

SUPERIOR ENERGY SERVICES INC

Form 10-Q

May 09, 2007

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**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 March 31, 2007**

**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. 0-20310**

**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.)**

1105 Peters Road  
Harvey, Louisiana

**(Address of principal executive offices)**

70058

**(Zip Code)**

**Registrant's telephone number, including area code: (504) 362-4321**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer  Non-accelerated

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 May 1, 2007 was 80,698,695.

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**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Quarterly Report on Form 10-Q for  
the Quarterly Period Ended March 31, 2007

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Condensed Consolidated Balance Sheets

March 31, 2007 and December 31, 2006

(in thousands, except share data)

	3/31/07 (Unaudited)	12/31/06 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 31,986	\$ 38,970
Accounts receivable, net	327,899	303,800
Income taxes receivable		2,630
Current portion of notes receivable	15,149	14,824
Prepaid insurance and other	49,712	59,563
Total current assets	424,746	419,787
Property, plant and equipment, net	885,330	804,228
Goodwill, net	462,231	444,687
Notes receivable	16,101	16,137
Equity-method investments	59,582	64,603
Intangible and other long-term assets, net	126,754	125,036
Total assets	\$ 1,974,744	\$ 1,874,478
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 74,012	\$ 65,451
Accrued expenses	130,480	141,684
Income taxes payable	23,476	
Current portion of decommissioning liabilities	36,316	35,150
Current maturities of long-term debt	810	810
Total current liabilities	265,094	243,095
Deferred income taxes	121,586	112,011
Decommissioning liabilities	86,600	87,046
Long-term debt	711,613	711,505
Other long-term liabilities	13,519	10,133
Stockholders equity:		
Preferred stock of \$.01 par value. Authorized, 5,000,000 shares; none issued		
Common stock of \$.001 par value. Authorized, 125,000,000 shares; issued and outstanding, 80,671,745 shares at March 31, 2007, and 80,617,337 shares at	81	81

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December 31, 2006

Additional paid in capital	413,441	411,374
Accumulated other comprehensive income, net	9,846	10,288
Retained earnings	352,964	288,945

Total stockholders' equity	776,332	710,688
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Total liabilities and stockholders' equity	\$ 1,974,744	\$ 1,874,478
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See accompanying notes to consolidated financial statements.

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Condensed Consolidated Statements of Operations

Three Months Ended March 31, 2007 and 2006

(in thousands, except per share data)

(unaudited)

	2007	2006
Oilfield service and rental revenues	\$ 325,895	\$ 206,998
Oil and gas revenues	37,029	15,471
Total revenues	362,924	222,469
Cost of oilfield services and rentals	142,429	93,255
Cost of oil and gas sales	18,058	14,205
Total cost of services, rentals and sales	160,487	107,460
Depreciation, depletion, amortization and accretion	38,844	22,915
General and administrative expenses	50,859	37,651
Income from operations	112,734	54,443
Other income (expense):		
Interest expense, net	(8,278)	(4,844)
Interest income	579	663
Losses from equity-method investments, net	(5,006)	
Income before income taxes	100,029	50,262
Income taxes	36,010	18,094
Net income	\$ 64,019	\$ 32,168
Basic earnings per share	\$ 0.79	\$ 0.40
Diluted earnings per share	\$ 0.78	\$ 0.40
Weighted average common shares used in computing earnings per share:		
Basic	80,632	79,639
Incremental common shares from stock options	1,487	1,329

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Incremental common shares from restricted stock units	37	20
Diluted	82,156	80,988

See accompanying notes to consolidated financial statements.

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**Table of Contents****SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows

Three Months Ended March 31, 2007 and 2006

(in thousands)

(unaudited)

	2007	2006
Cash flows from operating activities:		
Net income	\$ 64,019	\$ 32,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion	38,844	22,915
Deferred income taxes	5,545	1,034
Stock-based and performance share unit compensation expense	3,557	1,155
Losses from equity-method investments, net	5,006	
Amortization of debt acquisition costs and note discount	881	235
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables	(20,946)	(20,032)
Other, net	4,663	(13,052)
Accounts payable	4,007	(3,687)
Accrued expenses	(15,190)	6,720
Decommissioning liabilities	(478)	(2,255)
Income taxes	25,564	15,136
Net cash provided by operating activities	115,472	40,337
Cash flows from investing activities:		
Payments for capital expenditures	(83,121)	(44,489)
Acquisitions of businesses, net of cash acquired	(49,758)	
Cash proceeds from sale of subsidiary, net of cash sold		18,343
Other	9,585	(1,695)
Net cash used in investing activities	(123,294)	(27,841)
Cash flows from financing activities:		
Payment of debt acquisition costs	(209)	
Proceeds from exercise of stock options	670	1,467
Tax benefit from exercise of stock options	390	
Net cash provided by financing activities	851	1,467
Effect of exchange rate changes on cash	(13)	154
Net increase (decrease) in cash	(6,984)	14,117



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Cash and cash equivalents at beginning of period	38,970	54,457
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Cash and cash equivalents at end of period	\$ 31,986	\$ 68,574
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See accompanying notes to consolidated financial statements.

