SUPERIOR ENERGY SERVICES INC
Form 10-Q
October 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

or

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

For the Transition Period from to

Commission File No. 001-34037

SUPERIOR ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-2379388 (I.R.S. Employer Identification No.)
1001 Louisiana Street, Suite 2900 Houston, TX (Address of principal executive offices)	77002 (Zip Code)

Registrant's telephone number, including area code: (713) 654-2200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(do not check if smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant’s common stock outstanding on October 28, 2015 was 150,735,565.

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SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q for

the Quarterly Period Ended September 30, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
September 30, 2015 and December 31, 2014
(in thousands, except share data)
(unaudited)

	9/30/2015	12/31/2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 533,674	$ 393,046
Accounts receivable, net of allowance for doubtful accounts of $21,260 and $22,076 as of September 30, 2015 and December 31, 2014, respectively	488,848	926,768
Deferred income taxes	25,288	32,138
Prepaid expenses	47,714	74,750
Inventory and other current assets	187,283	185,429
Assets held for sale	120,520	116,680
Total current assets	1,403,327	1,728,811
Property, plant and equipment, net of accumulated depreciation and depletion of $2,350,913 and $2,269,542 as of September 30, 2015 and December 31, 2014, respectively	2,372,735	2,733,839
Goodwill	1,151,346	2,468,409
Notes receivable	27,241	25,970
Intangible and other long-term assets, net of accumulated amortization of $79,665 and $81,386 as of September 30, 2015 and December 31, 2014, respectively	329,739	420,360
Total assets	$ 5,284,388	$ 7,377,389
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 99,141	$ 225,306
Accrued expenses	301,903	363,747
Income taxes payable	10,068	40,213
Current maturities of long-term debt	29,485	20,941
Current portion of decommissioning liabilities	10,400	-

Liabilities held for sale	8,400	61,840
Total current liabilities	459,397	712,047
Deferred income taxes	502,658	702,996
Decommissioning liabilities	82,901	88,000
Long-term debt, net	1,613,171	1,627,842
Other long-term liabilities	173,843	166,766
Stockholders' equity:		
Preferred stock of $0.01 par value. Authorized - 5,000,000 shares; none issued	-	-
Common stock of $0.001 par value		
Authorized-250,000,000, Issued and Outstanding-150,733,443 as of September 30, 2015		
Authorized-250,000,000, Issued-149,648,826, Outstanding-149,708,825 as of December 31, 2014	151	150
Additional paid in capital	2,655,009	2,620,328
Accumulated other comprehensive loss, net	(44,208)	(36,280)
Retained earnings	(158,534)	1,495,540
Total stockholders' equity	2,452,418	4,079,738
Total liabilities and stockholders' equity	$ 5,284,388	$ 7,377,389

See accompanying notes to condensed consolidated financial statements.

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SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Three and Nine Months Ended September 30, 2015 and 2014
(in thousands, except per share data)
(unaudited)

	Three Months		Nine Months	
	2015	2014	2015	2014
Revenues:				
Services	$ 464,545	$ 935,560	$ 1,684,968	$ 2,574,565
Rentals	136,851	273,466	544,447	803,431
Total revenues	601,396	1,209,026	2,229,415	3,377,996
Costs and expenses:				
Cost of services (exclusive of items shown separately below)	355,373	597,992	1,224,931	1,704,165
Cost of rentals (exclusive of items shown separately below)	65,112	123,700	243,333	319,425
Depreciation, depletion, amortization and accretion	146,757	170,154	467,329	493,437
General and administrative expenses	123,189	154,859	403,812	457,631
Reduction in value of assets	755,632	-	1,563,269	-
Income (loss) from operations	(844,667)	162,321	(1,673,259)	403,338
Other expense:				
Interest expense, net	(22,622)	(24,169)	(71,213)	(72,610)
Other expense	(3,123)	(2,051)	(10,620)	(1,480)
Income (loss) from continuing operations before income taxes	(870,412)	136,101	(1,755,092)	329,248
Income taxes	(53,825)	50,358	(161,876)	121,822
Net income (loss) from continuing operations	(816,587)	85,743	(1,593,216)	207,426
Loss from discontinued operations, net of income tax	(4,610)	(5,886)	(24,107)	(15,735)
Net income (loss)	$ (821,197)	$ 79,857	$ (1,617,323)	$ 191,691
Earnings (losses) per share information:				
Basic:				
Continuing operations	$ (5.42)	$ 0.55	$ (10.60)	$ 1.33
Discontinued operations	(0.03)	(0.03)	(0.16)	(0.10)
Basic earnings (losses) per share	$ (5.45)	$ 0.52	$ (10.76)	$ 1.23
Diluted:				
Continuing operations	$ (5.42)	$ 0.55	$ (10.60)	$ 1.31
Discontinued operations	(0.03)	(0.04)	(0.16)	(0.10)
Diluted earnings (losses) per share	$ (5.45)	$ 0.51	$ (10.76)	$ 1.21
Cash dividends declared per share	$ 0.08	$ 0.08	$ 0.24	$ 0.24

Weighted average common shares used in computing earnings (losses) per share:				
Basic	150,742	154,530	150,372	156,424
Incremental common shares from stock based compensation	-	1,806	-	1,644
Diluted	150,742	156,336	150,372	158,068

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
Three and Nine Months Ended September 30, 2015 and 2014
(in thousands)
(unaudited)

	Three Months		Nine Months	
	2015	2014	2015	2014
Net income (loss)	$ (821,197)	$ 79,857	$ (1,617,323)	$ 191,691
Reclassification adjustment of unrealized net loss on available-for-sale securities, net of tax	-	-	-	1,153
Change in cumulative translation adjustment, net of tax	(7,483)	(14,439)	(7,928)	(8,720)
Comprehensive income (loss)	$ (828,680)	$ 65,418	$ (1,625,251)	$ 184,124

See accompanying notes to condensed consolidated financial statements.

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SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2015 and 2014
(in thousands)
(unaudited)

	2015	2014
Cash flows from operating activities:		
Net income (loss)	$ (1,617,323)	$ 191,691
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion	467,329	494,801
Deferred income taxes	(195,308)	(15,767)
Reduction in value of assets	1,563,269	-
Stock based compensation expense	34,721	32,899
Amortization of debt issuance costs	5,777	6,126
Other reconciling items, net	12,571	(20,884)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	438,698	(60,611)
Inventory and other current assets	10,924	29,495
Accounts payable	(105,683)	30,198
Accrued expenses	(74,741)	36,802
Income taxes	(30,254)	43,214
Other, net	55,507	(3,653)
Net cash provided by operating activities	565,487	764,311
Cash flows from investing activities:		
Payments for capital expenditures	(318,908)	(438,349)
Sale of available-for-sale securities	-	10,622
Purchase of leased vessels	(46,442)	-
Other	(1,425)	18,195

Net cash used in investing activities	(366,775)	(409,532)
Cash flows from financing activities:		
Proceeds from revolving line of credit	7,475	14,736
Payments on revolving line of credit	(7,475)	(14,736)
Payment to extinguish capital lease obligation	(20,933)	-
Proceeds from issuance of long-term debt	10,357	-
Principal payments on long-term debt	(15,775)	(15,000)
Share repurchases	-	(185,552)
Cash dividends	(36,081)	(37,586)
Proceeds from exercise of stock options	8,800	10,554
Other	(3,760)	(89)
Net cash used in financing activities	(57,392)	(227,673)
Effect of exchange rate changes on cash	(692)	(3,111)
Net increase in cash and cash equivalents	140,628	123,995
Cash and cash equivalents at beginning of period	393,046	196,047
Cash and cash equivalents at end of period	$ 533,674	$ 320,042

See accompanying notes to condensed consolidated financial statements.

