Miller Companies participate in the Voluntary Employee s Benefit Association Plan of Sunland Construction, Inc. and Affiliated Companies. The Plan provides health benefits and life insurance coverage to full-time participants and to their beneficiaries and covered dependents. Funding of the Plan is provided monthly by contributions from both employers for employee coverage and employees for spouse and dependent coverage.

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I. E. MILLER COMPANIES
Notes to Combined Financial Statements (Continued)

NOTE 8 CONCENTRATION OF CREDIT RISK

The I. E. Miller Companies provide services to a diversified group of customers in the petroleum industry, including major oil companies, located primarily in the Southern United States. Credit is extended based on an evaluation of each customer s financial condition. Credit losses, upon occurrence, are provided for within the financial statements.

The I. E. Miller Companies maintain its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

NOTE 9 STOCK RESTRICTIONS

The Articles of Incorporation do not allow any unit of I. E. Miller Heldt Brothers Trucking, L.L.C. to be transferred by any member to any person not already a member of I. E. Miller Heldt Brothers Trucking, L.L.C. unless the unit has been first offered for sale to the other members and the other members fail or refuse to accept the offer. The other members shall have an option to purchase the unit to be transferred at the same price and on the same terms and conditions as the offer or shall have been offered by a third person in an arm s length transaction, acting in good faith. The offer shall be in writing and open for a period of 60 days. After the offer period has expired, the member may transfer his units at a price not less than the amount offered to the other members. The right of first refusal shall not apply to a gift or donation; however, a donation shall require the consent of the members.

NOTE 10 CONTINGENCIES

The I. E. Miller Companies are guarantors on a line-of-credit of $30,000,000 for Sunland Construction, Inc. (a commonly owned affiliate). The outstanding balance was $4,995,814 at September 30, 2003. Also, the I. E. Miller Companies are guarantors on a term note for Sunland Construction, Inc. The balance on the note was $1,671,911 at September 30, 2003.

The I. E. Miller Companies have outstanding four letters of credit with Bank One for a total of $2,120,978. At September, 30, 2003, no amounts were drawn on the letters of credit.

NOTE 11 SALES TO MAJOR CUSTOMERS

The customer base for the I. E. Miller Companies is primarily concentrated in the oil and gas industry. The revenue earned from each customer varies from year to year based on the services provided. Sales to customers exceeding 10 percent or more of the I. E. Miller Companies total revenue are summarized as follows:

Customer A	13%

Independent Accountants Report

Board of Directors
Hamm Co.
Enid, Oklahoma

We have audited the accompanying consolidated balance sheet of HAMM CO., as of September 30, 2004, and the related consolidated statements of income, stockholders equity and cash flows for the nine months then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HAMM CO., as of September 30, 2004, and the results of its operations and its cash flows for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD LLP
Tulsa, Oklahoma
December 9, 2004

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HAMM CO.
Consolidated Balance Sheet
September 30, 2004

ASSETS	
CURRENT ASSETS	
Cash	$ 1,907,097
Accounts receivable, net of allowance of $69,917	11,243,181
Inventory	312,635
Prepaid expenses	293,838
Total current assets	13,756,751
PROPERTY AND EQUIPMENT, at cost	
Trucks, tanks and other	27,830,941
Land and buildings	4,574,348
Equipment	14,254,688
Leasehold	69,253
	46,729,230
Less accumulated depreciation and amortization	26,674,288
	20,054,942
OTHER ASSETS	
Equipment deposit	1,234,867
Other	323,497
	1,558,364
Total assets	$ 35,370,057
LIABILITIES AND STOCKHOLDERS EQUITY	
CURRENT LIABILITIES	
Note payable	$ 3,458,978
Line of credit	2,625,177
Accounts payable	4,568,772
Accrued expenses and other payables	1,317,901
Total current liabilities	11,970,828
STOCKHOLDERS EQUITY	
Common stock, $.001 par value; authorized 10,000,000 shares; issued 1,956,300 shares and outstanding 1,956,175 shares	1,956
Additional paid-in capital	127,385
Retained earnings	23,852,097
Treasury stock, at cost, 125 shares	(582,209)

Total stockholders equity		23,399,229
Total liabilities and stockholders equity	$	35,370,057

See notes to consolidated financial statements.

HAMM CO.
Consolidated Statement of Income
Nine Months Ended September 30, 2004

REVENUE		
Service revenue	$	42,919,515
Oil and gas		259,835
Management fees		344,086
		43,523,436
OPERATING EXPENSES		
Salaries and benefits		16,194,201
Depreciation and amortization		3,119,198
Insurance		3,533,095
General and administrative		3,893,141
Repairs and maintenance		1,441,134
Disposal fee		2,392,600
Fuel and oil		2,739,152
Parts and supplies		3,582,245
Other		496,218
		37,390,984
OPERATING INCOME		6,132,452
OTHER INCOME		532,739
INTEREST EXPENSE		308,988
NET INCOME	$	6,356,203
BASIC EARNINGS PER SHARE	$	3.25
DILUTED EARNINGS PER SHARE	$	3.21

See notes to consolidated financial statements.

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HAMM CO.
Consolidated Statement of Stockholders Equity
Nine Months Ended September 30, 2004

	Number of Shares	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
Balance, beginning of period	1,956,300	$ 1,956	$ 127,385	$ (582,209)	$ 21,805,800	$ 21,352,932
Net income					6,356,203	6,356,203
Distribution to stockholder					(4,309,906)	(4,309,906)
Balance, end of period	1,956,300	$ 1,956	$ 127,385	$ (582,209)	$ 23,852,097	$ 23,399,229

See notes to consolidated financial statements.

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HAMM CO.
Consolidated Statement of Cash Flows
Nine Months Ended September 30, 2004

Operating Activities		
Net income	$	6,356,203
Items not requiring (providing) cash		
Depreciation and amortization		3,119,198
Gain on sale of assets		(494,368)
Undistributed earnings of affiliate		(15,052)
Changes in		
Accounts receivable		138,689
Inventory		120,126
Accounts payable and accrued expenses		1,075,237
Other		125,716
Net cash provided by operating activities		10,425,749
Investing Activities		
Proceeds from sale of equipment		1,638,575
Purchase of property and equipment and deposit on equipment		(7,430,797)
Net cash used in investing activities		(5,792,222)
Financing Activities		
Net borrowings on line-of-credit agreement		171,241
Principal payments of long-term debt and note payable		(3,118,051)
Net advances to affiliates		(210,675)
Distributions to stockholders		(2,213,573)
Net cash used in financing activities		(5,371,058)
Decrease in cash		(737,531)
Cash, beginning of period		2,644,628
Cash, end of period	$	1,907,097
Supplemental Cash Flows Information		
Interest paid	$	308,988

Hamm Co. sold equipment to the principal stockholder for cash, forgiveness of a payable owed to the stockholder and an amount of a declared cash distribution to the stockholder which was applied to the purchase price. The noncash components of the transaction were as follows:

Cost of equipment held for sale	$	3,523,642
Distribution to stockholder applied to equipment purchase price	$	2,096,333
Account payable to stockholder	$	353,439

See notes to consolidated financial statements.

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HAMM CO.
Notes to Consolidated Financial Statements
September 30, 2004

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hamm Co. is an Oklahoma-based fluid-handling and well-servicing company that earns revenue predominately from providing trucking, saltwater disposal and well servicing services for oil and gas producers in Oklahoma, Texas, Montana, North Dakota and Wyoming. Hamm Co. extends unsecured credit to its customers for a limited period of time.

Principles of Consolidation

The consolidated financial statements include the accounts of Hamm Co. and its wholly owned subsidiaries, Hamm & Phillips Service Co.; Stride Well Service, Inc.; Rigmovers, Inc.; and Guard, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Hamm Co. provides an allowance for doubtful accounts, if necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventories

Substantially all inventories, consisting of materials and supplies and mud, are valued at weighted average cost, which includes freight-in.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of each asset using the straight-line method. Useful lives by significant asset category were as follows at September 30, 2004:

Asset Description	**Useful Life (in years)**
Trucks, tanks and other	4-10
Buildings	10-40
Equipment	4-14
Leasehold improvements	10-40

Hamm Co. s property and equipment was pledged as collateral against its outstanding bank facility borrowings at September 30, 2004. See discussion at Note 3, Note Payable.

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
September 30, 2004

Income Taxes

Hamm Co. s stockholders have elected to have Hamm Co. income taxed as an S Corporation under provisions of the Internal Revenue Code and a similar section of the Oklahoma income tax law; therefore, taxable income or loss is reported to the individual stockholders for inclusion in their respective tax returns. No provision for federal and state income taxes is included in these statements.

Revenue Recognition

Hamm Co. earns revenue from the sale of services and equipment rentals to customers in the oil and gas industry at agreed-upon or contractual rates. Revenues are recognized when earned during the month that the services are performed. Services are performed within a relatively short period of time, and therefore, Hamm Co. does not record revenue transactions under long-term contract arrangements, and did not participate in multiple-element revenue transactions during the nine months ended September 30, 2004.

Stock Option Plan

During 2003, Hamm Co. implemented two stock-based employee compensation plans, which are described more fully in *Note 6.* Hamm Co. accounts for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in net income. The following table illustrates the effect on net income if Hamm Co. had applied the fair value provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation. Fair value has been estimated using the minimum value method.

Net income, as reported	$	6,506,203
Less: Total stock-based employee compensation cost determined under the fair value based method		41,974
Pro forma net income	$	6,464,229

The stock options were redeemed subsequent to year end.

Self-Insurance

Hamm Co. and other affiliated companies have elected to jointly self-insure costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. Hamm Co. has purchased insurance that limits its exposure for individual claims.

Fair Value of Financial Instruments

The fair value of financial assets and liabilities approximated their carrying values at September 30, 2004.

Note 2: Line of Credit

Hamm Co. has a line of credit agreement in the amount of $3,500,000 payable to a bank. The line of credit agreement is due in May 2005 with monthly interest payments at 4%. Accounts receivable, general intangibles and the principal stockholder s guarantee secure the note. At September 30, 2004, $2,625,177 was drawn on the line of credit agreement. The line of credit was paid in full in October 2004.

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
September 30, 2004

Note 3: Note Payable

The note payable is to a bank and totaled $3,458,978 at September 30, 2004. The note was to be due in May 2005 and had terms requiring that whereby 1/60th of the outstanding principal balance plus interest at 4.5% be paid monthly. The note was secured by equipment and the principal stockholder s guarantee at September 30, 2004. The note was paid in full in October 2004.

Note 4: Related Party Transactions

During 2001, Hamm Co. borrowed $600,000 from a rental company owned solely by one of its stockholders. The loan was payable in monthly installments and was due on demand. The note was not secured. During 2004, the note was paid in full.

During 2004, Hamm Co. provided oil field services and other services to affiliated companies totaling approximately $8,077,000. In addition, Hamm Co. purchased various services including saltwater disposal fees and general and administrative services totaling approximately $4,433,000. At September 30, 2004, Hamm Co. had a receivable totaling $2,284,657 from this related party and a payable of $376,201 as a result of these transactions. These amounts are included in the captions Accounts Receivable and Accounts Payable, respectively, in the accompanying balance sheet.

During 2004, Hamm Co. sold equipment to its stockholder for $3,966,447. The sales price was satisfied through the receipt of cash of $1,516,675, a distribution in kind to the stockholder of $2,096,333 and a reduction of accounts payable to the stockholder of $353,439. A gain of $442,805 was recognized as a result of the sale based on the purchase price of the equipment.

Note 5: Profit Sharing Plan

Hamm Co. has a 401(k) profit sharing plan covering substantially all employees. Hamm Co. makes discretionary contributions to the plan based on a percentage of eligible employees compensation. During 2004, contributions to the plan were 5% of eligible employees compensation. Contributions to the plan for the nine months ended September 30, 2004, were approximately $315,000.

Note 6: Stock Option Plans

Incentive Stock Option Plan (ISOP)

Hamm Co. has an incentive stock option plan under which it may grant options that vest in five years to its employees for up to 23,750 shares of common stock. The exercise price of each option is intended to equal the fair value of Hamm Co. s stock on the date of grant. An option s maximum term is ten years.

A summary of the status of the plan at September 30, 2004, and changes during the nine months then ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of period	21,850	$ 13.20
Granted	1,900	13.20
Outstanding, end of period	23,750	$ 13.20
Options exercisable, end of period	4,750	

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
September 30, 2004

The fair value of options granted is estimated on the date of the grant using the minimum value method with the following weighted-average assumptions:

Dividend per share	$
Risk-free interest rate	3%
Expected life of options	10 years

The following table summarizes information about stock options under the plan outstanding at September 30, 2004:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 13.20	23,750	9 years	$ 13.20	4,750	$ 13.20

Nonqualified Stock Option Plan (NSOP)

Hamm Co. has a nonqualified stock option plan under which it may grant options that vest in three years to its employees for up to 23,750 shares of common stock. Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* requires compensation cost to be recognized over the period in which an employee performs services if the exercise price is less than the fair value of Hamm Co. s stock on the date of the grant. The exercise price of each option is less than the fair value of the company s stock on the date of grant, however, management believes the annual compensation is not material to the operations of Hamm Co. and no cost has been recognized. An option s maximum term is ten years.