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**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Notes to Unaudited Condensed Consolidated Financial Statements

Three Months Ended March 31, 2007 and 2006

(1) **Basis of Presentation**

Certain information and footnote disclosures normally in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission; however, management believes the disclosures which are made are adequate to make the information presented not misleading. These financial statements and footnotes 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, 2006 and Management's Discussion and Analysis of Financial Condition and Results of Operations.

The financial information of Superior Energy Services, Inc. and subsidiaries (the Company) for the three months ended March 31, 2007 and 2006 has not been audited. However, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the periods presented have been included therein. The results of operations for the first three months of the year are not necessarily indicative of the results of operations that might be expected for the entire year. Certain previously reported amounts have been reclassified to conform to the 2007 presentation.

(2) **Stock-Based and Long-Term Compensation**

The Company maintains various stock incentive plans that provide long-term incentives to the Company's key employees, including officers and directors, consultants and advisers (Eligible Participants). Under the 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.

**Stock Options**

The Company has issued non-qualified stock options under its stock incentive plans. The options generally vest in equal installments over three years and expire in ten years. Non-vested options are generally forfeited upon termination of employment. The Company's compensation expense related to stock options for the three months ended March 31, 2007 and 2006 was approximately \$0.4 million and \$0.2 million, respectively, which is reflected in general and administrative expenses.

**Restricted Stock**

The Company has issued shares of restricted stock under its stock incentive plans. Shares of restricted stock generally vest in equal annual installments over three years. Non-vested shares are generally forfeited upon the termination of employment. Holders of the shares of restricted stock are entitled to all rights of a shareholder of the Company with respect to the restricted stock, including the right to vote the shares and receive all dividends and other distributions declared thereon. The Company's compensation expense related to shares of restricted stock outstanding for the three months ended March 31, 2007 and 2006 was approximately \$0.6 million and \$0.1 million, respectively, which is reflected in general and administrative expenses.

**Restricted Stock Units**

The Directors Restricted Stock Units Plan provides that each non-employee director is issued a number of restricted stock units having an aggregate value in a dollar amount determined by the Company's Board of Directors. A restricted stock unit represents the right to receive from the Company, within 30 days of the date the participant ceases to serve on the Board, one share of the Company's common stock. The Company's expense related to restricted stock units for the three months ended March 31, 2007 and 2006 was approximately \$0.3 million, which is reflected in general and administrative expenses.

**Table of Contents****Performance Share Units**

The Company has issued performance share units (PSUs) to its employees as part of the Company's long-term incentive program. There is a three-year performance period associated with each PSU grant date. The two performance measures applicable to all participants are the Company's return on invested capital and total shareholder return relative to those of the Company's pre-defined peer group. The PSUs provide for settlement in cash or up to 50% in equivalent value in Company common stock, if the participant has met specified continued service requirements. The Company's compensation expense related to all outstanding PSUs for the three months ended March 31, 2007 and 2006 was approximately \$2.2 million and \$0.5 million, respectively, which is reflected in general and administrative expenses. The Company has recorded a liability of approximately \$6.7 million and \$4.5 million at March 31, 2007 and December 31, 2006, respectively, for all outstanding PSUs which is reflected in accrued expenses.

**(3) 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 that would have a dilutive effect on earnings per share and the conversion of restricted stock units into common stock using the treasury stock method. In connection with the \$400 million senior exchangeable notes, there could be a dilutive effect on earnings per share if the price of the Company's stock exceeds the initial exchange price of \$45.58 per share. In the event the Company's common stock exceeds the initial exchange price of \$45.58 per share, for the first \$1.00 the price exceeds \$45.58, the dilutive effect would be as much as 188,400 shares. The impact on the calculation of earnings per share would depend on when during the quarter the \$45.58 per share price is reached. (See note 8).