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SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

Nine Months Ended September 30, 2015

(1)Basis of Presentation

Certain information and footnote disclosures normally in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission; however, management believes the disclosures that are made are adequate to make the information presented not misleading. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in Superior Energy Services, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014, and Management's Discussion and Analysis of Financial Condition and Results of Operations herein.

The financial information of Superior Energy Services, Inc. and subsidiaries (the Company) for the three and nine months ended September 30, 2015 and 2014 has not been audited. However, in the opinion of management, all adjustments necessary to present fairly the results of operations for the periods presented have been included therein. Certain previously reported amounts have been reclassified to conform to the 2015 presentation. The results of operations for the first nine months of the year are not necessarily indicative of the results of operations that might be expected for the entire year.

Due to the nature of the Company's business, the Company is involved, from time to time, in routine litigation or subject to disputes or claims regarding its business activities. Legal costs related to these matters are expensed as incurred. In management's opinion, none of the pending litigation, disputes or claims is expected to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

The Company evaluates events that occur after the balance sheet date but before the financial statements are issued for potential recognition or disclosure. Based on the evaluation, the Company determined that there were no material subsequent events for recognition or disclosure other than those disclosed herein.

(2) Reduction in Value of Assets

Since late 2014, oil and gas prices have declined significantly to their lowest levels since 2009. As a result of the reduced price of oil and gas and the related downturn in the oil and gas industry, the Company has experienced a significant decline in demand and pricing for virtually all of the services in its U.S. land businesses, primarily in the Production Services and Onshore Completion and Workover Services segments. For the three and nine months ended September 30, 2015, the Company recorded expense related to reduction in value of assets of $755.6 million and $1,563.3 million, respectively. The components of reduction in value of assets are as follows (in thousands):

	Three Months	Nine Months
Reduction in value of goodwill	$ 740,000	$ 1,315,389
Reduction in value of long-lived assets	15,632	165,888
Retirements of long-lived assets	-	42,545
Reduction in value of assets related to sale of a business	-	39,447
Total reduction in value of assets	$ 755,632	$ 1,563,269

Reduction in Value of Goodwill

Goodwill is tested for impairment annually as of October 1st or on an interim basis if events or circumstances indicate that the fair value of the asset has decreased below its carrying value. The Company completed a qualitative analysis of its goodwill as of June 30 and September 30, 2015. Due to the prolonged downturn in the oil and gas industry and the impact it has had on the Company’s activity levels, the Company’s goodwill impairment evaluation as of September 30, 2015, indicated that the carrying value of the Onshore Completion and Workover Services segment exceeded its fair value so that goodwill was potentially impaired and as such the Company completed a quantitative analysis. The quantitative analysis, which involved calculating the implied fair value of the segment’s goodwill by allocating the fair value of the Onshore Completion and Workover Services segment to all of its assets and liabilities (other than goodwill) and comparing it to the carrying amount of the goodwill. To estimate the fair value of the reporting unit (which is consistent with the reported business segment), the Company used a weighting of the discounted cash flow method and the public company guideline method of determining fair value of the reporting unit. The Company weighted the discounted cash flow method 80% and the public company guideline method 20% due to differences between the Company’s reporting unit and peer companies’ size, profitability and diversity of operations.

The Company determined that the implied fair value of its goodwill for the Onshore Completion and Workover Services segment was less than its carrying value and recorded a $740.0 million impairment of the Onshore Completion and Workover Services segment’s goodwill, which is included in the reduction in value of assets in the consolidated statement of operations for the three and nine months ended September 30, 2015. The reduction in value of goodwill in the Onshore Completion and Workover Services segment was

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primarily driven by further deterioration of market conditions during the quarter and the Company's forecast did not indicate a timely recovery sufficient to support the carrying value of the goodwill.

The Company's goodwill impairment evaluation as of June 30, 2015, indicated that the carrying value of the Production Services segment exceeded its fair value so that goodwill was potentially impaired and as such the Company completed a quantitative analysis. The qualitative analysis determined that the implied fair value of its goodwill for the Production Services segment was less than its carrying value and recorded a $575.4 million impairment of the Production Services segment's goodwill, which is included in the reduction in value of assets in the consolidated statement of operations for the nine months ended September 30, 2015. The reduction in value of goodwill in the Production Services segment was primarily driven by the continued decline in demand for coiled tubing services.

The reduction in value of assets discussed above are considered to be the Company's best estimate. The Company is in the process of finalizing the second step of its goodwill impairment analyses, specifically related to the determination of the fair value of the long-lived assets of its reporting units. Adjustments to the estimated reduction in value of assets charges, if any, as a result of the completion of the analyses will be recognized in the subsequent reporting period.

Reduction in Value of Long-Lived Assets

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 such assets may not be recoverable. Recoverability of assets to be held and used is assessed by a comparison of the carrying amount of such assets to their fair value calculated, in part, by the estimated undiscounted future cash flows expected to be generated by the assets. Cash flow estimates are based upon, among other things, historical results adjusted to reflect the best estimate of future market rates, utilization levels, and operating performance. Estimates of cash flows may differ from actual cash flows due to, among other things, changes in economic conditions or changes in an asset's operating performance. The Company's assets are grouped by subsidiary or division for the impairment testing, which represent the lowest level of identifiable cash flows. If the asset grouping's fair value is less than the carrying amount of those items, impairment losses are recorded in the amount by which the carrying amount of such assets exceeds the fair value. The estimate of fair value represents the Company's best estimate based on industry trends and reference to market transactions and is subject to variability.

The Company recorded $166.0 million in expense, of which $15.6 million was recorded during the third quarter, in connection with the reduction in value of its long-lived assets for the nine months ended September 30, 2015. The reduction in value of assets expense was comprised of $78.5 million related to equipment and $58.8 million related to intangibles in the coiled tubing division and pressure control tools division within the Production Services segment and $12.9 million related to mechanical drilling rigs included in the Onshore Completion and Workover Services segment. In addition, the Company recorded a $15.8 million expense related to reduction in carrying values of certain international accommodation units included in the Drilling Products and Services segment.

The reduction in value of assets in the Production Services segment was primarily driven by the decline in demand for coiled tubing services. The demand for these services continued to decline and the Company’s forecast did not indicate a timely recovery sufficient to support the carrying values of these assets. The reduction in value of assets in the Onshore Completion and Workover Services segment related to the reduction in carrying values of the mechanical drilling rigs, primarily as a result of the decreased demand for certain mechanical drilling rigs driven by the downturn in the oil and gas market. The reduction in value of assets in the Drilling Products and Services segment related to certain international accommodation units primarily driven by the decrease in demand for the rental of accommodation units and a decrease in the Company’s forecast for future rentals of these units.

Retirements of Long-Lived Assets

During the nine months ended September 30, 2015, the Company recorded $42.5 million for retirement and abandonment of inoperable and/or functionally obsolete long-lived assets that would require a significant cost to refurbish. The total amount recorded includes $27.3 million for the Onshore Completion and Workover Services segment and $15.2 million for the Production Services segment.

Reduction in Value of Assets Related to Sale of Coiled Tubing Business in Mexico

During the second quarter of 2015, the Company sold its Mexico based coiled tubing business and related assets. The Company received proceeds in the form of cash and a note receivable. The Company recorded a full valuation allowance on the note receivable in the amount of $16.8 million because its collectability was not reasonably assured. In connection with the sale, the Company recorded a $39.4 million reduction in value of assets, primarily related to property, plant and equipment and intangible assets.

(3)Discontinued Operations

During 2014, the Company conducted a strategic review and analysis of its subsea construction business. As of September 30, 2015, the Company continued to sell the assets of its subsea construction business and expects to continue this process during the remainder of 2015.

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During 2014, the Company also made a decision to discontinue its conventional decommissioning business. As of September 30, 2015, the Company was committed to sell the assets of and exit its conventional decommissioning business.