A summary of the status of the plan at September 30, 2004, and changes during the nine months ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of period	21,850	$ 6.60
Granted	1,900	6.60
Outstanding, end of period	23,750	$ 6.60
Options exercisable, end of period	7,917	

The fair value of options granted is estimated on the date of the grant using the minimum value method with the following weighted-average assumptions:

Dividend per share	$

Risk-free interest rate	3.0%
Expected life of options	10 years

The following table summarizes information about stock options under the plan outstanding at September 30, 2004:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 6.60	23,750	9 years	$ 6.60	7,917	$ 6.60

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
September 30, 2004

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Cash

Hamm Co. s cash exceeded FDIC insured limits by approximately $1,226,000 at September 30, 2004.

Customers

Hamm Co. earned approximately 20% of its revenues from one customer, an affiliated company, during 2004.

Self-Insurance

Hamm Co. and other affiliated companies participate jointly in a self-insurance pool covering health and workers compensation claims made by employees up to the first $50,000 (health) and $500,000 (workers compensation), respectively, per claim. Any amounts paid above these are reinsured through third-party providers. Premiums charged to Hamm Co. are based on estimated costs per employee of the pool. Estimates of the liability recorded could differ materially from the ultimate loss.

Note 8: Litigation and Commitments

Hamm Co. is a defendant in a lawsuit that asserts property damage from leakage of a wastewater disposal tank to which Hamm Co. transported wastewater. The lawsuit seeks damages of an unspecified amount against many transporters of oilfield drilling fluids, including Hamm Co. The court sustained a motion for summary judgment on behalf of the transporters. The appeal has been fully briefed by the parties and has been assigned to the Court of Appeals for decision. A decision on that appeal has not been rendered. The amount of loss, if any, which may result from the ultimate outcome of this action is not currently reasonably estimable. No liability has been recorded for the potential loss as of September 30, 2004. Events could occur in the near term that would materially change the amount of recognized liability.

Hamm Co. had no significant future obligations under operating lease arrangements at September 30, 2004. For the nine months ended September 30, 2004, rental expense under operating leases totaled $77,238.

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
September 30, 2004

Note 9: Earnings Per Share

Earnings per share were computed as follows:

	Income	Weighted-Average Shares	Per Share Amount
Basic earnings per share:			
Net income	$ 6,356,203	1,956,175	$ 3.25
Effect of dilutive securities:			
Stock options		23,750	
Diluted earnings per share:			
Net income	$ 6,356,203	1,979,925	$ 3.21

Note 10: Subsequent Event

Subsequent to September 30, 2004, the Hamm Co. companies were restructured and 100% of the stock of the restructured entity was sold to Complete Energy Services, Inc., a majority-owned company of SCF-IV, L.P. Hamm Co. s common stock was sold for cash and capital stock of Complete Energy Services, Inc., pursuant to the purchase agreement.

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Independent Accountants Report

Board of Directors
Hamm Co.
Enid, Oklahoma

We have audited the accompanying consolidated balance sheet of HAMM CO., as of December 31, 2003, and the related consolidated statements of income, stockholders equity and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HAMM CO., as of December 31, 2003, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD LLP
Enid, Oklahoma
February 27, 2004

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HAMM CO.
Consolidated Balance Sheet
December 31, 2003

ASSETS		
CURRENT ASSETS		
Cash	$	2,644,628
Accounts receivable, net of allowance, $47,917		11,381,870
Inventory		432,761
Prepaid expenses		505,352
Total current assets		14,964,611
PROPERTY AND EQUIPMENT, at cost		
Trucks, tanks and other		24,327,480
Land and buildings		3,948,231
Equipment		12,729,810
Leasehold		69,253
		41,074,774
Accumulated depreciation and amortization		(23,492,800)
		17,581,974
OTHER ASSETS		
Asset held for sale		2,860,250
Other		141,937
		3,002,187
Total assets	$	35,548,772
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$	5,558,801
Line of credit		2,453,936
Accounts payable		3,789,506
Accounts payable-related party		353,439
Accrued expenses and other payables		1,021,930
Total current liabilities		13,177,612
LONG-TERM DEBT		1,018,228
STOCKHOLDERS EQUITY		
Common stock, $.001 par value; authorized 10,000,000 shares; issued 1,956,300 shares and outstanding 1,956,175 shares		1,956
Additional paid-in capital		127,385

Retained earnings		21,805,800
Treasury stock, at cost, 125 shares		(582,209)
Total stockholders equity		21,352,932
Total liabilities and stockholders equity	$	35,548,772

See notes to consolidated financial statements.

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HAMM CO.
Consolidated Statement of Income
Year Ended December 31, 2003

REVENUE		
Service revenue	$	48,093,996
Oil and gas		495,884
Management fees		313,904
		48,903,784
OPERATING EXPENSES		
Salaries and benefits		19,570,318
Depreciation and amortization		3,795,280
Insurance		3,323,714
General and administrative		3,672,551
Repairs and maintenance		1,373,587
Disposal fee		2,550,948
Fuel and oil		2,607,571
Parts and supplies		4,901,500
Other		703,180
		42,498,649
OPERATING INCOME		6,405,135
OTHER INCOME		51,608
INTEREST EXPENSE		348,969
NET INCOME	$	6,107,774
BASIC EARNINGS PER SHARE	$	3.12
DILUTED EARNINGS PER SHARE	$	3.10

See notes to consolidated financial statements.

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HAMM CO.
Consolidated Statement of Stockholders Equity
Year Ended December 31, 2003

	Number of Shares	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
Balance, beginning of period	10,000	$ 10,000	$ 119,341	$ (582,209)	$ 15,698,026	$ 15,245,158
Effect of change in par value	1,946,300	(8,044)	8,044			
Net income					6,107,774	6,107,774
Balance, end of period	1,956,300	$ 1,956	$ 127,385	$ (582,209)	$ 21,805,800	$ 21,352,932

See notes to consolidated financial statements.

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HAMM CO.
Consolidated Statement of Cash Flows
Year Ended December 31, 2003

OPERATING ACTIVITIES		
Net income	$	6,107,774
Items not requiring (providing) cash		
Depreciation and amortization		3,795,280
Gain on sale of assets		(42,228)
Changes in		
Accounts receivable		(4,308,913)
Inventory		14,076
Accounts payable and accrued expenses		944,524
Other		(242,585)
Net cash provided by operating activities		6,267,928
INVESTING ACTIVITIES		
Proceeds from sale of equipment		121,305
Purchase of property and equipment		(5,192,168)
Net cash used in investing activities		(5,070,863)
FINANCING ACTIVITIES		
Net principal payments on line-of-credit agreement		(706,866)
Principal payments of long-term debt		(2,510,376)
Purchase of treasury stock		(582,209)
Proceeds from issuance of long-term debt		4,756,900
Net cash provided by financing activities		957,449
INCREASE IN CASH		2,154,514
CASH, BEGINNING OF YEAR		490,114
CASH, END OF YEAR	$	2,644,628
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	$	348,969

See notes to consolidated financial statements.

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HAMM CO.
Notes to Consolidated Financial Statements
December 31, 2003

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hamm Co. is an Oklahoma-based fluid-handling and well-servicing company that earns revenue predominately from providing trucking, salt water disposal and well servicing services for oil and gas producers in Oklahoma, Texas, North Dakota and Wyoming. Hamm Co. extends unsecured credit to its customers for a limited period of time.

Principles of Consolidation

The consolidated financial statements include the accounts of Hamm Co. and its wholly owned subsidiaries, Hamm & Phillips Service Co.; Stride Well Service, Inc.; Rigmovers, Inc.; and Guard, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Hamm Co. provides an allowance for doubtful accounts, if necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventories

Substantially all inventories, consisting of materials and supplies and mud, are valued at weighted average cost, which includes freight-in.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of each asset using the straight-line method. Useful lives by significant asset category were as follows at December 31, 2003.

Asset Description	**Useful Life (in years)**
Trucks, tanks and other	4-10
Buildings	10-40
Equipment	4-14
Leasehold improvements	10-40

Hamm Co. s property and equipment was pledged as collateral against outstanding bank facility borrowings at December 31, 2003. See discussion at Note 3, Long-Term Debt.

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
December 31, 2003

Income Taxes

Hamm Co. s stockholders have elected to have the company s income taxed as an S Corporation under provisions of the Internal Revenue Code and a similar section of the Oklahoma income tax law; therefore, taxable income or loss is reported to the individual stockholders for inclusion in their respective tax returns. No provision for federal and state income taxes is included in these statements.

Revenue Recognition

Hamm Co. earns revenue from the sale of services and equipment rentals to customers in the oil and gas industry at agreed-upon or contractual rates. Revenues are recognized when earned during the month that the services are performed. Services are performed within a relatively short period of time, and therefore, Hamm Co. does not record revenue transactions under long-term contract arrangements, and did not participate in multiple-element revenue transactions during the year ended December 31, 2003.

Stock Option Plan

During 2003, Hamm Co. implemented two stock-based employee compensation plans, which are described more fully in *Note 6.* Hamm Co. accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in net income. The following table illustrates the effect on net income if Hamm Co. had applied the fair value provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation. Fair value has been estimated using the minimum value method.

Net income, as reported	$	6,107,774
Less: Total stock-based employee compensation cost determined under the fair value based method		50,100
Pro forma net income	$	6,057,674

Self-Insurance

Hamm Co. and other affiliated companies have elected to jointly self-insure costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. Hamm Co. has purchased insurance that limits its exposure for individual claims.

Fair Value of Financial Instruments

The fair value of financial assets and liabilities approximated their carrying values at December 31, 2003.

Note 2: Line of Credit

Hamm Co. has a line of credit agreement in the amount of $3,500,000 payable to a bank. The line of credit agreement is due July 2004 with monthly interest payments at the Chase Manhattan prime rate less .5% with a floor of 4%. At December 31, 2003, $2,453,986 was drawn on the line of credit agreement. These borrowings bore interest at a rate of 4% and were secured by accounts receivable, general intangibles and a stockholder s guarantee.

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
December 31, 2003

Note 3: Long-Term Debt

Note payable, bank(A)	$	103,112
Note payable, bank(B)		104,964
Note payable, bank(C)		2,000,000
Note payable, bank(D)		3,956,779
Notes payable, related party(E)		366,450
Notes payable, finance company(F)		45,724
		6,577,029
Less current maturities		5,558,801
	$	1,018,228

Aggregate annual maturities of long-term debt at December 31, 2003, were:

2004	$	5,558,801
2005		1,018,228
	$	6,577,029

(A) Due June 2004; payable $18,192 monthly including interest at National prime; secured by inventory, machinery and equipment.

(B) Due March 2005; payable $8,646 monthly including interest at National prime; remaining principal due at maturity; secured by inventory, machinery and equipment.

(C) Due March 2004; payable $83,333 monthly plus interest at 5%, secured by equipment.

(D) Due September 2004; payable monthly at $^{1}/60^{th}$ of the outstanding balance plus interest at 4.75%, secured by equipment.

(E) Unsecured notes payable to a related party; payable on demand, at interest rates of 6.00% and 8.50%.

(F) Various notes payable due December 2004; payable monthly; secured by automobiles.

Note 4: Related Party Transactions

During 2001, Hamm Co. borrowed $600,000 from a rental company owned solely by one of its shareholders. These loans are payable in monthly installments and are due on demand. The notes are not secured. At December 31, 2003, Hamm Co. owed the rental company $366,450. During 2003, Hamm Co. paid $1,796 in interest expense related to the loan.

During 2003, Hamm Co. provided oilfield services and other services to affiliated companies totaling approximately $13,720,000. In addition, Hamm Co. purchased various services including salt water disposal fees and

general and administrative services totaling approximately $13,830,000. At December 31, 2003, Hamm Co. had a receivable totaling $4,144,561 from the affiliated companies, and a payable of $343,777 as a result of those transactions. These amounts are included in the captions Accounts Receivable and Accounts Payable, respectively, in the accompanying balance sheet. Hamm Co. recorded an accounts payable-related party totaling $353,439 to reimburse the owner of the Hamm Co. companies for expenses paid on behalf of Hamm Co. related to the construction of an asset. This amount was repaid in 2004.

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
December 31, 2003

Note 5: Profit Sharing Plan

Hamm Co. has a 401(k) profit sharing plan covering substantially all employees. Hamm Co. makes discretionary contributions to the plan based on a percentage of eligible employees compensation. During 2003, contributions to the plan were 5% of eligible employees compensation. Contributions to the plan for the year ended December 31, 2003, were approximately $426,000.

Note 6: Stock Option Plans

Incentive Stock Option Plan (ISOP)

Hamm Co. has an incentive stock option plan under which Hamm Co. may grant options that vest in five years to its employees for up to 21,850 shares of common stock. The exercise price of each option is intended to equal the fair value of Hamm Co. s stock on the date of grant. An option s maximum term is ten years.

A summary of the status of the plan at December 31, 2003, and changes during the year then ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year		$
Granted	21,850	13.20
Outstanding, end of year	21,850	$ 13.20
Options exercisable, end of year	0	

The fair value of options granted is estimated on the date of the grant using the minimum value method with the following weighted-average assumptions:

Dividend per share	$
Risk-free interest rate	3.00%
Expected life of options	10 years
Weighted-average fair value of options granted during the year	$ 74,000

The following table summarizes information about stock options under the plan outstanding at December 31, 2003:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 13.20	21,850	10 years	$ 13.20		$

Nonqualified Stock Option Plan (NSOP)

Hamm Co. has a nonqualified stock option plan under which it may grant options that vest in three years to its employees for up to 21,850 shares of common stock. Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, requires compensation cost to be recognized over the period in which an employee performs services if the exercise price is less than the fair value of the Hamm Co. s stock on the date of the grant. The exercise price of each option is less than the fair value of the Hamm Co. s stock on the date of grant, however, management believes the annual compensation is not

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
December 31, 2003

material to the operations of Hamm Co. and no cost has been recognized. An option s maximum term is ten years.