**(4) Acquisitions and Dispositions**

In January 2007, the Company acquired Duffy & McGovern Accommodation Services Limited (Duffy & McGovern) for approximately \$47.4 million in cash consideration. Duffy & McGovern is a provider of offshore accommodation rentals operating in most deep water oil and gas territories with major operations in Europe, Africa, the Americas and South East Asia. The Company acquired Duffy & McGovern to further expand its rental tools segment internationally. The acquisition has been accounted for as a purchase, and the results of Duffy & McGovern have been included from the acquisition date. The pro forma effect of the operations of the acquisition when included as of the beginning of the periods presented was not material to the Condensed Consolidated Statements of Operations of the Company.

In December 2006, the Company acquired Warrior Energy Services Corporation (Warrior) for a total purchase price of approximately \$374.1 million. The total consideration was comprised of cash payments of approximately \$237.8 million (including acquisition costs and repayment of Warrior's debt) and equity consideration of approximately \$136.3 million. The acquisition has been accounted for as a purchase, and the results of operations of Warrior have been included from the acquisition date. The allocation of the purchase price and the valuation of assets and liabilities will be subject to refinement as the Company gathers additional information with respect to income taxes, outstanding litigation and other items.

In July 2006, Coldren Resources LP (Coldren Resources) completed the acquisition from Noble Energy, Inc. (Noble) of substantially all of Noble's offshore Gulf of Mexico shallow water oil and gas properties. SPN Resources, LLC (SPN Resources), a wholly-owned subsidiary of the Company, acquired a 40% interest in Coldren Resources for an initial cash investment of approximately \$57.8 million. The Company's investment in Coldren Resources is accounted for under the equity-method of accounting.

In April 2006, SPN Resources acquired additional oil and gas properties through the acquisition of five offshore Gulf of Mexico leases. Under the terms of the transaction, the Company acquired the properties and assumed the related decommissioning liabilities. The Company paid cash in the amount of \$46.6 million and

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preliminarily recorded decommissioning liabilities of approximately \$3.7 million and oil and gas producing assets of approximately \$50.3 million.

The Company made other business acquisitions, which were not significant on an individual basis, requiring cash consideration of \$2.6 million in 2007 and \$9.8 million in 2006. The Company also sold its environmental subsidiary in the first quarter of 2006 for approximately \$18.7 million in cash.

Several of the Company's prior business acquisitions require future payments if specific conditions are met. As of March 31, 2007, the maximum additional contingent consideration payable was approximately \$0.4 million, and will be determined and payable through 2008. In the quarter ended March 31, 2007, the Company capitalized and paid additional consideration of approximately \$0.6 million as a result of prior acquisitions.

*Subsequent Event*

In April 2007, the Company acquired Advanced Oilwell Services, Inc. (AOS) for approximately \$24.1 million in cash consideration. Additional consideration, if any, will be based upon the average earnings before interest, income taxes, depreciation and amortization expense of the business over a three-year period, and will not exceed \$6.0 million. The acquisition will be accounted for as a purchase. AOS is a provider of cementing and pressure pumping services primarily operating in the East Texas region.

In April 2007, the Company acquired two additional businesses for an aggregate \$9.2 million in cash consideration in order to geographically expand as well as enhance the products and services offered by its well intervention and rental tools segments. Additional consideration, if any, will be based upon the sales volume to one of the business' primary customers, and will not exceed \$1.0 million. These acquisitions will be accounted for as purchases. Also in April 2007, the Company completed the sale of the assets of its field management division for approximately \$2.3 million (inclusive of a \$0.5 million note receivable).

**(5) Segment Information**

*Business Segments*

The Company has four reportable segments: well intervention, rental tools, marine, and oil and gas. The well intervention segment provides: production related services used to enhance, extend and maintain oil and gas production, which include mechanical wireline, hydraulic workover and snubbing, well control, coiled tubing, electric line, pumping and stimulation and well bore evaluation services; well plug and abandonment services, and other oilfield services used to support drilling and production operations. The rental tools segment rents and sells stabilizers, 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 onsite accommodations and bolting and machining services. The marine segment operates liftboats for production service activities, as well as oil and gas production facility maintenance, construction operations and platform removals. The oil and gas segment acquires mature oil and gas properties and produces and sells any remaining economic oil and gas reserves. Oil and gas eliminations represent products and services provided to the oil and gas segment by the Company's three other segments.