Both of the subsea construction business and conventional decommissioning business were included in the Technical Solutions segment. As of September 30, 2015, the assets and liabilities of these businesses were classified as held for sale. For the three and nine months ended September 30, 2015 and 2014, the results of operations of these businesses are reported as discontinued operations in the consolidated statements of operations.

The following summarizes certain financial information of the businesses reported as discontinued operations (in thousands):

	Three Months Ended September 30,	
	2015	2014
Revenues	$ 588	$ 34,210
Loss from discontinued operations, net of tax benefit of $275 and $4,063, respectively	(4,610)	(5,886)

	Nine Months Ended September 30,	
	2015	2014
Revenues	$ 18,694	$ 111,735
Loss from discontinued operations, net of tax benefit of $1,991 and $10,131, respectively	$ (24,107)	$ (15,735)

The following summarizes the assets and liabilities related to the businesses reported as discontinued operations (in thousands):

	September 30, 2015	December 31, 2014
Accounts receivable, net	$ 4,497	$ 16,701
Prepaid expenses	424	2,463
Inventory and other current assets	1,042	5,576
Current assets	$ 5,963	$ 24,740
Property, plant and equipment, net	114,557	91,171
Intangible and other long-term assets, net	-	769
Long-term assets	$ 114,557	$ 91,940
Accounts payable	996	20,530
Accrued expenses	7,404	24,496
Current liabilities	$ 8,400	$ 45,026
Other long-term liabilities	$ -	$ 16,814

During 2015, the Company spent $46.4 million to purchase two leased vessels in its subsea construction business. In addition, the purchase price for one of the vessels included the extinguishment of the related capital lease obligation of $20.9 million. These purchases were made to eliminate ongoing lease payments and facilitate the disposition of the vessels. During the second quarter of 2015, the Company recorded a $15.5 million reduction in value of marine vessels.

(4)Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in the same manner as basic earnings per share except that the denominator is increased to include the number of additional common shares that could have been outstanding assuming the exercise of stock options and the conversion of restricted stock units.

For the three and nine months ended September 30, 2015, the Company incurred a loss from continuing operations; therefore, the impact of any incremental shares would be anti-dilutive. Stock options for approximately 284,000 shares of the Company’s common stock for the three months ended September 30, 2014 and approximately 1,054,000 shares of the Company’s common stock for the nine months ended September 30, 2014 were excluded in the computation of diluted earnings per share for these periods as the effect would have been anti-dilutive.

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(5)Stock-Based Compensation Plans

The Company maintains various stock incentive plans that provide long-term incentives to the Company's key employees, including officers, directors, consultants and advisors (Eligible Participants). Under the stock incentive plans, the Company may grant incentive stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, other stock-based awards or any combination thereof to Eligible Participants. The Company's total compensation expense related to these plans was approximately $34.0 million and $33.5 million for the nine months ended September 30, 2015 and 2014, respectively, which is reflected in general and administrative expenses.

(6)Inventory and Other Current Assets

Inventory and other current assets includes approximately $169.1 million and $165.6 million of inventory as of September 30, 2015 and December 31, 2014, respectively. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out or weighted-average cost methods for finished goods and work-in-process. Supplies and consumables consist principally of products used in our services provided to customers. The components of the inventory balances are as follows (in thousands):

	September 30, 2015	December 31, 2014
Finished goods	$ 73,402	$ 72,788
Raw materials	26,424	29,718
Work-in-process	26,940	20,317
Supplies and consumables	42,311	42,739
Total	$ 169,077	$ 165,562

(7)Debt

Credit Facility

The Company has a $1.0 billion bank credit facility, comprised of a $600 million revolving credit facility and a $400 million term loan. The principal balance of the term loan is payable in installments of $5.0 million on the last day of each fiscal quarter, which began on June 30, 2012. As of September 30, 2015, the Company had $330 million outstanding under the term loan and had no amounts outstanding under the revolving portion of its credit facility. The Company also had approximately $43.1 million of letters of credit outstanding that reduce the Company’s borrowing availability under the revolving portion of the credit facility.

Any amounts outstanding under the bank credit facility are due on February 7, 2017. Amounts borrowed under the credit facility bear interest at LIBOR plus margins that depend on the Company’s credit rating. During the quarter, the Company amended its credit agreement to primarily increase the maximum leverage ratio financial covenants.

Senior Unsecured Notes

The Company has outstanding $500 million of 6 3/8% unsecured senior notes due 2019. The indenture governing the 6 3/8% senior notes requires semi-annual interest payments on May 1 and November 1 of each year through the maturity date of May 1, 2019.

The Company also has outstanding $800 million of 7 1/8% unsecured senior notes due 2021. The indenture governing the 7 1/8% senior notes requires semi-annual interest payments on June 15 and December 15 of each year through the maturity date of December 15, 2021.

(8)Decommissioning Liabilities

The Company records estimated future decommissioning liabilities in accordance with the authoritative guidance related to asset retirement obligations, which requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred, with a corresponding increase in the carrying amount of the related long-lived asset. Subsequent to initial measurement, the decommissioning liability is required to be accreted each period to present value.

The Company’s decommissioning liabilities associated with the Bullwinkle platform and its related assets consist of costs related to the plugging of wells, the removal of the related platform and equipment, and site restoration. The Company reviews the adequacy of its decommissioning liabilities whenever indicators suggest that the estimated cash flows needed to satisfy the liabilities have changed materially.

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The following table summarizes the activity for the Company’s decommissioning liabilities for the nine months ended September 30, 2015 and 2014 (in thousands):

	Nine Months Ended September 30,			
	2015		2014	
Decommissioning liabilities, December 31, 2014 and 2013, respectively	$	88,000	$	83,519
Liability acquisitions and dispositions		266		866
Accretion		3,720		3,324
Revisions in estimated timing and cash flows		1,315		(266)
Total decommissioning liabilities, September 30, 2015 and 2014, respectively	$	93,301	$	87,443

(9) Notes Receivable

Notes receivable consist of a commitment from the seller of an oil and gas property acquired by the Company towards costs associated with the abandonment of the acquired property. Pursuant to an agreement with the seller, the Company will invoice the seller an agreed upon amount at the completion of certain decommissioning activities. The gross amount of this obligation totals $115.0 million and is recorded at present value using an effective interest rate of 6.58%. The related discount is amortized to interest income based on the expected timing of completion of the decommissioning activities. The Company recorded interest income related to notes receivable of $1.3 million and $1.2 million for the nine months ended September 30, 2015 and 2014, respectively.

(10) Segment Information

Business Segments

The Drilling Products and Services segment rents and sells bottom hole assemblies, premium drill pipe, tubulars and specialized equipment for use with onshore and offshore oil and gas well drilling, completion, production and workover activities. It also provides on-site accommodations and bolting and machining services. The Onshore Completion and Workover Services segment provides pressure pumping services used to complete and stimulate production in new oil and gas wells, fluid handling services and well servicing rigs that provide a variety of well completion, workover and maintenance services. The Production Services segment provides intervention services such as coiled tubing, cased hole and mechanical wireline, hydraulic workover and snubbing, production testing and optimization, and remedial pumping services. It also provides specialized pressure control tools used to manage and control pressure throughout the life of a well. The Technical Solutions segment provides services typically requiring specialized engineering, manufacturing or project planning, including well control services, well containment systems, stimulation and sand control services and well plug and abandonment services. It also includes production handling arrangements and the production and sale of oil and gas.

For the three and nine months ended September 30, 2015 and 2014, operating results for the Company's subsea construction and conventional decommissioning businesses are reported in discontinued operations (see note 3). Previously those operating results were reported within the Technical Solutions segment.

The Company evaluates the performance of its reportable segments based on income or loss from operations. The segment measure is calculated as follows: segment revenues less segment operating expenses, depreciation expense and allocated general and administrative expenses. General and administrative expenses are allocated to the segments based primarily on specific identification and, to the extent that such identification is not practical, other methods which the Company believes to be a reasonable reflection of the utilization of services provided. The Company believes this segment measure is useful in evaluating the performance of its reportable segments because it highlights operating trends and aids analytical comparisons.