A summary of the status of the plan at December 31, 2003, and changes during the year ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year		$
Granted	21,850	6.60
Outstanding, end of year	21,850	$ 6.60
Options exercisable, end of year	0	

The fair value of options granted is estimated on the date of the grant using the minimum value method with the following weighted-average assumptions:

Dividend per share	$
Risk-free interest rate	3.00%
Expected life of options	10 years
Weighted-average fair value of options granted during the year	$ 181,000

The following table summarizes information about stock options under the plan outstanding at December 31, 2003:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 6.60	21,850	10 years	$ 6.60		$

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Customers

Hamm Co. earned approximately 31% of its revenues from one customer during 2003.

Self-Insurance

Hamm Co. and other affiliated companies participate jointly in a self-insurance pool covering health and workers compensation claims made by employees up to the first $50,000 (health) and $500,000 (workers compensation), respectively, per claim. Any amounts paid above these are reinsured through third-party providers. Premiums charged to Hamm Co. are based on estimated costs per employee of the pool. Estimates of the liability recorded could differ materially from the ultimate loss.

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HAMM CO.
Notes to Consolidated Financial Statements (Continued)
December 31, 2003

Note 8: Litigation and Commitments

Hamm Co. is a defendant in a lawsuit that asserts property damage from leakage of a wastewater disposal tank to which Hamm Co. transported wastewater. The lawsuit seeks damages of an unspecified amount against many transporters of oilfield drilling fluids, including Hamm Co. The court sustained a motion for summary judgement on behalf of the transporters. The appeal has been fully briefed by the parties and has been assigned to the Court of Appeals for decision. A decision on that appeal has not been rendered. The amount of loss, if any, which may result from the ultimate outcome of this action is not currently reasonably estimable. No liability has been recorded for the potential loss as of December 31, 2003. Events could occur in the near term that would materially change the amount of recognized liability.

Hamm Co. had no significant future obligations under operating lease arrangements at December 31, 2003. For the year ended December 31, 2003, rental expense under operating leases totaled $72,712.

Note 9: Combination of Commonly Controlled Interest

On March 31, 2003, the Hamm Co. (Hamm) liquidated a wholly owned subsidiary Trinity Oil-Field Services, Inc. (Trinity) and contributed the net assets to Stride Well Services, Inc. (Stride). Because majority ownership of Trinity and Stride are substantially the same, this combination was accounted for in a manner similar to a pooling of interests, using Trinity s historical book values.

Note 10: Common Stock

During 2003, Hamm Co. amended and restated its certificate of incorporation. The amendment increased the number of authorized shares from 500,000 shares to 10,000,000 shares and decreased the par value from $1 per share to $.001 per share. The number of shares issued and outstanding increased from 10,000 shares to 1,956,300 shares. There was no consideration given as a result of the amendment. Common stock was decreased by $8,044 and additional paid-in capital was increased by $8.044.

Note 11: Earnings Per Share

Earnings per share were computed as follows:

	Income	Weighted-Average Shares	Per Share Amount
Basic earnings per share:			
Net income	$ 6,107,774	1,956,175	$ 3.12
Effect of dilutive securities:			
Stock options		14,859	
Diluted earnings per share:			
Net income	$ 6,107,774	1,971,034	$ 3.10

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Independent Accountants Report

Board of Directors
Oil Tool Rentals, Inc.
Enid, Oklahoma

We have audited the accompanying balance sheets of OIL TOOL RENTALS, INC. (the Company) as of September 30, 2004, and December 31, 2003 and 2002, and the related statements of income, stockholders equity and cash flows for the nine months ended September 30, 2004, and the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OIL TOOL RENTALS, INC., as of September 30, 2004, and December 31, 2003 and 2002, and the results of its operations and its cash flows for the nine months ended September 30, 2004, and the years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD LLP
Tulsa, Oklahoma
December 9, 2004

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OIL TOOL RENTALS, INC.
Balance Sheets
September 30, 2004, and December 31, 2003 and 2002

	2004	2003	2002
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 354,340	$ 302,341	$ 196,609
Accounts receivable	1,219,203	834,540	548,621
Other current assets	8,183	17,013	30,722
Total current assets	1,581,726	1,153,894	775,952
INVESTMENTS AND LONG-TERM RECEIVABLES			
Held-to-maturity securities	1,887,747	1,865,770	
Receivable from related party		366,450	604,505
	1,887,747	2,232,220	604,505
PROPERTY AND EQUIPMENT, at cost			
Land and buildings	163,591	157,224	157,224
Trucks, trailers and other	620,059	627,379	639,863
Rental equipment	5,599,149	3,324,686	3,372,196
Shop equipment	151,198	150,092	160,566
Furniture and fixtures	85,704	78,304	149,260
	6,619,701	4,337,685	4,479,109
Less accumulated depreciation	3,364,286	3,133,075	3,025,635
	3,255,415	1,204,610	1,453,474
Total assets	$ 6,724,888	$ 4,590,724	$ 2,833,931
LIABILITIES AND STOCKHOLDERS EQUITY			
CURRENT LIABILITIES			
Current maturities of long-term debt	$ 290,413	$ 589,095	$ 118,964
Accounts payable	1,423,392	28,933	64,288
Accrued expenses and other	169,368	79,823	76,773
Payable to related party	231,000		
Total current liabilities	2,114,173	697,851	260,025
LONG-TERM DEBT	597,502	542,841	
STOCKHOLDERS EQUITY			
	500	500	500

Common stock, $1 par value, authorized 10,000 shares, issued and outstanding 500 shares			
Additional paid-in capital	9,500	9,500	9,500
Retained earnings	4,003,213	3,340,032	2,563,906
Total stockholders equity	4,013,213	3,350,032	2,573,906
Total liabilities and stockholders equity	$ 6,724,888	$ 4,590,724	$ 2,833,931

See notes to financial statements.

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OIL TOOL RENTALS, INC.
Statements of Income
Nine Months Ended September 30, 2004, and
Years Ended December 31, 2003 and 2002

	2004	2003	2002
RENTAL INCOME	$ 2,928,981	$ 3,474,707	$ 2,899,141
OPERATING EXPENSES			
Rental expense	504,150	504,915	368,120
Salaries and benefits	908,750	1,068,029	1,000,071
Depreciation	238,338	331,564	495,679
Insurance	129,383	147,110	159,878
General and administrative	219,717	227,882	212,669
Repairs and maintenance	13,504	7,471	5,327
Fuel and oil	17,664	6,144	7,252
License and permits	1,277	8,833	4,525
Parts and supplies	134,102	121,648	116,706
Gain on sale of assets	(1,500)	(23,500)	
	2,165,385	2,400,096	2,370,227
OPERATING INCOME	763,596	1,074,611	528,914
OTHER INCOME	276,036	262,128	29,887
INTEREST EXPENSE	32,451	57,613	25,123
NET INCOME	$ 1,007,181	$ 1,279,126	$ 533,678
EARNINGS PER SHARE (500 shares outstanding)			
BASIC AND DILUTED	$ 2,014.36	$ 2,558.25	$ 1,067.36

See notes to financial statements.

OIL TOOL RENTALS, INC.
Statements of Stockholders Equity
Nine Months Ended September 30, 2004, and
Years Ended December 31, 2003 and 2002

	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, January 1, 2002	500	$ 500	$ 9,500	$ 2,242,663	$ 2,252,663
Net income				533,678	533,678
Distribution to stockholders				(212,435)	(212,435)
Balance, December 31, 2002	500	500	9,500	2,563,906	2,573,906
Net income				1,279,126	1,279,126
Distribution to stockholders				(503,000)	(503,000)
Balance, December 31, 2003	500	500	9,500	3,340,032	3,350,032
Net income				1,007,181	1,007,181
Distribution to stockholders				(344,000)	(344,000)
Balance, September 30, 2004	500	$ 500	$ 9,500	$ 4,003,213	$ 4,013,213

See notes to financial statements.

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OIL TOOL RENTALS, INC.
Statements of Cash Flows
Nine Months Ended September 30, 2004, and
Years Ended December 31, 2003 and 2002

	2004	2003	2002
OPERATING ACTIVITIES			
Net income	$ 1,007,181	$ 1,279,126	$ 533,678
Items not requiring (providing) cash			
Depreciation	238,338	331,564	495,679
Amortization of discount on held-to-maturity investment	(21,977)	(25,770)	
Gain on sale of assets	(1,500)	(23,500)	
Changes in			
Accounts receivable	(384,663)	(285,919)	(15,012)
Accounts payable and accrued expenses	298,780	(32,305)	48,356
Other current assets and liabilities	10,723	13,709	(23,959)
Net cash provided by operating activities	1,146,882	1,256,905	1,038,742
INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	1,500	23,500	
Purchase of property and equipment	(1,105,812)	(82,700)	(1,051,299)
Purchase held-to-maturity investments		(1,840,000)	
Net receipts on related party note receivable	366,450	238,055	46,703
Net cash used in investing activities	(737,862)	(1,661,145)	(1,004,596)
FINANCING ACTIVITIES			
Net borrowings on related party note payable	231,000		
Principal payments on long-term debt	(1,184,166)	(737,028)	(831,036)
Proceeds from issuance of long-term debt	940,145	1,750,000	950,000
Distributions to stockholders	(344,000)	(503,000)	(212,435)
Net cash provided by (used in) financing activities	(357,021)	509,972	(93,471)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,999	105,732	(59,325)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	302,341	196,609	255,934
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 354,340	$ 302,341	$ 196,609
SUPPLEMENTAL CASH FLOWS INFORMATION			
Interest paid	$ 33,293	$ 53,727	$ 24,555
Property and equipment purchases in accounts payable	$ 1,185,224	$	$

See notes to financial statements.

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OIL TOOL RENTALS, INC.
Notes to Financial Statements
Nine Months Ended September 30, 2004, and
Years Ended December 31, 2003 and 2002

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Oil Tool Rentals, Inc. (Oil Tools) is an Oklahoma-based equipment rental company that earns revenue predominately from providing rental equipment and services for oil and gas producers in Oklahoma, Texas, North Dakota and Wyoming. Oil Tools extends unsecured credit to its customers for a limited period of time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Oil Tools considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2004, and December 31, 2003 and 2002, cash equivalents consisted primarily of money market accounts with brokers.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Oil Tools provides an allowance for doubtful accounts, if necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of each asset using the straight-line method. Useful lives by significant asset category were as follows as of September 30, 2004:

Asset Description	**Useful Life (in years)**
Trucks, trailers and other	4-10
Buildings	10-40
Equipment	4-14
Furniture and fixtures	5-7

Oil Tools property and equipment was pledged as collateral against outstanding bank facility borrowings at September 30, 2004. See discussion at Note 3, Long-Term Debt.

Income Taxes

Oil Tools stockholder has elected to have the company s income taxed as an S Corporation under provisions of the Internal Revenue Code and a similar section of the Oklahoma income tax law; therefore,

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OIL TOOL RENTALS, INC.
Notes to Financial Statements (Continued)
Nine Months Ended September 30, 2004, and
Years Ended December 31, 2003 and 2002

taxable income or loss is reported to the individual stockholder for inclusion in their respective tax returns. No provision for federal and state income taxes is included in these statements.

Revenue Recognition

Oil Tools earns revenue from the rental of equipment to customers in the oil and gas industry and for supervisory services performed at agreed-upon or contractual rates. Revenues are recognized when earned during the month that the rental is provided or the supervisory service is performed. Rental or service agreement terms are for relatively short periods of time, and therefore, Oil Tools does not record revenue transactions under long-term contract arrangements, and did not participate in multiple-element revenue transactions during the years ended December 31, 2003 and 2002, and the nine months ended September 30, 2004.

Securities

Debt securities for which Oil Tools has the positive intent and ability to hold until maturity are classified as held to maturity and valued at historical cost, adjusted for amortization of premiums and accretion of discounts computed by the level-yield method.

Realized gains and losses, based on the specifically identified cost of the security, are included in net income.

Self-Insurance

Oil Tools and other affiliated companies have elected to jointly self-insure costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. Oil Tools has purchased insurance that limits its exposure for individual claims.

Fair Value of Financial Instruments

The fair value of financial assets and liabilities, other than held-to-maturity securities which are disclosed in Note 2, approximate their carrying values at September 30, 2004 and December 31, 2003 and 2002.

Note 2: Investments

*Held-to-*maturity Securities

The amortized cost and approximate fair values of held-to-maturity securities are as follows:

	2004	2003	2002
Debt securities			
Amortized cost	$ 1,887,747	$ 1,865,770	$
Unrealized gains	182,253	144,230	
Fair Value	$ 2,070,000	$ 2,010,000	$

Maturities of held-to-maturity debt investments at September 30, 2004:

	Amortized Cost	Approximate Fair Value
After one through five years	$ 1,887,747	$ 2,070,000

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OIL TOOL RENTALS, INC.
Notes to Financial Statements (Continued)
Nine Months Ended September 30, 2004, and
Years Ended December 31, 2003 and 2002

Note 3: Long-Term Debt

	2004	2003	2002
Note payable, bank(A)	$	$	$ 118,964
Note payable, bank(B)		1,131,936	
Note payable, bank(C)	887,915		
	887,915	1,131,936	118,964
Less current maturities	290,413	589,095	118,964
	$ 597,502	$ 542,841	$ 0

Aggregate annual maturities of long-term debt at September 30, 2004, were:

2005	$ 290,413
2006	315,370
2007	282,132
	$ 887,915

(A) Originally due March 2005; payable $28,366 monthly including interest at 4.75%; secured by inventory, machinery and equipment. The note was also personally guaranteed by Oil Tools majority stockholder. The note was paid in 2003.