Summarized financial information concerning the Company's segments for the three months ended March 31, 2007 and 2006 is shown in the following tables (in thousands):

**Table of Contents**Three Months Ended March 31, 2007

	Well	Rental			Oil & Gas Eliminations & Unallocated	Consolidated Total
	Intervention	Tools	Marine	Oil & Gas		
Revenues	\$ 174,548	\$ 118,563	\$ 35,866	\$ 37,029	\$ (3,082)	\$ 362,924
Cost of services, rentals and sales	93,992	37,031	14,489	18,057	(3,082)	160,487
Depreciation, depletion, amortization and accretion	10,038	15,570	2,188	11,048		38,844
General and administrative expenses	24,582	20,757	2,728	2,792		50,859
Income from operations	45,936	45,205	16,461	5,132		112,734
Interest expense, net					(8,278)	(8,278)
Interest income				291	288	579
Losses from equity method investments				(5,006)		(5,006)
Income before income taxes	\$ 45,936	\$ 45,205	\$ 16,461	\$ 417	\$ (7,990)	\$ 100,029

Three Months Ended March 31, 2006

	Well	Rental			Oil & Gas Eliminations & Unallocated	Consolidated Total
	Intervention	Tools	Marine	Oil & Gas		
Revenues	\$ 102,073	\$ 77,774	\$ 30,207	\$ 15,471	\$ (3,056)	\$ 222,469
Cost of services, rentals and sales	60,000	24,298	12,013	14,205	(3,056)	107,460
Depreciation, depletion, amortization and accretion	4,535	11,713	2,152	4,515		22,915
General and administrative expenses	17,868	15,266	2,898	1,619		37,651
Income (loss) from operations	19,670	26,497	13,144	(4,868)		54,443
Interest expense, net					(4,844)	(4,844)
Interest income				300	363	663
Income (loss) before income taxes	\$ 19,670	\$ 26,497	\$ 13,144	\$ (4,568)	\$ (4,481)	\$ 50,262

Identifiable Assets

	Well Intervention	Rental Tools	Marine	Oil & Gas	Unallocated	Consolidated Total
March 31, 2007	\$828,854	\$611,248	\$186,158	\$319,042	\$29,442	\$1,974,744
December 31, 2006	\$807,358	\$533,928	\$187,597	\$318,297	\$27,298	\$1,874,478

*Geographic Segments*

The Company attributes revenue to countries based on the location where services are performed or the destination of the sale of products. Long-lived assets consist primarily of property, plant and equipment and are attributed to the United States or other countries based on the physical location of the asset at the end of a period. The Company's information by geographic area is as follows (amounts in thousands):

**Table of Contents****Revenues:**

	Three Months Ended March 31,	
	2007	2006
United States	\$ 294,021	\$ 189,005
Other Countries	68,903	33,464
Total	\$ 362,924	\$ 222,469

**Long-Lived Assets:**

	March 31, 2007	December 31, 2006
United States	\$ 747,295	\$ 715,899
Other Countries	138,035	88,329
Total	\$ 885,330	\$ 804,228

**(6) Construction Contract**

In July 2006, the Company contracted to construct a derrick barge that will be sold to a third party for approximately \$53.7 million. The contract to construct the derrick barge to the customer's specifications is recorded on the percentage-of-completion method utilizing engineering estimates and construction progress. This methodology requires the Company to make estimates regarding the progress against the project schedule and estimated completion date, both of which impact the amount of revenue and gross margin the Company recognizes in each reporting period. Contract costs primarily include sub-contract and program management costs. Provisions for unanticipated losses, if any, will be recorded in full when such losses become evident. Included in accrued expenses at March 31, 2007 and December 31, 2006 is approximately \$14.5 million and \$12.3 million, respectively, of billings in excess of costs and estimated earnings related to this contract.

**(7) Equity-Method Investments**

Investments in entities that are not controlled by the Company, but where the Company has the ability to exercise influence over the operations are accounted for using the equity-method. The Company's share of the income or losses of these entities is reflected as earnings or losses from equity-method investments on its Condensed Consolidated Statements of Operations.

In May 2006, SPN Resources acquired a 40% interest in Coldren Resources. The Company's total cash contribution for its equity-method investment in Coldren Resources was approximately \$57.8 million. The Company has not made additional contributions since its initial investment. The Company's equity-method investment balance in Coldren Resources is approximately \$58.6 million at March 31, 2007 and \$63.6 million at December 31, 2006, and its losses from the equity-method investments in Coldren Resources is approximately \$5.0 million for the three months ended March 31, 2007.