Summarized financial information for the Company’s segments for the three and nine months ended September 30, 2015 and 2014 is shown in the following tables (in thousands):

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Three Months Ended September 30, 2015

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Unallocated	Consolidated Total
Revenues	$ 130,476	$ 202,845	$ 164,001	$ 104,074	$ -	$ 601,396
Cost of services and rentals (exclusive of items shown separately below)	44,736	174,362	130,103	71,284	-	420,485
Depreciation, depletion, amortization and accretion	48,681	53,854	30,159	14,063	-	146,757
General and administrative expenses	30,465	30,321	35,268	27,135	-	123,189
Reduction in value of assets	-	740,000	15,632	-	-	755,632
Income (loss) from operations	6,594	(795,692)	(47,161)	(8,408)	-	(844,667)
Interest expense, net	-	-	(845)	431	(22,208)	(22,622)
Other expense	-	-	-	-	(3,123)	(3,123)
Income (loss) from continuing operations before income taxes	$ 6,594	$ (795,692)	$ (48,006)	$ (7,977)	$ (25,331)	$ (870,412)

Three Months Ended September 30, 2014

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Unallocated	Consolidated Total
Revenues	$ 239,204	$ 470,849	$ 348,793	$ 150,180	$ -	$ 1,209,026
Cost of services and rentals (exclusive of items shown separately below)	76,277	317,433	248,567	79,415	-	721,692
Depreciation, depletion, amortization	47,904	59,009	41,225	22,016	-	170,154

and accretion						
General and administrative expenses	36,913	39,625	45,627	32,694	-	154,859
Income from operations	78,110	54,782	13,374	16,055	-	162,321
Interest expense, net	-	-	-	404	(24,573)	(24,169)
Other expense	-	-	-	-	(2,051)	(2,051)
Income (loss) from continuing operations before income taxes	$ 78,110	$ 54,782	$ 13,374	$ 16,459	$ (26,624)	$ 136,101

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Nine Months Ended September 30, 2015

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Unallocated	Consolidated Total
Revenues	$ 478,605	$ 780,200	$ 624,214	$ 346,396	$ -	$ 2,229,415
Cost of services and rentals (exclusive of items shown separately below)	156,771	610,620	478,032	222,841	-	1,468,264
Depreciation, depletion, amortization and accretion	147,494	169,144	105,990	44,701	-	467,329
General and administrative expenses	101,554	101,644	115,385	85,229	-	403,812
Reduction in value of assets	15,797	780,263	767,209	-	-	1,563,269
Income (loss) from operations	56,989	(881,471)	(842,402)	(6,375)	-	(1,673,259)
Interest expense, net	-	-	(979)	1,272	(71,506)	(71,213)
Other expense	-	-	-	-	(10,620)	(10,620)
Income (loss) from continuing operations before income taxes	$ 56,989	$ (881,471)	$ (843,381)	$ (5,103)	$ (82,126)	$ (1,755,092)

Nine Months Ended September 30, 2014

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Unallocated	Consolidated Total
Revenues	$ 685,396	$ 1,258,774	$ 1,013,904	$ 419,922	$ -	$ 3,377,996
Cost of services and rentals (exclusive of items shown separately below)	216,166	876,575	706,911	223,938	-	2,023,590
Depreciation, depletion, amortization	140,265	174,995	123,213	54,964	-	493,437

and accretion						
General and administrative expenses	117,026	114,604	138,058	87,943	-	457,631
Income from operations	211,939	92,600	45,722	53,077	-	403,338
Interest expense, net	-	-	-	1,167	(73,777)	(72,610)
Other income (expense)	-	-	-	-	(1,480)	(1,480)
Income (loss) from continuing operations before income taxes	$ 211,939	$ 92,600	$ 45,722	$ 54,244	$ (75,257)	$ 329,248

Identifiable Assets

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Unallocated	Consolidated Total
September 30, 2015	$ 1,326,181	$ 1,960,995	$ 1,108,940	$ 888,272	$ -	$ 5,284,388
December 31, 2014	$ 1,304,110	$ 3,010,295	$ 2,116,171	$ 946,813	$ -	$ 7,377,389

As of September 30, 2015 and December 31, 2014, the Technical Solutions segment included $120.5 million and $116.7 million, respectively, of identifiable assets of the subsea construction and conventional decommissioning businesses that were classified as assets held for sale on the consolidated balance sheets.

Geographic Segments

The Company attributes revenue to various countries based on the location of where services are performed or the destination of the drilling products or equipment sold or rented. Long-lived assets consist primarily of property, plant and equipment and are attributed to various countries based on the physical location of the asset at the end of a period. As of September 30, 2015 and December 31, 2014, the assets of the subsea construction and conventional decommissioning businesses are classified as assets held for sale on the

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consolidated balance sheets. The Company's revenue by geographic area for the three and nine months ended September 30, 2015 and 2014 and long-lived assets by geographic area as of September 30, 2015 and December 31, 2014 are as follows (in thousands):

Revenues	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
United States	$ 470,154	$ 1,024,919	$ 1,771,934	$ 2,850,179
Other Countries	131,242	184,107	457,481	527,817
Total	$ 601,396	$ 1,209,026	$ 2,229,415	$ 3,377,996

Long-Lived Assets	September 30, 2015	December 31, 2014
United States	$ 2,027,057	$ 2,416,306
Other Countries	345,678	317,533
Total, net	$ 2,372,735	$ 2,733,839

(11) Fair Value Measurements

The Company follows the authoritative guidance for fair value measurements relating to financial and nonfinancial assets and liabilities, including presentation of required disclosures herein. This guidance establishes a fair value framework requiring the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets and liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or model-derived valuations or other inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability.

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The following tables provide a summary of the financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014 (in thousands):

		Fair Value Measurements at Reporting Date Using		
	September 30, 2015	Level 1	Level 2	Level 3
Intangible and other long-term assets, net				
Non-qualified deferred compensation assets	$ 11,118	$ 368	$ 10,750	-
Interest rate swaps	$ 7,178	-	$ 7,178	-
Accounts payable				
Non-qualified deferred compensation liabilities	$ 733	-	$ 733	-
Other long-term liabilities				
Non-qualified deferred compensation liabilities	$ 16,464	-	$ 16,464	-
	December 31, 2014	Level 1	Level 2	Level 3
Intangible and other long-term assets, net				
Non-qualified deferred compensation assets	$ 12,982	$ 1,481	$ 11,501	-
Interest rate swaps	$ 4,183	-	$ 4,183	-
Accounts payable				
Non-qualified deferred compensation liabilities	$ 2,291	-	$ 2,291	-
Other long-term liabilities				
Non-qualified deferred compensation liabilities	$ 14,720	-	$ 14,720	-

The Company's non-qualified deferred compensation plans allow officers, certain highly compensated employees and non-employee directors to defer receipt of a portion of their compensation and contribute such amounts to one or more hypothetical investment funds. The Company entered into separate trust agreements, subject to general creditors, to segregate assets of each plan and reports the accounts of the trusts in its condensed consolidated financial statements. These investments are reported at fair value based on unadjusted quoted prices in active markets for identifiable assets and observable inputs for similar assets and liabilities, which represent Levels 1 and 2, respectively, in the fair value hierarchy.

The Company has three interest rate swap agreements related to its fixed rate debt maturing in 2021 for notional amounts of $100 million each, whereby the Company is entitled to receive semi-annual interest payments at a fixed rate of 7 1/8% per annum and is obligated to make semi-annual interest payments at floating rates, which are adjusted every 90 days, based on LIBOR plus a fixed margin. The swap agreements, scheduled to terminate on December 15, 2021, are designated as fair value hedges of a portion of the Company's 7 1/8% senior notes, as the derivatives have been tested to be highly effective in offsetting changes in the fair value of the underlying notes. As these derivatives are classified as fair value hedges, the changes in the fair value of the derivatives are offset against the changes in the fair value of the underlying note in interest expense, net (see note 12).