(B) Originally due February 2006; payable $52,101 monthly including interest at 4.50%; secured by inventory, machinery and equipment. The note was also personally guaranteed by Oil Tools majority stockholder. The note was paid in May 2004.

(C) Due July 2007; payable $29,427 monthly including interest at LIBOR; secured by inventory, machinery and equipment. The note is personally guaranteed by Oil Tools majority stockholder.

Note 4: Related Party Transactions

During 2001, Oil Tools loaned $600,000 to a service company owned solely by one of its stockholders. This loan was payable in monthly installments and was due on demand. The note is not secured. At September 30, 2004, December 31, 2003 and December 31, 2002, Oil Tools was owed $0, $366,450 and $604,505, respectively, on this note.

At September 30, 2004, Oil Tools owed $231,000 to a service company owned solely by one of its stockholders. This payable has no stated terms. Imputed interest on this note arrangement was deemed to be insignificant.

Oil Tools provides oil field services to affiliated companies and also purchases various oil field and administrative services from affiliated companies. The following summarizes the activity for the nine months ended September 30, 2004, and the years ended December 31, 2003 and 2002:

	2004	2003	2002
Rental income	$ 1,072,220	$ 1,299,322	$ 990,840
Operating expenses	147,964	164,241	661,447
Accounts receivable	415,744	389,075	277,574
Accounts payable	2,003	4,926	14,195

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OIL TOOL RENTALS, INC.
Notes to Financial Statements (Continued)
Nine Months Ended September 30, 2004, and
Years Ended December 31, 2003 and 2002

Held-to-maturity securities are corporate bonds of a company owned solely by one of its stockholders. These bonds are publicly traded on a national exchange.

Note 5: Profit Sharing Plan

Oil Tools has a 401(k) profit sharing plan covering substantially all employees. Oil Tools makes discretionary contributions to the plan based on a percentage of eligible employees compensation. During 2004, 2003 and 2002 contributions to the plan were 5% of eligible employees compensation. Contributions to the plan for the nine months ended September 30, 2004, and years ended December 31, 2003 and 2002, were approximately $26,000, $37,000 and $30,000, respectively.

Note 6: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Customers

Oil Tools earned approximately 37%, 37% and 34% of its revenues from one related party customer during the nine months ended 2004 and the years ended 2003 and 2002, respectively.

Self-Insurance

Oil Tools and other affiliated companies participate jointly in a self-insurance pool covering health and workers compensation claims made by employees up to the first $50,000 (health) and $500,000 (workers compensation), respectively, per claim. Any amounts paid above these are reinsured through third-party providers. Premiums charged to Oil Tools are based on estimated costs per employee of the pool. Estimates of the liability recorded could differ materially from the ultimate loss.

Cash Balances

At September 30, 2004, Oil Tools cash accounts exceeded federally insured limits by approximately $340,000.

Note 7: Subsequent Event

Subsequent to September 30, 2004, Oil Tools was restructured and 100% of the stock of the restructured entity was sold to Complete Energy Services, Inc., a majority-owned company of SCF-IV, L.P. Oil Tools common stock was sold for cash and for capital stock of Complete Energy Services, Inc., pursuant to the purchase agreement.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Big Mac Tank Trucks, Inc. and Affiliates

We have audited the consolidated balance sheets of Big Mac Tank Trucks, Inc., Big Mac Transports, Inc. and Fugo Services, Inc. (collectively, the Company) as of October 31, 2005 and December 31, 2004, and the related consolidated statements of operations, shareholder s equity, and cash flows for the period from January 1, 2005 through October 31, 2005 and for the year ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2005 and December 31, 2004, and the results of their operations and their cash flows for the period from January 1, 2005 through October 31, 2005 and for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Houston, Texas
January 31, 2006

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BIG MAC TANK TRUCKS, INC. AND AFFILIATES
Consolidated Balance Sheets
As of October 31, 2005 and December 31, 2004

	October 31, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 743,556	$ 493,511
Accounts receivable trade, net	5,186,600	3,507,666
Prepaid expenses and other current assets	100,196	258,135
Total current assets	6,030,352	4,259,312
Property, plant and equipment, net	4,109,816	2,666,348
Total assets	$ 10,140,168	$ 6,925,660
LIABILITIES AND SHAREHOLDER S EQUITY		
Current liabilities:		
Accounts payable	$ 274,324	$ 150,774
Accrued liabilities	452,334	145,389
Total current liabilities	726,658	296,163
Shareholder s equity:		
Common stock, $1 par value; authorized 125,000 shares; issued and outstanding 4,500 shares	4,500	4,500
Additional paid-in capital	426,046	426,046
Retained earnings	8,982,964	6,198,951
Total shareholder s equity	9,413,510	6,629,497
Total liabilities and shareholder s equity	$ 10,140,168	$ 6,925,660

The accompanying notes are an integral part of these statements.

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BIG MAC TANK TRUCKS, INC. AND AFFILIATES
Consolidated Statements of Operations
For the Ten Months Ended October 31, 2005 and the Year Ended December 31, 2004

	2005	2004
Revenues	$ 21,070,793	$ 19,493,625
Cost of services	9,280,423	8,534,590
	11,790,370	10,959,035
Selling, general and administrative expenses		
Salaries and wages	926,377	974,510
Other general and administrative expenses	664,780	708,356
	1,591,157	1,682,866
Net income	$ 10,199,213	$ 9,276,169

The accompanying notes are an integral part of these statements.

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BIG MAC TANK TRUCKS, INC. AND AFFILIATES
Consolidated Statements of Shareholder s Equity
For the Ten Months Ended October 31, 2005 and the Year Ended December 31, 2004

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholder s Equity
Balance at January 1, 2004	$ 4,500	$ 426,046	$ 4,880,782	$ 5,311,328
Shareholder distributions			(7,958,000)	(7,958,000)
Net income			9,276,169	9,276,169
Balance at December 31, 2004	4,500	426,046	6,198,951	6,629,497
Shareholder distributions			(7,415,200)	(7,415,200)
Net income			10,199,213	10,199,213
Balance at October 31, 2005	$ 4,500	$ 426,046	$ 8,982,964	$ 9,413,510

The accompanying notes are an integral part of these statements.

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BIG MAC TANK TRUCKS, INC. AND AFFILIATES
Consolidated Statements of Cash Flows
For the Ten Months Ended October 31, 2005 and the Year Ended December 31, 2004

	2005	2004
Cash flows from operating activities:		
Net income	$ 10,199,213	$ 9,276,169
Depreciation	870,473	795,578
Changes in assets and liabilities:		
Increase in accounts receivable	(1,678,934)	(555,866)
(Increase) decrease in prepaids and other	157,939	(191,172)
Increase (decrease) in accounts payable	123,550	(4,253)
Increase in accrued payables	306,945	45,576
Net cash provided by operating activities	9,979,186	9,366,032
Investing activities:		
Purchase of property and equipment	(2,313,941)	(1,207,910)
Net cash used in investing activities	(2,313,941)	(1,207,910)
Financing activities:		
Distributions to shareholder	(7,415,200)	(7,958,000)
Net cash used in financing activities	(7,415,200)	(7,958,000)
Increase in cash	250,045	200,122
Cash and cash equivalents beginning of period	493,511	293,389
Cash and cash equivalents end of period	$ 743,556	$ 493,511

The accompanying notes are an integral part of these statements.

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BIG MAC TANK TRUCKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
Ten Months Ended October 31, 2005 and Year Ended December 31, 2004

NOTE A NATURE OF OPERATIONS

1. Nature of Operations

Big Mac Tank Trucks, Inc., Big Mac Transports, Inc. and Fugo Services, Inc. (collectively, Big Mac), provides trucking services and saltwater disposal for oil and gas producers in Oklahoma and Arkansas.

Big Mac s business depends, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of natural gas or oil, which could have a material impact on exploration, development and production activities, also could materially affect our financial position, results of operations and cash flows.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Consolidation

The consolidated financial statements include the accounts of Big Mac Tank Trucks, Inc. Big Mac Transports, Inc. and Fugo Services, Inc. (see Note F). All intercompany accounts among entities in Big Mac are eliminated in consolidation.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

Big Mac considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

4. Accounts Receivable

Accounts receivable are stated at the amount billed to customers. Big Mac provides an allowance for doubtful accounts, if necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on an individual credit evaluation and specific circumstances of the customer. The allowance for doubtful accounts was $80,695 and $0 at October 31, 2005 and December 31, 2004, respectively.

5. Property and Equipment

Property, plant and equipment, which includes renewals and betterments, are stated at cost less accumulated depreciation. Repair and maintenance costs are expensed as period costs. Depreciation on our buildings, trucks and equipment is computed using the straight-line method over the estimated useful life of the asset after provision for salvage value (buildings 39 years; trucks and equipment 5 years). Upon retirement or other disposal of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in our results of operations.

Big Mac reviews its assets for impairment when events or changes in circumstances indicate that the net book value of property, plant and equipment may not be recovered over its remaining service life. Provisions for asset impairment are charged to income when the sum of estimated future cash flows, on an

BIG MAC TANK TRUCKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements (Continued)
Ten Months Ended October 31, 2005 and Year Ended December 31, 2004

undiscounted basis, is less than the asset s net book value. Actual impairment charges are recorded using an estimate of discounted future cash flows. There was no impairment recorded in 2005 or 2004.

6. Revenue Recognition

Revenues are considered earned and directly related costs are recorded when an understanding has been agreed to between Big Mac and a financially capable customer encompassing a determinable price, and the services have been rendered by delivering the product to its final destination or completing other services, and collectibility of Big Mac s fee is reasonably assured. Typically there are no other motor carriers involved in Big Mac s transportation services and all deliveries are made directly to customers.

7. Income Taxes

Big Mac s shareholder has elected to have Big Mac s income taxed as an S Corporation under the provisions of the Internal Revenue Code and a similar section of the Oklahoma income tax law; therefore, taxable income or loss is reported to the individual shareholder for inclusion in his respective tax returns. No provision for federal and state income taxes is included in these statements.

8. Advertising Costs

Advertising costs of $7,524 and $11,846 in 2005 and 2004, respectively, were charged to operations when incurred.

NOTE C PROPERTY, PLANT AND EQUIPMENT

The major components of our property, plant and equipment as of October 31, 2005 and December 31, 2004 were as follows:

	2005	2004
Automobiles, trucks and equipment	$ 6,957,166	$ 5,705,574
Frac tanks	4,520,679	3,458,330
Buildings	148,907	148,907
Land	36,000	36,000
Office equipment and other	650,162	650,162
Total property, plant and equipment	12,312,914	9,998,973
Accumulated depreciation	(8,203,098)	(7,332,625)
Net property, plant and equipment	$ 4,109,816	$ 2,666,348

NOTE D RELATED PARTY TRANSACTIONS

An individual stockholder owns 100% of the outstanding stock in Big Mac Tank Trucks, Inc., Big Mac Transports, Inc., and Fugo Services, Inc. Big Mac Tank Trucks, Inc. leases transportation equipment from Big Mac Transports, Inc. under short term leases. Big Mac Tank Trucks, Inc. also compensates Fugo Services, Inc. to dispose of saltwater transported from wells that Big Mac Tank Trucks, Inc. services. Big Mac Tank Trucks, Inc. is the only customer of Big Mac Transports, Inc. and Fugo Services, Inc. and pays all the expenses of the other two companies. All transactions among companies and related receivables and payables have been eliminated in the consolidated financial statements.

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BIG MAC TANK TRUCKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements (Continued)
Ten Months Ended October 31, 2005 and Year Ended December 31, 2004

The shareholder also participates in various other business activities outside of the management and ownership of the three consolidated companies. These activities are listed below:

Wilburton State Bank The shareholder has an 82% ownership interest in this bank and is a member of the Bank s Board. This was the only bank used by Big Mac Tank Trucks, Inc., Big Mac Transports, Inc. and Fugo Services, Inc. until October 31, 2005.

First National Bank of McAlester The shareholder is a member of the Board for this bank. This bank was the primary bank that was being utilized by the three companies subsequent to October 31, 2005.

Brower Oil & Gas This is an exploration and production company. The shareholder has interests in wells operated by this company. Brower Oil & Gas uses the services of Big Mac Tank Trucks, Inc. at their well sites. At October 31, 2005 and December 31, 2004, Big Mac Tank Trucks, Inc. had receivables of $24,796 and $23,459, respectively, due from Brower Oil & Gas. For the periods ended October 31, 2005 and December 31, 2004, the amount of revenue related to those services was $133,325 and $188,752, respectively.

Meade Energy Corporation This is an exploration and production company. The shareholder has interests in wells operated by this company. Meade Energy Corporation uses the services of Big Mac Tank Trucks, Inc. at their well sites. At October 31, 2005 and December 31, 2004, Big Mac Tank Trucks, Inc. had a receivable of $50,414 and $9,527, respectively, due from Meade Energy Corporation. For the periods ended October 31, 2005 and December 31, 2004, the amount of revenue related to those services was $81,484 and $75,409, respectively.