The Company provides operating and administrative support services to Coldren Resources and receives reimbursement for general and administrative and direct expenses incurred on behalf of Coldren Resources. The Company also, where possible and at competitive rates, provides its products and services to assist Coldren Resources in producing and developing its oil and gas properties. As such, the Company has a receivable from Coldren Resources of approximately \$2.7 million at March 31, 2007 and \$3.0 million at December 31, 2006. The Company offset its general and administrative expenses by approximately \$1.3 million for the reimbursements due from Coldren Resources for the three months ended March 31, 2007. The Company also recorded revenue of approximately \$1.8 million from Coldren Resources for the three months ended March 31, 2007. The Company reduces its revenue

and its investment in Coldren Resources for its 40% ownership when products and services are provided to and capitalized by Coldren Resources. The Company records these amounts in revenue as Coldren Resources records the related depreciation and depletion expenses. The Company recorded a net reduction to revenue and its investment in Coldren Resources of approximately \$15,000 for the three months ended March 31, 2007.



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Summarized balance sheet and statement of operations information for Coldren Resources is presented below  
(amounts in thousands):

**Balance Sheet**

	March 31, 2007	December 31, 2006
Current assets	\$ 183,397	\$ 176,860
Property, plant and equipment, net	495,694	522,941
Other assets	14,083	23,135
Total assets	\$ 693,174	\$ 722,936
Current liabilities	\$ 23,188	\$ 27,922
Decommissioning and other long-term liabilities	92,565	89,610
Long-term debt	432,804	432,697
Total liabilities	548,557	550,229
Accumulated other comprehensive income (loss), net	(1,706)	13,861
Partners' capital	146,323	158,846
Total capital	144,617	172,707
Total liabilities and partners' capital	\$ 693,174	\$ 722,936

**Income Statement**

	Three Months Ended March 31, 2007
Revenues	\$ 54,591
Lease operating expenses	(14,060)
Depreciation, depletion, amortization and accretion	(30,211)
General and administrative expenses	(4,439)
Interest expense	(11,388)
Interest income	1,262
Loss on derivatives	(8,278)
Net loss	\$ (12,523)

Also included in equity-method investments at March 31, 2007 and 2006 is approximately \$1 million investment for a 50% ownership in a company that owns an airplane. Earnings from the equity-method investment in this company were not material for the three months ended March 31, 2007 or 2006. The Company recorded approximately \$55,000 and \$70,000 in expense to lease the airplane (exclusive of operating costs) from this company for the three months ended March 31, 2007 and 2006, respectively.

(8) Debt

The Company has a \$250 million bank revolving credit facility. Any amounts outstanding under the revolving credit facility are due on June 14, 2011. At March 31, 2007, the Company had no amounts outstanding under the revolving credit facility, but it had approximately \$60.7 million of letters of credit outstanding, which reduce the Company's borrowing availability under this credit facility. Amounts borrowed under the credit facility bear interest at a LIBOR rate plus margins that depend on the Company's leverage ratio. Indebtedness under the credit facility is secured by substantially all of the Company's assets, including the pledge of the stock of the Company's principal subsidiaries. The credit facility contains customary events of default and requires that the Company

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satisfy various financial covenants. It also limits the Company's ability to pay dividends or make other distributions, make acquisitions, make changes to the Company's capital structure, create liens, incur additional indebtedness or assume additional decommissioning liabilities. At March 31, 2007, the Company was in compliance with all such covenants.

The Company has \$16.6 million outstanding at March 31, 2007, in U. S. Government guaranteed long-term financing under Title XI of the Merchant Marine Act of 1936, which is administered by the Maritime Administration (MARAD), for two 245-foot class liftboats. The debt bears interest at 6.45% per annum and is payable in equal semi-annual installments of \$405,000, on every June 3<sup>rd</sup> and December 3<sup>rd</sup> through the maturity date of June 3, 2027. The Company's obligations are secured by mortgages on the two liftboats. In accordance with this agreement, the Company is required to comply with certain covenants and restrictions, including the maintenance of minimum net worth and debt-to-equity requirements. At March 31, 2007, the Company was in compliance with all such covenants. This long-term financing ranks equally with the bank credit facility as both are secured by different collateral. The Company has \$300 million of 6 7/8% unsecured senior notes due 2014. The indenture governing the senior notes requires semi-annual interest payments on every June 1<sup>st</sup> and December 1<sup>st</sup> through the maturity date of June 1, 2014. The indenture contains certain covenants that, among other things, restrict the Company from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions. At March 31, 2007, the Company was in compliance with all such covenants.