The fair value of the Company’s cash equivalents, accounts receivable and current maturities of long-term debt approximates their carrying amounts. The fair value of the Company’s long-term debt was approximately $1,628.3 million and $1,624.3 million as of September 30, 2015 and December 31, 2014, respectively. The fair value of these debt instruments is determined by reference to the market value of the instruments as quoted in over-the-counter markets, which are Level 1 inputs.

The following table summarizes impairments of goodwill and long-lived assets and the related post-impairment fair values for the three and nine months ended September 30, 2015 (in thousands):

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Impairment	Fair Value	Impairment	Fair Value
Property, plant and equipment, net	$ -	$ -	$ 107,145	$ 97,114
Goodwill	740,000	679,550	1,315,389	1,009,144
Intangible assets	-	-	43,114	6,345

Fair value is measured as of the impairment date using Level 3 inputs. See note 2 for a discussion of reduction in value of assets expense recorded during the three and nine months ended September 30, 2015.

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(12) Derivative Financial Instruments

From time to time, the Company may employ interest rate swaps in an attempt to achieve a more balanced debt portfolio between fixed and variable interest. The Company does not use derivative financial instruments for trading or speculative purposes.

The Company has three interest rate swaps for notional amounts of $100 million each related to its 7 1/8% senior notes maturing in December 2021. These interest rate swaps are accounted for as fair value hedges since the swaps hedge against the change in fair value of fixed rate debt resulting from changes in interest rates. The Company recorded a derivative asset relating to these swaps of $7.2 million and $4.2 million within intangible and other long term assets in the consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively.

The changes in fair value of the interest rate swaps are included in the adjustments to reconcile net income to net cash provided by operating activities in the consolidated statement of cash flows. The location and effect of the derivative instruments on the condensed consolidated statement of operations, presented on a pre-tax basis, are as follows (in thousands):

		Three Months Ended September 30,	
Effect of derivative instrument	Location of (gain) loss recognized	2015	2014
Interest rate swap	Interest expense, net	$ (5,452)	$ 1,907
Hedged item - debt	Interest expense, net	3,134	(2,639)
		$ (2,318)	$ (732)

		Nine Months Ended September 30,	
Effect of derivative instrument	Location of (gain) loss recognized	2015	2014
Interest rate swap	Interest expense, net	$ (5,643)	$ (6,727)
Hedged item - debt	Interest expense, net	2,648	4,422
		$ (2,995)	$ (2,305)

For the nine months ended September 30, 2015 and 2014, approximately $3.0 million and $2.3 million of interest income, respectively, was related to the ineffectiveness associated with these fair value hedges. Hedge ineffectiveness represents the difference between the changes in fair value of the derivative instruments and the changes in fair value of the fixed rate debt attributable to changes in the benchmark interest rate.

(13) Income Taxes

The Company follows authoritative guidance with respect to accounting for uncertainty in income taxes. It is the Company’s policy to recognize interest and applicable penalties, if any, related to uncertain tax positions in income tax expense. The Company had approximately $35.7 million and $30.3 million of unrecorded tax benefits as of September 30, 2015 and December 31, 2014, respectively, all of which would impact the Company’s effective tax rate if recognized. The increase in the unrecognized tax benefits during 2015 was due to an expectation of unfavorable results in an ongoing foreign audit.

(14) Related Party Disclosures

During 2014, the Company purchased services, products and equipment, as well as leased certain facilities, from companies affiliated with a former officer, who retired during the first quarter of 2015, of one of its subsidiaries. For the nine months ended September 30, 2014, these related party transactions totaled $146.8 million, of which $56.7 million was purchased from ORTEQ Energy Services, $0.6 million was purchased from Ortowski Construction, $15.2 million was paid to Resource Transport, LLC, $51.6 million was purchased from Texas Specialty Sands, LLC, $21.1 million was purchased from ProFuel, LLC and $1.6 million was related to facilities leased from Timber Creek Real Estate Partners.

As of December 31, 2014, the Company’s trade accounts payable includes amounts due to these companies totaling $26.8 million, of which $10.1 million was due ORTEQ Energy Services, $1.7 million was due Resource Transport, LLC, $14.0 million was due Texas Specialty Sands, LLC, and $1.0 million was due ProFuel, LLC. No amount was due Timber Creek Real Estate Partners.

The Company’s President and Chief Executive Officer serves as an independent director of the board of Linn Energy, LLC (Linn), an independent oil and gas development company. The Company recorded revenues from Linn and its subsidiaries of $6.0 million and $15.3 million for the nine months ended September 30, 2015 and 2014, respectively. The Company had trade receivables from Linn and its subsidiaries of $0.8 million and $1.6 million as of September 30, 2015 and December 31, 2014, respectively.

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(15) Recently Issued Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board issued ASU No. 2015-16, Business Combinations – Simplifying the Accounting for Measurement –Period Adjustments, which changes the accounting for adjustments to provisional amounts recognized in a business combination. The guidance in this update requires that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The new standard is effective for the Company on January 1, 2016 and should be applied prospectively. This ASU is not expected to have a significant impact on the Company's financial statements.

In July 2015, the Financial Accounting Standards Board issued ASU No. 2015-11, Inventory – Simplifying the Measurement of Inventory, which applies to inventory measured using first-in, first-out or average cost. The guidance in this update states that inventory within its scope shall be measured at the lower of cost or net realizable value, and when the net realizable value of inventory is lower than its cost, the difference shall be recognized as a loss in earnings. The new standard is effective for the Company beginning on January 1, 2017 and should be applied on a prospective basis. The Company is evaluating the effect that ASU 2015-11 will have on its consolidated financial statements and related disclosures.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, which changes the presentation of debt issuance costs. The guidance in this update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The new standard is effective for the Company on January 1, 2016 and should be applied on a retrospective basis. This ASU will not have a significant impact on the Company's financial statements.

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, Revenue from Contracts with Customers, which will replace most existing revenue recognition guidance in GAAP. The guidance in this update requires an entity to recognize the amount of revenue that it expects to be entitled for the transfer of promised goods or services to customers. The new standard is effective for the Company on January 1, 2018. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the accounting guidance on its ongoing financial reporting.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q and other documents filed by us with the Securities and Exchange Commission (SEC) contain, and future oral or written statements or press releases by us and our management may contain, forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks" and "estim variations of such words and similar expressions identify forward-looking statements, although not all forward-looking statements contain these identifying words. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q or such other materials regarding our financial position, financial performance, liquidity, strategic alternatives, market outlook, future capital needs, capital allocation plans, business strategies and other plans and objectives of our management for future operations and activities are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of its experience and prevailing circumstances on the date such statements are made. Such forward-looking statements, and the assumptions on which they are based, are inherently speculative and are subject to a number of risks and uncertainties that could cause our actual results to differ materially from such statements. Such uncertainties include, but are not limited to: the cyclicality and volatility of the oil and gas industry, including changes in prevailing levels of exploration, production and development activity; changes in prevailing oil and gas prices or expectations about future prices; operating hazards, including the significant possibility of accidents resulting in personal injury or death, property damage or environmental damage for which we may have limited or no insurance coverage or indemnification rights; the effect of regulatory programs and environmental matters on our operations or prospects, including the risk that future changes in the regulation of hydraulic fracturing could reduce or eliminate demand for our pressure pumping services; risks associated with the uncertainty of macroeconomic and business conditions worldwide; changes in competitive and technological factors affecting our operations; the potential shortage of skilled workers; risks inherent in acquiring businesses; risks associated with business growth outpacing the capabilities of our infrastructure and workforce; political, economic and other risks and uncertainties associated with our international operations; our continued access to credit markets on favorable terms; the impact that unfavorable or unusual weather conditions could have on our operations; and the risks inherent in long-term fixed-price contracts. These risks and other uncertainties related to our business are described in detail in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Investors are cautioned that many of the assumptions on which our forward-looking statements are based are likely to change after such statements are made, including for example the market prices of oil and gas and regulations affecting oil and gas operations, which we cannot control or anticipate. Further, we may make changes to our business strategies and plans (including our capital spending and capital allocation plans) at any time and without notice, based on any changes in the above-listed factors, our assumptions or otherwise, any of which could or will affect our results. For all these reasons, actual events and results may differ materially from those anticipated, estimated, projected or implied by us in our forward-looking statements. We undertake no obligation to update any of our forward-looking statements for any reason and, notwithstanding any changes in our assumptions, changes in our business plans, our actual experience, or other changes. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Executive Summary