Chesapeake Operating Inc (Chesapeake Energy) This is an exploration and production company. The shareholder has interests in wells operated by this company. Chesapeake Inc. uses the services of Big Mac Tank Trucks, Inc. at their well sites and is one of Big Mac s largest customers; revenues from Chesapeake were $1,628,910 or 7.7% of Big Mac s total sales in 2005 and $2,111,366 or 10.9% in 2004. At October 31, 2005 and December 31, 2004, Big Mac Tank Trucks, Inc. had receivables of $429,243 and $362,076, respectively, due from Chesapeake Operating Inc.

NOTE E SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require a disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

1. Cash

Big Mac s cash in banks exceeded the FDIC insured limits by approximately $5,791,000 at October 31, 2005 and by approximately $548,000 at December 31, 2004.

2. Concentration of Credit Risk

Big Mac earned approximately 15% of its revenues from one unrelated customer during the period ending October 31, 2005 and approximately 20% of its revenues from the same unrelated customer during 2004.

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BIG MAC TANK TRUCKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements (Continued)
Ten Months Ended October 31, 2005 and Year Ended December 31, 2004

NOTE F ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT FIN 46(R) VARIABLE INTEREST ENTITIES

FASB Interpretation (FIN) 46(R), Consolidation of Variable Interest Entities-An Interpretation of ARB No. 51 was applicable to Big Mac by the beginning of the first annual period beginning after December 15, 2004 which was January 1, 2005. Big Mac adopted FIN 46(R) on January 1, 2005 and has elected to reflect its application as of the beginning of 2004 for these comparative financial statements as permitted under FIN 46(R). There was no cumulative effect adjustment needed as of January 1, 2004.

Big Mac Tank Trucks, Inc. rents truck transports from Big Mac Transports, Inc. and uses various disposal wells owned by Fugo Services, Inc. both of whom are variable interest entities (VIEs) whose sole purpose and activity is to provide services to Big Mac Tank Trucks, Inc. Big Mac Tank Trucks, Inc. consolidates these VIEs because it is the VIEs primary beneficiary. The consolidated financial statements include the following amounts as of October 31, 2005 and December 31, 2004 as a result of the VIEs consolidation:

	2005 Amounts	2004 Amounts
	(In thousands)	(In thousands)
Assets	$ 275	$ 95
Liabilities and debt		
Minority interest		

Big Mac Tank Trucks, Inc., Big Mac Transports, Inc. and Fugo Services, Inc. are commonly owned by one individual and therefore there is no minority interest present.

NOTE G FAIR VALUE INSTRUMENTS

The fair value of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments.

NOTE H COMMITMENTS AND CONTINGENCIES

Big Mac is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management and based on the present knowledge of the facts, management believes the amount of any potential liability with respect to these actions will not have a material adverse effect on the consolidated financial position, results of operations or liquidity of Big Mac.

NOTE I SUBSEQUENT EVENT

Subsequent to October 31, 2005, the companies were restructured and 100% of the membership interests in the restructured entities were sold to Complete Production Services, Inc. for cash.

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Report of Independent Certified Public Accountants

The Board of Directors and Shareholders
Hyland Enterprises, Inc.

We have audited the balance sheets of Hyland Enterprises, Inc. (the Company) as of August 31, 2004 and February 29, 2004, and the related statements of earnings, shareholders equity and cash flows for the six months ended August 31, 2004 and the year ended February 29, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hyland Enterprises, Inc. as of August 31, 2004 and February 29, 2004, and the results of its operations and its cash flows for the six months and the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP
Houston, Texas
March 7, 2006

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HYLAND ENTERPRISES, INC.
Balance Sheets
August 31, 2004 and February 29, 2004

	August 31, 2004	February 29, 2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 94,901	$ 312,264
Restricted certificates of deposits	92,831	30,333
Accounts receivable, net of allowance for doubtful accounts of $118,498 and $97,892	6,900,127	7,282,059
Notes receivable	1,126,352	552,526
Asset held for sale	41,140	
Inventory	1,150,282	1,033,488
Prepaid expenses and other assets	796,699	578,021
Total current assets	10,202,332	9,788,691
PROPERTY, PLANT AND EQUIPMENT, net	14,376,196	11,975,127
TOTAL ASSETS	$ 24,578,528	$ 21,763,818
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 2,703,830	$ 2,568,190
Accrued liabilities	2,597,594	1,944,265
Transfers of receivables with recourse	3,236,115	3,170,903
Current maturities of long-term debt	3,221,489	2,531,819
Total current liabilities	11,759,028	10,215,177
DEFERRED TAX LIABILITY	1,906,695	1,931,860
LONG-TERM DEBT	6,841,721	5,791,955
Total liabilities	20,507,444	17,938,992
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Common stock, no par value, 50,000 shares authorized, 12,340 shares issued and outstanding	1,000	1,000
Retained earnings	4,070,084	3,823,826
Total shareholders equity	4,071,084	3,824,826
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 24,578,528	$ 21,763,818

The accompanying notes are an integral part of these statements.

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HYLAND ENTERPRISES, INC.
Statements of Earnings
August 31, 2004 and February 29, 2004

	Six months ended August 31, 2004	Twelve months ended February 29, 2004
REVENUES	$ 20,179,258	$ 31,634,296
OPERATING EXPENSES		
Costs of goods and services	9,305,121	14,926,264
General and administrative expenses	1,483,086	1,896,581
Taxes and insurance	1,141,042	1,650,904
Depreciation	1,688,280	2,181,325
Salaries and employee benefits	3,303,777	3,033,502
Shop expenses	2,561,996	4,796,404
Total operating expenses	19,483,302	28,484,980
EARNINGS FROM OPERATIONS	695,956	3,149,316
OTHER INCOME	81,231	430,654
INTEREST EXPENSE	398,326	590,767
NET EARNINGS BEFORE TAXES	378,861	2,989,203
PROVISION FOR INCOME TAXES	132,603	1,076,113
NET EARNINGS	$ 246,258	$ 1,913,090

The accompanying notes are an integral part of these statements.

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HYLAND ENTERPRISES, INC.
Statement of Shareholders Equity
Six Months Ended August 31, 2004 and Year Ended February 29, 2004

	Common Stock	Retained earnings	Total shareholders equity
Balance at February 28, 2003	$ 1,000	$ 1,910,736	$ 1,911,736
Net earnings		1,913,090	1,913,090
Balance at February 29, 2004	1,000	3,823,826	3,824,826
Net earnings		246,258	246,258
Balance at August 31, 2004	$ 1,000	$ 4,070,084	$ 4,071,084

The accompanying notes are an integral part of these statements.

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HYLAND ENTERPRISES, INC.
Statements of Cash Flows
August 31, 2004 and February 29, 2004

	Six months ended August 31 2004	Twelve months ended February 29, 2004
Cash flows from operating activities:		
Net earnings	$ 246,258	$ 1,913,090
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Gain on sale of equipment	(54,257)	(173,093)
Depreciation	1,688,280	2,181,325
Deferred income taxes	(25,165)	1,044,137
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	381,932	(2,605,210)
Decrease (increase) in prepaid expenses and other assets	(218,678)	(126,203)
Increase in notes receivable	(573,826)	(169,103)
Increase in inventory	(116,794)	(447,079)
Increase in assets held for sale	(41,140)	
Increase in accounts payable	135,640	1,235,409
Increase in accrued liabilities	653,329	369,955
Net cash provided by operating activities	2,075,579	3,223,228
Cash flows from investing activities:		
Purchase of equipment	(4,155,925)	(3,517,668)
Proceeds from sale of equipment	120,833	357,888
Proceeds from sale of investments		172,019
Purchases of certificates of deposit	(62,498)	(10,000)
Net cash used in investing activities	(4,097,590)	(2,997,761)
Cash flows from financing activities:		
Proceeds from long-term debt	3,074,145	1,091,580
Proceeds from transfers of accounts receivable, net	65,212	1,064,126
Payments on long-term debt	(1,334,709)	(2,086,083)
Net cash provided by financing activities	1,804,648	69,623
Net (increase) decrease in cash and cash equivalents	(217,363)	295,090
Cash and cash equivalents at beginning of period	312,264	17,174
Cash and cash equivalents at end of period	$ 94,901	$ 312,264
Supplemental cash flow information:		
Cash paid during the year for interest	$ 398,326	$ 590,767
Cash paid during the year for income taxes	125,000	31,976
Non-cash activities:		
Purchase of equipment for notes payable	3,074,145	4,610,438

The accompanying notes are an integral part of these statements.

HYLAND ENTERPRISES, INC.
Notes to Financial Statements
August 31, 2004 and February 29, 2004

NOTE A NATURE OF OPERATIONS

Hyland Enterprises, Inc., (Hyland) specializes in drilling completions, production services including production and fresh water hauling, frac tank rental, gravel hauls and construction, heavy equipment rentals and moves. Frac tanks are typically rented weekly and heavy equipment is rented monthly. Hyland is headquartered in Rawlins, Wyoming with locations in Wamsutter, Baggs and Rock Springs, Wyoming and Rifle, Colorado.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Use of Estimates and Reclassifications*

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Certain amounts from the prior year have been reclassified to conform to the current year presentation.

2. *Cash and Cash Equivalents*

Hyland considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At August 31, 2004 and February 29, 2004, Hyland has cash accounts that exceeded the Federal Deposit Insurance Corporation insured limit by $525,819 and $857,993. Hyland has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Restricted cash consists of certificates of deposit required by the State of Wyoming to ensure proper land restoration following water extraction. Certificates of deposits can not be redeemed without authorization from the State of Wyoming.

3. *Inventory*

Inventory, which is stated at the lower of average cost or market, consists primarily of truck parts for repairs and maintenance on capitalized fixed assets, and crushed rock which is held for resale.

4. *Accounts Receivable and Allowance for Doubtful Accounts*

Hyland s accounts receivables are due from customers located in its service areas. Credit is extended based on evaluation of a customer s financial condition. Accounts receivable are due within 30 days and are stated at amounts due from customers net of allowance of doubtful accounts. Hyland reviews its receivables on a regular basis and adjusts the allowance of doubtful accounts accordingly. Hyland determines its allowance by considering factors including the length of time trade accounts receivable are past due, Hyland s previous loss history, the customer s current ability to pay its obligation to Hyland and the condition of the general economy and the industry as a whole. The allowance for doubtful accounts was $118,498 and $97,892 at August 31, 2004 and February 29, 2004.

5. *Notes Receivable*

Hyland s notes receivable consist of amounts due from owner/operators that are associated with Hyland whereby Hyland has financed equipment which secures the notes for the owner/operator. An amortization schedule is prepared for each note and interest at an annual rate of 12% charged on a monthly basis in accordance with the amortization schedule. In addition, as of August 31, 2004, Hyland also had a note receivable from the president and a majority shareholder of Hyland. The total amount of

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HYLAND ENTERPRISES, INC.
Notes to Financial Statements (Continued)
August 31, 2004 and February 29, 2004

this note receivable was $927,997 as of August 31, 2004. This amount was paid in full on September 3, 2004 when Hyland s stock was sold (See Note K). The shareholder note receivable consisted of a series of advances from June 19, 2003 through August 9, 2004, totaling $939,113 at interest rates from 4.57% to 5.13%. These advances were not secured by any collateral. Interest income for the six months ended August 31, 2004 on all notes was $19,976 and for the year ended February 29, 2004 was $35,604.

6. Asset Held for Sale

As of August 31, 2004, Hyland plans to dispose of a truck which is classified as asset held for sale. This asset was disposed of by sale in 2005.

7. Property, Plant and Equipment

Capital assets are carried at cost and depreciated on a straight-line basis over the following lives:

	Life
Buildings	39 years
Field equipment, trucks and trailers	5-10 years
Office equipment	5 years

Total depreciation expense for the six months ended August 31, 2004 and for the twelve months ended February 29, 2004 was $1,688,280 and $2,181,325.

8. Revenue Recognition

Hyland recognizes revenues on service contracts in the period in which the service is provided. Hyland recognizes revenues on the sale of materials and supplies when products have been shipped, title and risk of loss have been transferred and collectibility is probable. Hyland recognizes revenues from the rental of machinery and equipment in the period during which these items are rented to outside parties.

9. Income Taxes

Hyland recognizes deferred income tax assets and liabilities for the expected future tax consequences for events that have been included differently on the financial statements and income tax returns. The deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted tax rates in effect in the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance for the amount of any tax benefit Hyland does not expect to be realized.

10. Transfers of Receivables with Recourse

Hyland entered into a service contract in August, 1999 with a financial factor that obligated the factor to purchase eligible accounts receivable from Hyland on a daily basis with recourse. The original term of the agreement was one year, renewed annually unless cancelled by either party within the time periods specified in the contract. Hyland accounts for the contract as a secured borrowing. Under the terms of the agreement, the factor will advance Hyland 90% of the eligible accounts receivable with the remaining 10% to be held back as a non-interest bearing reserve which will be used as security and to absorb certain expenses. The factor charges a daily service fee based on the prime rate which averaged approximately 1.2% of the receivables transferred. In addition various transactional fees are charged by the factor. Total fees for the six months ended August 31, 2004 and the year ended February 29, 2004 were $135,592 and $179,634 respectively, and are shown as interest expense in the accompanying statement of earnings. The

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HYLAND ENTERPRISES, INC.
Notes to Financial Statements (Continued)
August 31, 2004 and February 29, 2004

advances by the factor are secured by all accounts receivable and intangible assets of Hyland. As of August 31, 2004 and February 29, 2004, secured borrowings from the factor totaled $3,236,115 and $3,170,903 and the reserve held by the factor was $366,045 and $317,090, respectively. Accounts receivable at August 31, 2004 and February 29, 2004 included $3,236,115 and $3,170,903 of factored accounts, respectively.