To a large degree, our business depends upon the level of spending by oil and gas companies for exploration, development and production activities, which in turn is based largely on volatile commodity prices. See “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. Since late 2014, oil and gas prices have declined significantly. This decline has caused our oil and gas customers to curtail their operations, reduce their capital expenditures, request pricing concessions and/or other arrangements designed to reduce their operating costs. Although these changes have impacted our U.S. land business significantly more than our other businesses, the financial performance of each of our operating segments has been adversely impacted.

During the third quarter of 2015, continued weakness in market conditions further reduced demand and prices for our products and services, adversely affecting the financial performance of each of our operating segments in all geographic markets. The ultimate impact on us of the current industry downturn will depend upon its length and several other factors, many of which remain beyond our control. Our meaningful and ongoing cost reduction initiatives that began in late 2014 and have continued throughout 2015 have partially mitigated the declines in the financial performance of each of our operating segments and we plan to continue adjusting our cost structure to the lower level of business activity.

The third quarter of 2015 continued to present us with challenges relating to the downturn in market conditions and the significant decrease in customer spending we have experienced. As a result, we recorded $755.6 million of pre-tax charges for reduction in value of assets during the quarter, of which $740.0 million relates to a reduction in value of goodwill and $15.6 million relates to the reduction in value of long-lived assets. A prolonged period of lower natural gas or oil prices could continue to adversely affect demand for our services and lead to further reductions in value of assets charges in the future.

For the three months ended September 30, 2015, revenue was $601.4 million and loss from continuing operations was $816.6 million, or $5.42 loss per share. Net loss was $821.2 million, or $5.45 loss per share.

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Third quarter 2015 revenue in our Drilling Products and Services segment decreased 12% sequentially to $130.5 million, as compared to $148.7 million in the second quarter of 2015. U.S. land revenue decreased 13% sequentially to $33.4 million, Gulf of Mexico revenue decreased 9% sequentially to $57.4 million and international revenue decreased 16% sequentially to $39.7 million. Revenue for all major product and service lines of this segment were impacted by the continued decline in oil and gas prices, which led to lower levels of activity and pricing pressure for our services.

Third quarter 2015 revenue in our Onshore Completion and Workover Services segment decreased 10% sequentially to $202.8 million, as compared to $226.4 million in the second quarter of 2015. All of this segment's revenue is derived from the U.S. land market area. All product and service lines in this segment were impacted negatively by the continued decline in oil and gas prices, which led to lower levels of activity and pricing pressure for our services.

Third quarter 2015 revenue in our Production Services segment decreased 21% sequentially to $164.0 million, as compared to $208.7 million in the second quarter of 2015. U.S. land revenue decreased 14% sequentially to $86.3 million, and Gulf of Mexico revenue decreased 45% sequentially to $12.4 million, primarily as a result of the continued decline in oil and gas prices which led to lower levels of activity and pricing pressure for our services. International revenue decreased 24% sequentially to $65.3 million due to decreased levels of hydraulic workover, snubbing and coiled tubing operations.

Third quarter 2015 revenue in our Technical Solutions segment decreased 18% sequentially to $104.1 million, as compared to $127.0 million in the second quarter of 2015. U.S. land revenue increased 13% sequentially to $15.7 million as a result of higher levels of demand for completion tools. Gulf of Mexico revenue decreased 19% sequentially to $62.2 million primarily due to decreased project activity levels associated with the lower levels of activity and pricing pressure for our services. International revenue decreased 28% to $26.2 million sequentially as a result of the decrease in demand for completion tools.

Comparison of the Results of Operations for the Three Months Ended September 30, 2015 and 2014

For the three months ended September 30, 2015, our revenues were $601.4 million, resulting in a loss from continuing operations of $816.6 million, or $5.42 loss per share. Net loss was $821.2 million, or $5.45 loss per share. Included in the results for the three months ended September 30, 2015 was a pre-tax charge for $755.6 million related to the reduction in value of assets. For the three months ended September 30, 2014, revenues were $1,209.0 million and income from continuing operations was $85.7 million, or $0.55 per diluted share. Net income was $79.9 million, or $0.51 per diluted share.

The following table compares our operating results for the three months ended September 30, 2015 and 2014 (in thousands, except percentages). Cost of services and rentals excludes depreciation, depletion, amortization and accretion.

	Revenue			Cost of Services and Rentals				
	2015	2014	Change	2015	%	2014	%	Change
Drilling Products and Services	$ 130,476	$ 239,204	$ (108,728)	$ 44,736	34%	$ 76,277	32%	$ (31,541)
Onshore Completion and Workover Services	202,845	470,849	(268,004)	174,362	86%	317,433	67%	(143,071)
Production Services	164,001	348,793	(184,792)	130,103	79%	248,567	71%	(118,464)
Technical Solutions	104,074	150,180	(46,106)	71,284	68%	79,415	53%	(8,131)
Total	$ 601,396	$ 1,209,026	$ (607,630)	$ 420,485	70%	$ 721,692	60%	$ (301,207)

The following provides a discussion of our results on a segment basis:

Drilling Products and Services Segment

Revenue from our Drilling Products and Services segment decreased 45% to $130.5 million for the three months ended September 30, 2015, as compared to $239.2 million for the same period in 2014. Cost of services as a percentage of revenue increased to 34% of segment revenue for the three months ended September 30, 2015, as compared to 32% for the same period in 2014. Revenue from our Gulf of Mexico market area decreased approximately 36%, revenue generated from our U.S. land market area decreased 61% and revenue from our international market area decreased 38%. Revenues for all major product and service lines of this segment were impacted by the continued decline in oil and gas prices, which led to lower levels of activity and pricing pressure for our services.

Onshore Completion and Workover Services Segment

Revenue from our Onshore Completion and Workover Services segment decreased 57% to $202.8 million for the three months ended September 30, 2015, as compared to $470.8 million for the same period in 2014. All of this segment’s revenue is derived from the U.S. land market area. Cost of services as a percentage of revenues increased to 86% of segment revenue from 67% in the third quarter of

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2014. All product and service lines in this segment were impacted negatively by reduced customer spending and activity as well as continued pricing pressure in North America during the quarter. The loss from operations for the three months ended September 30, 2015 was primarily attributable to a $740.0 million expense relating to the reduction in value of goodwill.

Production Services Segment

Revenue from our Production Services segment for the three months ended September 30, 2015 decreased by 53% to $164.0 million, as compared to $348.8 million for the same period in 2014. Cost of services as a percentage of revenue increased to 79% of segment revenue from 71% in the third quarter of 2014. Revenue derived from the Gulf of Mexico market area decreased 67%, revenue from the U.S. land market area decreased 62% and revenue from international market areas decreased 25%. The Production Services segment's revenue was lower in all product and service lines primarily due to lower levels of activity and pricing pressure for our services. The loss from operations for the three months ended September 30, 2015 was primarily attributable to a $15.6 million expense relating to the write-off of intangibles.