NOTE C 401(k) PLAN

Hyland provides a 401(k) plan to all eligible employees. An eligible employee is any employee who has attained age 21 and completed one year of service as defined by the plan. Participation is elective and not required. Eligible employees may begin participating in the Plan on the first day of the month following the completion of the eligibility requirements. Under the Plan, participating employees can defer an amount of their compensation not to exceed maximum dollar amounts determined by the Federal government each year. Hyland did not make discretionary matching contributions to the Plan for the periods ended August 31, 2004 and February 29, 2004.

NOTE D PROPERTY, PLANT AND EQUIPMENT

The major components of our property, plant and equipment as of August 31, 2004 and February 29, 2004 are as follows:

	August 31, 2004	February 29, 2004
Land	$ 80,049	$ 327,491
Buildings	730,445	585,445
Vehicles	4,365,827	4,220,590
Equipment	20,783,630	16,970,242
Total property, plant and equipment	25,959,951	22,103,768
Accumulated depreciation	11,583,755	10,128,641
Net property, plant and equipment	$ 14,376,196	$ 11,975,127

NOTE E RELATED PARTY TRANSACTIONS

An individual shareholder, C. Douglas Dowlin, owns 12,203 shares which is 98.89% of the outstanding shares as of August 31, 2004. Mr. Dowlin is also the President and Treasurer of Hyland. The remaining outstanding shares in the amount of 137 shares or 1.11% of the total are owned by Joseph L. Carnes who is also the Vice President and Secretary of Hyland. Both shareholders are actively involved in the business of Hyland on a daily basis.

C. Douglas Dowlin, dba Falcon Filters owns various facilities that are currently leased by Hyland. In addition, C. Douglas Dowlin and Lori Dowlin (wife of C. Douglas Dowlin) jointly own various facilities that are currently leased by Hyland. A third entity, Red Canyon Ventures, owns land that is also leased by Hyland. Red Canyon Ventures is a joint venture between C. Douglas Dowlin and Bill Davis, who is the manager for Hyland s Rifle, Colorado terminal. Remote Enterprises, LLC is an entity owned by Denice

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HYLAND ENTERPRISES, INC.
Notes to Financial Statements (Continued)
August 31, 2004 and February 29, 2004

Tripp, daughter of C. Douglas Dowlin. Following is a summary of these properties along with the total rent and other payments for the six months ended August 31, 2004:

Description of facility	Lessor	Rent payments
Main Office, South Shop, Washbay, Safety Office, North Shop, Drive Line Facility, Lots 1, 2, 8, 9, 15, 22 & 23 in the Wamsutter Industrial Park and the Rock Springs Terminal Yard all leases are month to month plus monthly rental of two pickups	C. Douglas Dowlin dba Falcon Filters, Douglas Dowlin and Lori Dowlin	$160,000
East storage yard in Rifle, Colorado consisting of five fenced yards	Red Canyon Ventures	87,383
Rental of ten Wichita 660 BBL frac tanks numbers 3091 through 3100	Remote Enterprises, LLC	74,250
Total rents to related parties		$321,633
		Other payments
Total advances, net of interest payments received, to related parties	Various loans to C. Douglas Dowlin and/or Falcon Filters	$613,843
Total purchases of equipment from related parties	Purchase of mobile homes and two used pick-up trucks from Falcon Filters	$124,000

NOTE F INVENTORY

The major components of inventory as of August 31, 2004 and February 29, 2004 are as follows:

	August 31, 2004	February 29, 2004
Crushed rock	$ 501,511	$ 406,497
Truck parts and shop supples	648,771	626,991
Inventory	$ 1,150,282	$ 1,033,488

NOTE G LONG-TERM DEBT

Long-term debt consists of the following at August 31, 2004 and February 29, 2004:

	August 31, 2004	February 29, 2004
Various note payables to finance companies, secured with interest of 0 to 10.5%, payable in monthly installments through various dates ranging from September 2004 to September 2009	$ 10,063,210	$ 8,323,774
Less current maturities	3,221,489	2,531,819
Total long-term debt	$ 6,841,721	$ 5,791,955

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HYLAND ENTERPRISES, INC.
Notes to Financial Statements (Continued)
August 31, 2004 and February 29, 2004

Substantially all of Hyland s property and equipment secure the various notes payable. Maturities of notes payable for the five years following August 31, 2004, are as follows:

2005	$ 3,221,489
2006	2,614,447
2007	2,242,039
2008	1,440,206
Thereafter	545,029
	$ 10,063,210

NOTE H INCOME TAXES

The provision for income taxes consists of:

	August 31, 2004	February 29, 2004
Current tax provision	$ 157,768	$ 31,976
Deferred tax provision	(25,165)	1,044,137
Provision for income taxes	$ 132,603	$ 1,076,113

Deferred tax liabilities consist of the following:

	August 31, 2004	February 29, 2004
Deferred tax liabilities		
Property, plant and equipment	$ 1,901,589	$ 1,956,600
Other	5,106	(24,740)
Total deferred tax liabilities	$ 1,906,695	$ 1,931,860

NOTE I COMMON STOCK

Hyland has authorized 50,000 shares of no par value common stock, of which 12,340 shares are issued and outstanding on August 31, 2004 and February 29, 2004. Holders of Hyland s common stock are entitled to one vote per share on all matters to be voted on by shareholders and are entitled to receive dividends, if any, as may be declared from time to time by Hyland s Board of Directors. Upon any liquidation or dissolution of Hyland, the holders of the common stock are entitled to receive a pro rata share of all of the assets remaining available for distribution to shareholders after settlement of all liabilities.

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HYLAND ENTERPRISES, INC.
Notes to Financial Statements (Continued)
August 31, 2004 and February 29, 2004

NOTE J COMMITMENTS AND CONTINGENCIES

Hyland and its subsidiaries occupy various facilities and lease certain equipment under various lease agreements. The minimum rental commitments under non-cancelable operating leases, with lease terms in excess of one year subsequent to August 31, 2004, are as follows:

2005	$ 159,343
2006	79,427
2007	8,963
2008	3,803
2009	517
	$ 252,053

Rental expense amounted to $1,250,736, including short-term equipment rentals of $1,003,283, for the period ended August 31, 2004.

Hyland is subject to various legal proceedings and claims that arise in the ordinary course of business. As of August 31, 2004, the financial statements include an accrual in the amount of $575,000 for the settlement of a lawsuit in November 2004 with Cloverleaf Construction, Inc. dba Plum Creek Sand and Gravel and Theodore Roosevelt Jordon dba Ted Jordon. In the opinion of management, the amount of any liability with respect to any other actions is either too early to determine or will not materially affect Hyland s financial statements or results of operations.

NOTE K SUBSEQUENT EVENTS

A sale of all of Hyland s outstanding stock occurred on September 3, 2004 to Complete Energy Services, Inc.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Monument Well Service Company and Affiliates

We have audited the combined balance sheets of Monument Well Service Company, R & W Rentals, Ltd. and Medco, LLC (Monument Well Service Company and Affiliates or the Company) as of April 30, 2004 and December 31, 2003, and the related combined statement of earnings, stockholder s equity, and cash flows for the four month and twelve month periods then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Monument Well Service Company and Affiliates at April 30, 2004 and December 31, 2003, and the combined results of their operations and their cash flows for the four month and twelve month periods then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP
Houston, Texas
February 24, 2006

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MONUMENT WELL SERVICE COMPANY AND AFFILIATES
Combined Balance Sheets
April 30, 2004 and December 31, 2003

	April 30, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,791,749	$ 1,637,888
Accounts receivable	1,111,254	1,199,198
Other current assets	1,262	6,854
Total current assets	2,904,265	2,843,940
PROPERTY AND EQUIPMENT		
Equipment	4,598,354	4,330,970
Vehicles	721,237	721,501
Less accumulated depreciation	(2,169,681)	(2,026,555)
Total property and equipment	3,149,910	3,025,916
INVESTMENTS		20,526
	$ 6,054,175	$ 5,890,382
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$	$ 34,706
Accounts payable	294,565	20,916
Accrued liabilities	81,057	141,574
Notes payable stockholder	36,442	133,427
Total current liabilities	412,064	330,623
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY	5,642,111	5,559,759
	$ 6,054,175	$ 5,890,382

The accompanying notes are an integral part of these statements.

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MONUMENT WELL SERVICE COMPANY AND AFFILIATES
Combined Statements of Earnings
April 30, 2004 and December 31, 2003

	April 30, 2004 (Four Months)	December 31, 2003 (Twelve Months)
REVENUE	$ 3,294,758	$ 7,754,858
Less discounts	(80,101)	(214,416)
	3,214,657	7,540,442
COSTS GOODS AND SERVICES		
Wages	772,625	1,365,898
Equipment rental	312,082	115,783
Material	186,543	680,691
Repairs and maintenance	164,827	429,134
Payroll tax expense	82,322	101,932
Depreciation	144,624	384,591
Other	280,848	565,926
	1,943,871	3,643,955
Gross profit	1,270,786	3,896,487
EXPENSES		
Salaries and employee benefits	184,653	1,086,774
General and administrative	114,063	347,281
Rent	19,500	77,778
Taxes and insurance	127,425	473,751
Total expenses	445,641	1,985,584
OTHER (EXPENSE) INCOME	(5,259)	3,327
NET EARNINGS	$ 819,886	$ 1,914,230

The accompanying notes are an integral part of these statements.

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MONUMENT WELL SERVICE COMPANY AND AFFILIATES
Combined Statements of Stockholders Equity
April 30, 2004

	Common Stock	Additional Paid-In Capital	Members Capital	Retained Earnings	Total Stockholders Equity
Balance at December 31, 2002	$ 93,924	$ 6,914	$ 108,380	$ 3,529,620	$ 3,738,838
Stockholder distributions				(95,000)	(95,000)
Net earning				1,914,230	1,914,230
Other comprehensive income				1,691	1,691
Balance at December 31, 2003	93,924	6,914	108,380	5,350,541	5,559,759
Stockholder distributions				(735,566)	(735,566)
Net earnings				819,886	819,886
Other comprehensive income				(1,968)	(1,968)
Balance at April 30, 2004	$ 93,924	$ 6,914	$ 108,380	$ 5,432,893	$ 5,642,111

The accompanying notes are an integral part of this statement.

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MONUMENT WELL SERVICE COMPANY AND AFFILIATES
Combined Statements of Cash Flows
Period ended April 30, 2004 and December 31, 2003

	April 30, 2004 (Four Months)	December 31, 2003 (Twelve Months)
Cash flows from operating activities		
Net earnings	$ 819,886	$ 1,914,230
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	144,624	384,591
Loss on sale of property, plant and equipment	(3,547)	
Gain on sale of investment	1,102	
Changes in assets and liabilities Decrease in accounts receivable	87,944	69,630
Decrease in prepaid and other assets	5,592	16,168
Increase in accounts payable and accrued liabilities	213,132	99,765
Net cash provided by operating activities	1,268,733	2,484,384
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	10,610	
Purchase of property, plant, and equipment	(275,681)	(1,424,266)
Proceeds from sale of investments	17,456	
Net cash used in investing activities	(247,615)	(1,424,266)
Cash flows from financing activities		
Cash distributions	(735,566)	(95,000)
Payments on notes payable	(131,691)	(38,924)
Net cash used in financing activities	(867,257)	(133,924)
Net increase in cash and cash equivalents	153,861	926,194
Cash and cash equivalents at beginning of year	1,637,888	711,694
Cash and cash equivalents at end of year	$ 1,791,749	$ 1,637,888

The accompanying notes are an integral part of these statements.

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MONUMENT WELL SERVICE COMPANY AND AFFILIATES
Notes to Combined Financial Statements
April 30, 2004 and December 31, 2003

NOTE A NATURE OF OPERATIONS

Monument Well Service Company, a Colorado corporation, R & W Rentals, Ltd. and Medco, LLC (collectively Monument), are oil well site service providers with operations in the Rocky Mountain region of the United States. Monument provides a wide range of services to the oil and gas exploration industry, including well servicing, well site rentals, materials and supplies and other support services.

Monument s business depends, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of natural gas or oil, which could have a material impact on exploration, development and production activities, also could materially affect the Monument s financial position, results of operations and cash flows.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

1. Basis of Combination

The combined financial statements include Monument Well Service Company and its affiliates. These entities were 100% owned by an individual through personal ownership and affiliated persons or companies. The financial statements of these affiliates were combined with no adjustments to the balance sheet or statement of stockholder s equity. All significant intercompany transactions and accounts have been eliminated in the combination.

2. Accounts Receivable and Allowance for Doubtful Accounts

Monument s accounts receivables are due from customers located in the service areas. Credit is extended based on evaluation of a customer s financial condition. Accounts receivables are due within 30 days from the date of invoice. Monument reviews its accounts receivable every 30 days. When a customer balance is greater than 45 days past due, a follow-up invoice is sent. Monument has not experienced accounts receivable write-offs in the past and its current assessment is that all receivables will be collected in full. Monument had no allowance for doubtful accounts at either December 31, 2003 or April 30, 2004.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Monument reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments in the financial statements. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements and estimates may change in the future when improved information is available or events culminate. Certain amounts from the prior year have been reclassified to conform to the current year presentation.

4. Revenue Recognition

Monument recognizes revenues for oilfield services and equipment rentals in the period in which the services or rental is provided.

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MONUMENT WELL SERVICE COMPANY AND AFFILIATES
Notes to Combined Financial Statements (Continued)
April 30, 2004 and December 31, 2003

5. *Cash and Cash Equivalents*

Monument considers all highly liquid investments with maturities of three months or less to be cash equivalents.