Technical Solutions Segment

Revenue from our Technical Solutions segment decreased 31% to $104.1 million for the three months ended September 30, 2015, as compared to $150.2 million for the same period in 2014. Cost of services as a percentage of revenue increased to 68% of segment revenue from 53% in the third quarter of 2014. Revenue in our international market areas decreased 22% as a result of a decrease in demand for completion tools and products. Revenue in our U.S. land market area decreased 52% and revenue in our Gulf of Mexico market area decreased 26%. Revenues for all major product and service lines of this segment were impacted by lower levels of activity and pricing pressure for our services.

General and Administrative Expenses

General and administrative expenses decreased 20% to $123.2 million for the three months ended September 30, 2015 as compared to $154.9 million for the same period in 2014. The decrease is primarily attributable to lower levels of employee and infrastructure-related expenses as a result of our cost reduction programs.

Reduction in Value of Assets

During the three months ended September 30, 2015, we recorded $755.6 million in expense in connection with the reduction in value of assets. The reduction in value of assets expense included $740.0 million related to the Onshore Completion and Workover Services segment goodwill impairment and $15.6 million related to the write-off of intangibles within the Production Services segment. The reduction in value of assets was primarily due to the continued decline in the demand for these services during the third quarter of 2015 resulting in a forecast which did not indicate a timely recovery sufficient to support the carrying values of these assets.

Income Taxes

Our effective income tax rate for the three months ended September 30, 2015 was a 6% tax benefit compared to a 37% tax expense for the same period in 2014. The decrease in the effective income tax rate was primarily due to the reduction in value of goodwill which is non-deductible for income tax purposes.

Discontinued Operations

Discontinued operations include operating results for both our subsea construction business and our conventional decommissioning business. Loss from discontinued operations, net of tax, was $4.6 million for the three months ended September 30, 2015 as compared to $5.9 million for the same period in 2014.

Comparison of the Results of Operations for the Nine Months Ended September 30, 2015 and 2014

For the nine months ended September 30, 2015, our revenues were $2,229.4 million, resulting in a loss from continuing operations of $1,593.2 million, or $10.60 loss per share. Net loss was $1,617.3 million, or $10.76 loss per share. Included in the results for the nine months ended September 30, 2015 was a pre-tax charge for $1,563.3 million related to the reduction in value of assets. For the nine months ended September 30, 2014, revenues were $3,378.0 million and income from continuing operations was $207.4 million, or $1.31 per diluted share. Net income was $191.7 million, or $1.21 per diluted share.

The following table compares our operating results for the nine months ended September 30, 2015 and 2014 (in thousands, except percentages). Cost of services and rentals excludes depreciation, depletion, amortization and accretion.

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	Revenue			Cost of Services and Rentals				
	2015	2014	Change	2015	%	2014	%	Change
Drilling Products and Services	$ 478,605	$ 685,396	$ (206,791)	$ 156,771	33%	$ 216,166	32%	$ (59,395)
Onshore Completion and Workover Services	780,200	1,258,774	(478,574)	610,620	78%	876,575	70%	(265,955)
Production Services	624,214	1,013,904	(389,690)	478,032	77%	706,911	70%	(228,879)
Technical Solutions	346,396	419,922	(73,526)	222,841	64%	223,938	53%	(1,097)
Total	$ 2,229,415	$ 3,377,996	$ (1,148,581)	$ 1,468,264	66%	$ 2,023,590	60%	$ (555,326)

The following provides a discussion of our results on a segment basis:

Drilling Products and Services Segment

Revenue from our Drilling Products and Services segment decreased 30% to $478.6 million for the nine months ended September 30, 2015, as compared to $685.4 million for the same period in 2014. Cost of services as a percentage of revenue increased to 33% of segment revenue for the nine months ended September 30, 2015, as compared to 32% for the same period in 2014. Revenue from our Gulf of Mexico market area decreased approximately 27%, revenue generated from our U.S. land market area decreased 43% and revenue from our international market area decreased 18%. Revenues for all major product and service lines of this segment were impacted by the continued decline in oil and gas prices which led to lower levels of activity in the oil and gas industry and pricing pressure for our services. The decrease in income from operations for this segment was primarily attributable to a $15.8 million expense relating to the reduction in value of long-lived assets.

Onshore Completion and Workover Services Segment

Revenue from our Onshore Completion and Workover Services segment decreased 38% to $780.2 million for the nine months ended September 30, 2015, as compared to $1,258.8 million for the same period in 2014. All of this segment's revenue is derived from the U.S. land market area. Cost of services as a percentage of revenue increased to 78% of segment revenue for the nine months ended September 30, 2015, as compared to 70% for the same period in 2014. All product and service lines in this segment were impacted negatively by reduced customer spending and activity as well as pricing pressure in North America during the period. The loss from operations for the nine months ended September 30, 2015 was primarily attributable to a $740.0 million expense related to the reduction in value of goodwill, a $12.9 million expense relating to the reduction in value of long-lived assets and a $27.3 million expense relating to the retirements of long-lived assets.

Production Services Segment

Revenue from our Production Services segment for the nine months ended September 30, 2015 decreased by 38% to $624.2 million, as compared to $1,013.9 million for the same period in 2014. Cost of services as a percentage of revenue increased to 77% of segment revenue from 70% in the nine months ended September 30, 2014. Revenue derived from the Gulf of Mexico market area decreased 45%, revenue from the U.S. land market area decreased 48% and revenue from international market areas decreased 11%. The Production Services segment's revenue was lower in all product and service lines primarily due to lower levels of activity and pricing pressure for our services. The loss from operations for the nine months ended September 30, 2015 was primarily attributable to a $575.4 million expense relating to the reduction in value of goodwill, a $176.7 million expense relating to the reduction in value of long-lived assets and a $15.2 million expense relating to the retirements of long-lived assets.

Technical Solutions Segment

Revenue from our Technical Solutions segment decreased 18% to $346.4 million for the nine months ended September 30, 2015, as compared to $419.9 million for the same period in 2014. Cost of services as a percentage of revenue increased to 64% of segment revenue from 53% in the nine months ended September 30, 2014. Revenue in our international market areas decreased 12%, revenue in our U.S. land market area decreased 41% and revenue in our Gulf of Mexico market area decreased 12%. The Technical Solutions segment's revenue was lower in all product and service lines primarily due to lower levels of activity and pricing pressure for our services.

General and Administrative Expenses

General and administrative expenses decreased 12% to $403.8 million for the nine months ended September 30, 2015 as compared to $457.6 million for the same period in 2014. The decrease is primarily attributable to lower levels of employee and infrastructure-related expenses as a result of our cost reduction programs.

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Reduction in Value of Assets

During the nine months ended September 30, 2015, we recorded $1,563.3 million in expense in connection with the reduction in value of assets. The reduction in value of assets expense included $740.0 million related to the Onshore Completion and Workover Services segment goodwill impairment and $575.4 million related to the Production Services segment goodwill impairment. In addition, the reduction in value of assets expense included $247.9 million related to reduction in long-lived assets and write-off of intangibles within the Production Services, the Onshore Completion and Workover Services and Drilling Products and Services segments. The reduction in value of assets was primarily due to the continued decline in the demand for these services during 2015 resulting in a forecast which did not indicate a timely recovery sufficient to support the carrying values of these assets.

Income Taxes

Our effective income tax rate for the nine months ended September 30, 2015 was a 9% tax benefit compared to a 37% tax expense for the same period in 2014. The decrease in the effective income tax rate was primarily due to the reduction in value of goodwill which is non-deductible for income tax purposes.

Discontinued Operations

Discontinued operations include operating results for both our subsea construction business and our conventional decommissioning business. Loss from discontinued operations, net of tax, was $24.1 million for the nine months ended September 30, 2015 as compared to $15.7 million for the same period in 2014. The increase in the loss from discontinued operations is primarily due to the $15.5 million reduction in value of the marine vessels recorded during the nine months ended September 30, 2015.