6. *Property and Equipment*

Property and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives, as follows:

	Life in Years
Service Rigs	25
Service Equipment	7-10
Vehicles, equipment and furniture	3

7. *Income Taxes*

The stockholder has elected, under the provisions of Subchapter S of the Internal Revenue Code, to have Monument s income treated for Federal income tax purposes substantially as if Monument were a partnership. The stockholder s respective equitable share in the net income or losses of Monument is reportable on his individual tax return. Accordingly, the financial statements reflect no provision or liability for Federal and state income taxes.

8. *Long-Lived Assets*

Monument reviews its long-lived assets for impairment whenever events or changes indicate that the carrying amount of an asset may not be recoverable. No impairments were recognized in the four and twelve month periods ended April 30, 2004 and December 31, 2003.

NOTE C LONG-TERM DEBT

Long-term debt consists of the following:

	April 30, 2004	December 31, 2003
Note payable to a finance company with no interest; principal payments of $828 payable monthly with the last payment due January 31, 2004; collateralized by a truck	$	$ 9,934
Note payable to a finance company with no interest; principal payments of $832 payable monthly with the last payment due December 16, 2004; collateralized by a truck		10,820
Note payable to a finance company with no interest; principal payments of $1,160 payable monthly with the last payment due December 10, 2004; collateralized by a truck		13,952
		34,706
Less current maturities		(34,706)
	$	$

Monument elected to pay-off the notes due in December 2004 on January 28, 2004.

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MONUMENT WELL SERVICE COMPANY AND AFFILIATES
Notes to Combined Financial Statements (Continued)
April 30, 2004 and December 31, 2003

NOTE D FAIR VALUE INSTRUMENTS

The fair value of Monument s cash equivalents, trade receivables, trade payables and note payable to shareholder approximate their carrying value due to the short-term nature of these instruments.

NOTE E EMPLOYEE BENEFIT PLANS

Monument sponsors a 401(k) defined contribution plan that provides retirement benefits to all employees that elect to participate. Under the plan, participating employees may defer up to 15% of their base pre-tax compensation. Monument matches the first 5% of such contributions. During the four month period ended April 30, 2004 and the twelve months ended December 31, 2003, Monument contributed approximately $22,000 and $65,000, respectively, related to this plan.

NOTE F MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

Almost all of Monument s revenues are generated from services provided to oilfield companies throughout the Rocky Mountain region of the United States of America. While the individual job contracts may be short-term in nature, relationships with these entities may be longstanding. Customers with revenues in excess of 10% of total revenues as of the four month period ended April 30, 2004 are as follows:

	April 30, 2004	December 31, 2003
Monument Well Service Company		
Customer A	25%	41%
Customer B	4%	31%
Customer C	21%	26%
R & W Rentals, Ltd.		
Customer A	18%	18%

Financial instruments which subject Monument to concentrations of credit risk consist almost entirely of trade accounts receivable. Management has not incurred significant bad debts in the past.

At April 30, 2004 and December 31, 2003, Monument had deposits in domestic banks in excess of federally insured limits of approximately $1.7 million and $.2 million, respectively.

NOTE G COMMON STOCK

Monument has authorized 25,025 shares of no par value common stock. As of April 30, 2004 and December 31, 2003, Monument had issued 18,825 shares of common stock. The holder of the common stock has full voting rights. Dividends may be paid to the stockholder as approved by the Board of Directors.

NOTE H RELATED PARTY TRANSACTIONS

Monument owed its stockholder $36,442 and $133,427 at April 30, 2004 and December 31, 2003, respectively. The notes carry no interest and are due on demand.

Monument leases office space from a stockholder. The lease is on a month-to-month basis and has been in place for over 10 years. The current lease has a rental rate of $6,500 per month.

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MONUMENT WELL SERVICE COMPANY AND AFFILIATES
Notes to Combined Financial Statements (Continued)
April 30, 2004 and December 31, 2003

NOTE I COMMITMENTS AND CONTINGENCIES

In the normal course of business, Monument may become involved in litigation incidents to operations. At present, management is unaware of any matters in dispute, which would have a material effect on the financial position or results of operations of Monument.

NOTE J SUBSEQUENT EVENT

A sale of Monument s ownership interest occurred on May 6, 2004 to Complete Energy Services, Inc. The Subchapter S election was terminated at that time.

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APPENDIX A

Glossary of Selected Industry Terms

Acidizing. The pumping of acid into the wellbore to remove near-well formation damage and other damaging substances.

Acoustic pressure surveys. Surveys that determine oil and gas reservoir pressure from surface using pressure transducers and sound waves.

Artificial lift equipment. A system that adds energy to the fluid column in a wellbore with the objective of initiating and improving production from the well.

Blowout. An uncontrolled flow of reservoir fluids into the wellbore, and sometimes catastrophically to the surface.

Blowout preventer (BOP). A large valve at the top of a well that may be closed to regain control of a reservoir if the drilling crew or other wellsite personnel loses control of formation fluids.

Bottom-hole assemblies. The lower portion of the drillstring, consisting of (from the bottom up in a vertical well) the bit, bit sub, a mud motor (in certain cases), stabilizers, drill collars, heavy-weight drillpipe, jarring devices (jars) and crossovers for various threadforms.

Casing. Large-diameter pipe lowered into an openhole wellbore and cemented in place.

Casing patch. A downhole assembly or tool system used in the remedial repair of casing damage, corrosion or leaks.

Cementing. To prepare and pump cement into place in a wellbore.

Choke. A device incorporating an orifice that is used to control fluid flow rate or downstream system pressure.

Coiled tubing. A long, continuous length of pipe wound on a spool. The pipe is straightened prior to pushing into a wellbore and recoiled to spool the pipe back onto the transport and storage spool.

Completion phase. A generic term used to describe the assembly of downhole tubulars and equipment required to enable safe and efficient production from an oil or gas well. The point at which the completion process begins may depend on the type and design of the well.

Downhole. Pertaining to or in the wellbore (as opposed to being on the surface).

Drillpipe. Tubular steel conduit fitted with special threaded ends called tool joints. The drillpipe connects the surface equipment with the bottomhole assembly, both to pump drilling fluid to the bit and to be able to raise, lower and rotate the bottomhole assembly and bit.

Drill string. The combination of the drillpipe, the bottomhole assembly and any other tools used to make the drill bit turn at the bottom of the wellbore.

Electric-line. Related to any aspect of logging that employs an electrical cable to lower tools into the borehole and to transmit data.

Fishing. The application of tools, equipment and techniques for the removal of junk, debris or lost or stuck equipment from a wellbore.

Flapper valves. A check valve that has a spring-loaded plate (or flapper) that may be pumped through, generally in the downhole direction, but closes if the fluid attempts to flow back through the drillstring to the surface.

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Flare gas. A vapor or gas that is burned through a pipe or burners.

Flowback. The process of allowing fluids to flow from the well following a treatment, either in preparation for a subsequent phase of treatment or in preparation for cleanup and returning the well to production.

Foam. Drilling foam is a fluid that contains air or gas bubbles, that can withstand high salinity, hard water, solids, entrained oil and high temperatures.

Frac tanks. A tank used to hold fluid during a frac job. Capacity of such tanks are from 400 to 600 bbls.

Hydrocarbon. A naturally occurring organic compound comprising hydrogen and carbon. Hydrocarbons can be as simple as methane, but many are highly complex molecules, and can occur as gases, liquids or solids. Petroleum is a complex mixture of hydrocarbons. The most common hydrocarbons are natural gas, oil and coal.

Jars. A mechanical device used downhole to deliver an impact load to another downhole component, especially when that component is stuck.

Jetting. A downhole treatment in which a fluid laden with solid particles is used to remove deposits from the surface of wellbore tubulars and completion components.

Landing nipples. A completion component fabricated as a short section of heavy wall tubular with a machined internal surface that provides a seal area and a locking profile.

Live-well. A well that is flowing or has the ability to flow into the wellbore.

Log. The measurement versus depth or time, or both, of one or more physical quantities in or around a well. The term comes from the word log used in the sense of a record or a note.

Logging tools. The downhole hardware needed to make a log.

Manifold. An arrangement of piping or valves designed to control, distribute and often monitor fluid flow. Manifolds are often configured for specific functions, such as a choke or kill manifold used in well-control operations and a squeeze manifold used in squeeze-cementing work.

Milling. A downhole tool used to cut and remove material from equipment or tools located in the wellbore.

Mud coolers. A mud cooling system is used in a variety of applications where drilling safety or efficiency is enhanced by cooling the drilling fluid.

Nitrogen unit. A high-pressure pump or compressor unit capable of delivering high-purity nitrogen gas for use in oil or gas wells.

Packer. A downhole device used in many completions to isolate the annulus from the production conduit, enabling controlled production, injection or treatment.

Progressive Cavity (PC) pump. A type of sucker rod-pumping unit that uses a rotor and a stator. The rotation of the rod cavity by means of an electric motor at surface causes the fluid contained in a cavity to flow upward.

Perforating guns. A device used to perforate oil and gas wells in preparation for production. Perforating guns contain several shaped explosive charges and are available in a range of sizes and configurations.

Perforate. To create holes in the casing or liner to achieve efficient communication between the reservoir and the wellbore.

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Pipe handling. Equipment used to move and connect drillpipe.

Plug drilling. The process by which plugs are removed from the wellbore.

Plugs. A downhole packer assembly used in a well to seal off or isolate a particular formation for testing, acidizing, cementing, etc.; also a type of plug used to seal off a well temporarily while the wellhead is removed.

Plunger lift. An artificial-lift method principally used in gas wells to unload relatively small volumes of liquid.

Power swivels. On a drilling rig, a swivel is a mechanical device that must simultaneously suspend the weight of the drillstring, provide for rotation of the drill string beneath it while keeping the upper portion stationary, and permit high-volume flow of high-pressure drilling mud from the fixed portion to the rotating portion without leaking. Well service rigs do not have integral swivels; therefore, if rotation capability for drilling or any other reason is required on a well service rig, then a power swivel is added to the well service rig.

Pressure pumping. Services that include the pumping of liquids under pressure.

Drilling rig. The machine used to drill a wellbore.

Shale. A fine-grained, fissile, sedimentary rock formed by consolidation of clay- and silt-sized particles into thin, relatively impermeable layers.

Slickline. A thin non-electric cable used for selective placement and retrieval of wellbore hardware, such as plugs, gauges and valves. Valves and sleeves can also be adjusted using slickline tools.

Sliding sleeves. Completion devices that can be operated to provide a flow path between the production conduit and the annulus.

Snubbing. The act of putting drillpipe or tubing into the wellbore when the blowout preventers (BOPs) are closed and pressure is contained in the well.

Stabilizers. A bottom-hole-assembly component having a body diameter about the same size as a drill collar, and having longitudinal or spiral blades that form a larger diameter, often at or near hole diameter.

Supply stores. Retail stores that sell equipment for use in oil and gas exploration, development and production.

Swabbing. The act of unloading liquids from the production tubing to initiate or improve flow from the reservoir.

Tight sands. A type of unconventional tight reservoir. Tight reservoirs are those which have low permeability, often quantified as less than 0.1 millidarcies.

Tubing string. A pipe set inside the well casing, through which the oil or gas is produced.

Underbalanced. A well condition where the amount of pressure exerted on a formation is less than the internal fluid pressure of the formation, enabling formation fluids to enter the wellbore. The drilling rate typically increases as an underbalanced condition is approached.

Well casing see Casing.

Well clean-up. A period of controlled production, generally following a stimulation treatment, during which time treatment fluids return from the reservoir formation.

Wellbore. The physical conduit from surface into the hydrocarbon reservoir.

Whipstock. An inclined wedge placed in a wellbore to force the drill bit to start drilling in a direction away from the wellbore axis.

Wireline. A general term used to describe well-intervention operations conducted using single-strand or multistrand wire or cable for intervention in oil or gas wells.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. ***Other Expenses of Issuance and Distribution***

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the SEC registration fee and the NASD filing fee, the amounts set forth below are estimates:

SEC registration fee	$	64,085
NASD filing fee		60,392
NYSE listing fee		154,443
Printing and engraving expenses		450,000
Legal fees and expenses		800,000
Accounting fees and expenses		1,730,000
Transfer agent and registrar fees		20,000
Miscellaneous		71,080
Total	$	3,350,000

ITEM 14. ***Indemnification of Directors and Officers***

Section 145 of the Delaware General Corporation Law (DGCL) provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Section 145 further provides that a corporation similarly may indemnify any such person serving in any such capacity who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or such other court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper. Our certificate of incorporation and bylaws provide that indemnification shall be to the fullest extent permitted by the DGCL for all our current or former directors or officers. As permitted by the DGCL, our certificate of incorporation provides that we will indemnify our directors against liability to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except (1) for any breach of the director s duty of loyalty to us or our stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (3) under Section 174 of the DGCL or (4) for any transaction from which a director derived an improper personal benefit.

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We have also entered into indemnification agreements with all of our directors and all of our executive officers (including each of our named executive officers). These indemnification agreements are intended to permit indemnification to the fullest extent now or hereafter permitted by the DGCL. It is possible that the applicable law could change the degree to which indemnification is expressly permitted.

The indemnification agreements cover expenses (including attorneys fees), judgments, fines and amounts paid in settlement incurred as a result of the fact that such person, in his or her capacity as a director or officer, is made or threatened to be made a party to any suit or proceeding. The indemnification agreements generally cover claims relating to the fact that the indemnified party is or was an officer, director, employee or agent of us or any of our affiliates, or is or was serving at our request in such a position for another entity. The indemnification agreements also obligate us to promptly advance all reasonable expenses incurred in connection with any claim. The indemnitee is, in turn, obligated to reimburse us for all amounts so advanced if it is later determined that the indemnitee is not entitled to indemnification. The indemnification provided under the indemnification agreements is not exclusive of any other indemnity rights; however, double payment to the indemnitee is prohibited.

We are not obligated to indemnify the indemnitee with respect to claims brought by the indemnitee against:

- us, except for:
  - claims regarding the indemnitee s rights under the indemnification agreement;
  - claims to enforce a right to indemnification under any statute or law; and
  - counter-claims against us in a proceeding brought by us against the indemnitee; or
- any other person, except for claims approved by our board of directors.

We have obtained director and officer liability insurance for the benefit of each of the above indemnitees. These policies include coverage for losses for wrongful acts and omissions and to ensure our performance under the indemnification agreements. Each of the indemnitees are named as an insured under such policies and provided with the same rights and benefits as are accorded to the most favorably insured of our directors and officers.

ITEM 15. ***Recent Sales of Unregistered Securities***

During the past three years, we have issued unregistered securities to a limited number of persons, as described below. None of these transactions involved any underwriters or public offerings, and we believe that each of these transactions was exempt from registration requirements pursuant to Section 3(a)(9) or Section 4(2) of the Securities Act, Regulation D promulgated thereunder or Rule 701 of the Securities Act. The recipients of these securities represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in these transactions. No remuneration or commission was paid or given directly or indirectly.

On September 20, 2002, we entered into a combination agreement with Integrated Production Services Ltd. (IPSL). Pursuant to the combination agreement, all of the outstanding shares of IPSL were acquired in exchange for 9,388,020 of our shares.

On April 30, 2003, we acquired all of the shares of Ess-Ell Tool Co. Ltd. and Sentry Oil Tools LLC for a total consideration of $3.9 million in cash and 147,498 of our shares.

On March 31, 2004, we issued an aggregate of 263,392 shares of our common stock to former stockholders of Double Jack Testing and Services, Inc. (Double Jack) as consideration for the purchase of all of the shares of common stock of Double Jack.

On December 10, 2004, we issued 208,604 shares of our common stock to former stockholders of MGM Well Services, Inc. (MGM), as consideration for the acquisition of all of the common stock of

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MGM. We also issued 28,448 shares of restricted stock to key employees who were former employees of MGM. In addition, the purchase included contingent consideration of up to 214,132 shares of our common stock over the period of March 31, 2005 to December 31, 2006 based on certain operating results of MGM.

On February 11, 2005, we issued 2,655,336 shares of our common stock and 344,664 non-vested shares of restricted stock to former stockholders of Parchman, as consideration for the acquisition of all of the capital stock of Parchman. Of the non-vested restricted shares, 58,272 shares vested on December 31, 2005 upon termination of an employee, and an additional 95,464 shares vested in accordance with the agreement terms, and were deemed issued. In addition, the acquisition included contingent consideration of up to 1,000,000 shares of our common stock over the period of February 11, 2005 to December 31, 2005 based on certain operating results of one of our divisions.

On June 20, 2005, Joseph C. Winkler, our Chief Executive Officer and President, purchased 41,796 shares of our common stock at purchase price of $8.50 per share or an aggregate price of $355,270.

On July 7, 2005, we issued 136,428 shares of our common stock to former stockholders of Roustabout Specialties Inc. (RSI), as consideration for the acquisition of all of the capital stock of RSI.

On September 12, 2005, we completed the Combination. We issued an aggregate of 32,120,642 shares of our common stock to former stockholders of CES and 4,901,762 shares of our common stock to former stockholders of IEM. In addition, we issued 144,232 shares of restricted stock to former holders of CES restricted stock and 262,774 shares of restricted stock to former holders of IEM restricted stock. Holders of options to purchase shares of CES common stock received an aggregate of options to purchase 1,914,206 shares of our common stock and holders of options to purchase shares of IEM common stock received an aggregate of options to purchase 67,754 shares of our common stock.

On September 29, 2005, we issued 90,364 shares of our common stock to John D. Schmitz, an officer of one of our subsidiaries, as consideration for the acquisition of the assets of Spindletop Production Services, Ltd.

On October 3, 2005, James F. Maroney, III, our Vice President, General Counsel and Secretary, purchased 42,900 shares of our common stock at a purchase price of $11.66 per share or an aggregate price of $499,999.50

On October 3, 2005, Kenneth L. Nibling, our Vice President, Human Resources and Administration, purchased 42,900 shares of our common stock at a purchase price $11.66 per share or an aggregate price $499,999.50.

On October 10, 2005, we issued 16,046 shares of our common stock to some of our employees as a bonus for their services.

On November 1, 2005, we acquired the equity interests of Big Mac. In connection with this acquisition, we issued options to purchase 90,000 shares of our common stock to the former owner of Big Mac and options to purchase 140,000 shares of our common stock to certain of Big Mac s employees.

On December 29, 2005, we effected a 2-for-1 common stock split. 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.

In connection with our acquisition of Parchman, certain of the former stockholders of Parchman who are our stockholders could receive an aggregate of up to 1,000,000 shares of our common stock as contingent consideration based on certain operating results of one of our divisions. As of March 31, 2006, based on the operating results of this division, we issued all of these shares to these stockholders.

In addition, as of March 31, 2006, we issued 164,210 shares of our common stock and 22,391 shares of our common stock that are subject to certain forfeiture restrictions to certain of our stockholders based on the operating results of MGM.

We issued options to purchase an aggregate of 504,188 shares of our common stock to certain of our current and former directors and officers under our 2001 Stock Incentive Plan and the Parchman Plan during the period beginning on January 1, 2005 and ending on November 1, 2005. During the year ended December 31, 2004, we issued options to purchase an aggregate of 166,144 shares of our common stock to certain of our current and former directors and officers under our 2001 Stock Incentive Plan. During the year ended December 31, 2003, we issued options to purchase an aggregate of 25,400 shares of our common stock to certain of our current and former directors and officers under our 2001 Stock Incentive Plan. During the year ended December 31, 2002, we issued options to purchase an aggregate of 118,944 shares of our common stock to certain of our current and former directors and officers under our 2001 Stock Incentive Plan.

We also issued 97,576 shares of our restricted stock to certain of our current and former directors and officers under our 2001 Stock Incentive Plan during the year ended December 31, 2005. We issued 17,560 shares of our restricted stock to certain of our current and former directors and officers under our 2001 Stock Incentive Plan during the year ended December 31, 2004. During the year ended December 31, 2003, we did not issue any shares of our restricted stock to our current and former directors or officers under our 2001 Incentive Plan. During the year ended December 31, 2002, we did not issue shares of our restricted stock to our current and former directors or officers under our 2001 Stock Incentive Plan.

We relied upon Rule 701 of the Securities Act, among others, for the exemption from registration of the issuance of these options and shares of restricted stock.

ITEM 16. ***Exhibits and Financial Statement Schedules***

a. *Exhibits:*

1.1*	Form of Underwriting Agreement
3.1**	Amended and Restated Certificate of Incorporation
3.2**	Amended and Restated Bylaws
4.1*	Specimen Stock Certificate representing common stock
5.1*	Opinion of Vinson & Elkins L.L.P.
10.1**	Form of Indemnification Agreement
10.2**	Employment Agreement dated as of June 22, 2005 with Joseph C. Winkler
10.3**	Form of Amended and Restated Stockholders Agreement by and among Complete Production Services, Inc. and the stockholders listed therein
10.4**	Combination Agreement dated as of August 9, 2005, with Complete Energy Services, Inc., I.E. Miller Services, Inc. and Complete Energy Services, LLC and I.E. Miller Services, LLC
10.5*	Amended and Restated Credit Agreement, dated as of March 29, 2006 by and among Complete Production Services, Inc., as U.S. Borrower, Integrated Production Services Ltd., as Canadian Borrower, Wells Fargo Bank, National Association, as U.S. Administrative Agent, U.S. Issuing Lender and US Swingline Lender, HSBC Bank Canada, as Canadian Administrative Agent, Canadian Issuing Lender and Canadian Swingline Lender, and the Lenders party thereto, Wells Fargo Bank, National Association as Sole Book Runner and Co-Lead Arranger, UBS Securities LLC, as Co-Lead Arranger and Syndication Agent and Amegy Bank N.A. and Comerica Bank, as Co-Documentation Agents
10.6*	Amended and Restated Complete Production Services, Inc. 2001 Stock Incentive Plan
10.7**	Complete Energy Services, Inc. 2003 Stock Incentive Plan
10.8**	First Amendment to the Complete Energy Services, Inc. 2003 Stock Incentive Plan
10.9**	Second Amendment to the Complete Energy Services, Inc. 2003 Stock Incentive Plan
10.10**	I.E. Miller Services, Inc. 2004 Stock Incentive Plan
10.11**	

	Amended and Restated Integrated Production Services and Parchman Energy Group, Inc. Stock Incentive Plan
10.12**	Strategic Customer Relationship Agreement, dated as of October 14, 2004, by and among Complete Energy Services, Inc., CES Mid-Continent Hamm, Inc. and Continental Resources, Inc.

10.13*	Form of Non-Qualified Option Grant Agreement (Executive Officer)
10.14*	Form of Non-Qualified Option Grant Agreement (Non-Employee Director)
10.15**	Form of Restricted Stock Grant Agreement (Employee)
10.16**	Form of Restricted Stock Agreement (Non-Employee Director)
10.17**	Compensation Package Term Sheet dated as of December 1, 2005 with J. Michael Mayer
10.18**	Compensation Package Term Sheet dated as of October 3, 2005 with James F. Maroney, III
10.19**	Compensation Package Term Sheet dated as of October 3, 2005 with Kenneth L. Nibling
21.1*	Subsidiaries of Complete Production Services, Inc.
23.1*	Consent of Grant Thornton LLP
23.2*	Consent of KPMG LLP
23.3*	Consent of Darnall, Sikes, Gardes & Frederick
23.4*	Consent of BKD LLP
23.5**	Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1)
24.1**	Power of Attorney

* Filed herewith
** Filed previously

b. *Financial Statement Schedules:*

None

ITEM 17. ***Undertakings***

The undersigned Registrant hereby undertakes:

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) To provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(c) For purpose of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(d) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the

securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, in the State of Texas, on April 3, 2006.

COMPLETE PRODUCTION SERVICES, INC.
By: /s/ Joseph C. Winkler

Name: Joseph C. Winkler
Title: President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated below.

Signature	Position	Date
/s/ Joseph C. Winkler Joseph C. Winkler	President, Chief Executive Officer and Director (Principal Executive Officer)	April 3, 2006
/s/ J. Michael Mayer J. Michael Mayer	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	April 3, 2006
/s/ Robert L. Weisgarber Robert L. Weisgarber	Vice President-Accounting and Controller (Principal Accounting Officer)	April 3, 2006
/s/ Andrew L. Waite* Andrew L. Waite	Chairman of the Board	April 3, 2006
/s/ David C. Baldwin* David C. Baldwin	Director	April 3, 2006
/s/ Robert Boswell* Robert Boswell	Director	April 3, 2006
/s/ Harold G. Hamm* Harold G. Hamm	Director	April 3, 2006
/s/ W. Matt Ralls* W. Matt Ralls	Director	April 3, 2006

/s/ R. Graham Whaling*	Director	April 3, 2006
R. Graham Whaling		

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Signature	Position	Date
/s/ James D. Woods* James D. Woods	Director	April 3, 2006

*By: /s/ J. Michael Mayer

J. Michael Mayer
Pursuant to a Power of Attorney previously filed as Exhibit 24.1 to
this Registration Statement

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EXHIBIT INDEX

1.1*	Form of Underwriting Agreement
3.1**	Amended and Restated Certificate of Incorporation
3.2**	Amended and Restated Bylaws
4.1*	Specimen Stock Certificate representing common stock
5.1*	Opinion of Vinson & Elkins LLP
10.1**	Form of Indemnification Agreement
10.2**	Employment Agreement dated as of June 22, 2005 with Joseph C. Winkler
10.3**	Form of Amended and Restated Stockholders Agreement by and among Complete Production Services, Inc. and the stockholders listed therein
10.4**	Combination Agreement dated as of August 9, 2005, with Complete Energy Services, Inc., I.E. Miller Services, Inc. and Complete Energy Services, LLC and I.E. Miller Services, LLC
10.5*	Amended and Restated Credit Agreement, dated as of March 29, 2006 by and among Complete Production Services, Inc., as U.S. Borrower, Integrated Production Services Ltd., as Canadian Borrower, Wells Fargo Bank, National Association, as U.S. Administrative Agent, U.S. Issuing Lender and US Swingline Lender, HSBC Bank Canada, as Canadian Administrative Agent, Canadian Issuing Lender and Canadian Swingline Lender, and the Lenders party thereto, Wells Fargo Bank, National Association as Sole Book Runner and Co-Lead Arranger, UBS Securities LLC, as Co-Lead Arranger and Syndication Agent and Amegy Bank N.A. and Comerica Bank, as Co-Documentation Agents
10.6*	Amended and Restated Complete Production Services, Inc. 2001 Stock Incentive Plan
10.7**	Complete Energy Services, Inc. 2003 Stock Incentive Plan
10.8**	First Amendment to the Complete Energy Services, Inc. 2003 Stock Incentive Plan
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