Liquidity and Capital Resources

In the nine months ended September 30, 2015, we generated net cash from operating activities of $565.5 million, as compared to $764.3 million in the same period of 2014. Our primary liquidity needs are for working capital and to fund debt service, dividend payments and capital expenditures. Our primary sources of liquidity are cash flows from operations and available borrowings under the revolving portion of our credit facility. We had cash and cash equivalents of $533.7 million as of September 30, 2015, compared to $393.0 million as of December 31, 2014. As of September 30, 2015, approximately $113.0 million of our cash balance was held outside the United States. Cash balances held in foreign jurisdictions could be repatriated to the United States, however, they would be subject to federal income taxes, less applicable foreign tax credits. We have not provided U.S. income tax expense on earnings of our foreign subsidiaries because we expect to reinvest the undistributed earnings indefinitely.

We spent $318.9 million of cash on capital expenditures during the nine months ended September 30, 2015, down from $438.3 million of capital expenditures during the same period in 2014. Approximately $115.4 million was used to expand and maintain our Drilling Products and Services segment's equipment inventory, and approximately $74.3 million, $77.0 million and $52.2 million was spent to expand and maintain the asset bases of our Onshore Completion and Workover Services, Production Services and Technical Solutions segments, respectively. We expect to spend approximately $350 million to $400 million on capital expenditures during 2015. In addition to normal course of business capital expenditures, during the first quarter of 2015, we spent $46.4 million to purchase two leased vessels. In addition, the purchase price for one of the vessels included the extinguishment of the related capital lease obligation of $20.9 million.

We have a $1.0 billion bank credit facility which is comprised of a $600 million revolving portion and a $400 million term loan. The principal balance of the term loan is payable in installments of $5.0 million on the last day of each fiscal quarter. As of September 30, 2015, we had $330 million outstanding under the term loan. As of September 30, 2015, we had no amounts outstanding under the revolving portion of our credit facility and approximately $43.1 million of letters of credit outstanding, which reduce our borrowing capacity under this portion of the credit facility. As of October 28, 2015, we had no amounts outstanding under the revolving portion of our credit facility, and approximately $43.1 million of letters of credit outstanding. Any amounts outstanding under the bank credit facility are due on February 7, 2017. Borrowings under the credit facility bear interest at LIBOR plus margins that depend on our credit rating. The credit facility contains customary events of default and requires that we satisfy various financial covenants. As of September 30, 2015, we were in compliance with all such covenants. During the quarter, we amended our credit agreement to primarily increase the maximum leverage ratio financial covenants.

We have outstanding $500 million of 6 3/8% unsecured senior notes due 2019. The indenture governing the 6 3/8% senior notes requires semi-annual interest payments on May 1 and November 1 of each year through the maturity date of May 1, 2019. The indenture contains customary events of default and requires that we satisfy various covenants. As of September 30, 2015, we were in compliance with all such covenants.

We also have outstanding $800 million of 7 1/8% unsecured senior notes due 2021. The indenture governing the 7 1/8% senior notes requires semi-annual interest payments on June 15 and December 15 of each year through the maturity date of December 15, 2021. The

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indenture contains customary events of default and requires that we satisfy various covenants. As of September 30, 2015, we were in compliance with all such covenants.

Hedging Activities

We have three interest rate swap agreements for notional amounts of $100 million each related to our 7 1/8% senior notes maturing in December 2021, whereby we are entitled to receive semi-annual interest payments at a fixed rate of 7 1/8% per annum and are obligated to make semi-annual interest payments at variable rates. The variable interest rates, which are adjusted every 90 days, are based on LIBOR plus a fixed margin and are scheduled to terminate on December 15, 2021.

Recently Issued Accounting Pronouncements

See Part I, Item 1, “Financial Statements – Note 15 – Recently Issued Accounting Pronouncements.”

Off-Balance Sheet Arrangements

We do not have any financing arrangements that are required to be reflected in our financial statements under generally accepted accounting principles.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks associated with foreign currency fluctuations and changes in interest rates. A discussion of our market risk exposure in financial instruments follows.

Foreign Currency Exchange Rates Risk

Because we operate in a number of countries throughout the world, we conduct a portion of our business in currencies other than the U.S. dollar. The functional currency for our international operations, other than certain operations in the United Kingdom and Europe, is the U.S. dollar, but a portion of the revenues from our international operations is paid in foreign currencies. The effects of foreign currency fluctuations are partly mitigated because local expenses of such international operations are also generally denominated in the same currency. We continually monitor the currency exchange risks associated with all contracts not denominated in the U.S. dollar.

Assets and liabilities of certain subsidiaries in the United Kingdom and Europe are translated at end of period exchange rates, while income and expenses are translated at average rates for the period. Translation gains and losses are reported as the foreign currency translation component of accumulated other comprehensive loss in stockholders' equity.

We do not hold derivatives for trading purposes or use derivatives with complex features. When we believe prudent, we enter into forward foreign exchange contracts to hedge the impact of foreign currency fluctuations. We do not enter into forward foreign exchange contracts for trading or speculative purposes. As of September 30, 2015, we had no outstanding foreign currency forward contracts.

Interest Rate Risk

As of September 30, 2015, our debt was comprised of the following (in thousands):

	Fixed Rate Debt	Variable Rate Debt
Term loan due 2017	$ -	$ 330,000
6 3/8 % Senior Notes due 2019	500,000	-
7 1/8% Senior Notes due 2021	500,000	300,000
Other	12,656	-
Total Debt	$ 1,012,656	$ 630,000

Variable debt of $300 million represents the portion of the $800 million aggregate principal amount of our 7 1/8% senior notes subject to the fixed-to-variable interest rate swap agreements. Based on the amount of this debt outstanding as of September 30, 2015, a 10% increase in the variable interest rate would have increased our interest expense for the nine months ended September 30, 2015 by approximately $1.6 million, while a 10% decrease would have decreased our interest expense by approximately $1.6 million.

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Commodity Price Risk

Our revenues, profitability and future rate of growth significantly depend upon the market prices of oil and natural gas. Lower prices may also reduce the amount of oil and natural gas that can economically be produced.

For additional discussion, see Part 1, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Item 4. Controls and Procedures

a. Evaluation of disclosure controls and procedures. As of the end of the period covered by this quarterly report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation, that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) are effective for ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

b. Changes in internal control. There has been no change in our internal control over financial reporting that occurred during the three months ended September 30, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1A. Risk Factors

For information regarding certain risks relating to our operations, any of which could negatively affect our business, financial condition, operating results or prospects, see Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plan or Programs (2)
July 1 - 31, 2015	-	$ -	-	$ 500,000,000
August 1 - 31, 2015	622	$ 17.34	-	$ 500,000,000
September 1 - 30, 2015	819	$ 14.33	-	$ 500,000,000
Total	1,441	$ 15.63	-	$ 500,000,000

(1) Through our stock incentive plans, 1,441 shares were delivered to us by our employees to satisfy their tax withholding requirements upon vesting of restricted stock and restricted stock units.
(2) On December 11, 2014, we announced that our Board of Directors authorized a share repurchase program of up to $500 million of our common stock, which will expire on December 31, 2016.

Item 6. Exhibits

(a) The following exhibits are filed with this Form 10-Q:

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Superior Energy Services, Inc. (incorporated herein by reference to Exhibit 3.1 to Superior Energy Services, Inc.'s Quarterly Report on Form 10-Q filed August 7, 2013 (File No. 001-34037)).
3.2	Amended and Restated Bylaws of Superior Energy Services, Inc. (as amended through March 7, 2012) (incorporated herein by reference to Exhibit 3.1 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed March 12, 2012 (File No. 001-34037))
31.1*	Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

*Filed herein

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUPERIOR ENERGY SERVICES, INC.

Date:	October 30, 2015	By:	/s/ Robert S. Taylor
			Robert S. Taylor
			Executive Vice President, Treasurer and
			Chief Financial Officer
			(Principal Financial and Accounting Officer)