The Company also has \$400 million of 1.50% unsecured senior exchangeable notes due 2026. The exchangeable notes bear interest at a rate of 1.50% per annum and decrease to 1.25% per annum on December 15, 2011. Interest on the exchangeable notes is payable semi-annually on December 15<sup>th</sup> and June 15<sup>th</sup> of each year, beginning June 15, 2007. The exchangeable notes do not contain any restrictive financial covenants.

Under certain circumstances, holders may exchange the notes for shares of the Company's common stock. The initial exchange rate is 21.9414 shares of common stock per \$1,000 principal amount of notes. This is equal to an initial exchange price of \$45.58 per share. The exchange price represents a 35% premium over the closing share price at the date of issuance. The notes may be exchanged under the following circumstances:

during any fiscal quarter (and only during such fiscal quarter) commencing after March 31, 2007, if the last reported sale price of the Company's common stock is greater than or equal to 135% of the applicable exchange price of the notes for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;

prior to December 15, 2011, during the five business-day period after any ten consecutive trading-day period (the measurement period) in which the trading price of \$1,000 principal amount of notes for each trading day in the measurement period was less than 95% of the product of the last reported sale price of the Company's common stock and the exchange rate on such trading day;

if the notes have been called for redemption;

upon the occurrence of specified corporate transactions; or

at any time beginning on September 15, 2026, and ending at the close of business on the second business day immediately preceding the maturity date of December 15, 2026.

In connection with the exchangeable note transaction, the Company simultaneously entered into agreements with affiliates of the initial purchasers to purchase call options and sell warrants on its common stock. The Company may exercise the call options it purchased at any time to acquire approximately 8.8 million shares of its common stock at a strike price of \$45.58 per share. The owners of the warrants may exercise the warrants to purchase from the Company approximately 8.8 million shares of the Company's common stock at a price of \$59.42 per share, subject to certain anti-dilution and other customary adjustments. The warrants may be settled in cash, in shares or in a combination of cash and shares, at the Company's option.

(9) Hedging Activities

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The Company entered into hedging transactions in 2004 that expired on August 31, 2006 to secure a range of commodity prices for a portion of its future oil production and to reduce its exposure to oil price fluctuations. The Company does not enter into derivative transactions for trading purposes. The Company used financially-settled crude oil swaps and zero-cost collars that provided floor and ceiling prices with varying upside price participation. The Company's swaps and zero-cost collars were designated and accounted for as cash flow hedges. For the three months ended March 31, 2006, hedging settlement payments reduced oil revenues by approximately \$3.8 million, and no gains or losses were recorded due to hedge ineffectiveness. There were no outstanding contracts as of March 31, 2007.

**(10) Decommissioning Liabilities**

The Company records estimated future decommissioning liabilities related to its oil and gas producing properties pursuant to the provisions of Statement of Financial Accounting Standards No. 143 (FAS No. 143), Accounting for Asset Retirement Obligations. FAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation (decommissioning liabilities) 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 consist of costs related to the plugging of wells, the removal of the related facilities and equipment, and site restoration.

The Company estimates the cost that would be incurred if it contracted an unaffiliated third party to plug and abandon wells, abandon the pipelines, decommission and remove the platforms and pipelines and restore the sites of its oil and gas properties, and uses that estimate to record its proportionate share of the decommissioning liability. In estimating the decommissioning liability, the Company performs detailed estimating procedures, analysis and engineering studies. Whenever practical, the Company utilizes its own equipment and labor services to perform well abandonment and decommissioning work. When the Company performs these services, all recorded intercompany revenues and related costs of services are eliminated in the consolidated financial statements. The recorded decommissioning liability associated with a specific property is fully extinguished when the property is abandoned. The recorded liability is first reduced by all cash expenses incurred to abandon and decommission the property. If the recorded liability exceeds (or is less than) the Company's total costs, then the difference is reported as income (or loss) within revenue during the period in which the work is performed. The Company reviews the adequacy of its decommissioning liabilities whenever indicators suggest that the estimated cash flows needed to satisfy the liability have changed materially. The timing and amounts of these expenditures are estimates, and changes to these estimates may result in additional (or decreased) liabilities recorded, which in turn would increase (or decrease) the carrying values of the related oil and gas properties. The Company revised its estimates for the timing of these expenditures during the three months ended March 31, 2006, which caused a reduction in the decommissioning liability of approximately \$5.1 million. The following table summarizes the activity for the Company's decommissioning liabilities for the three months ended March 31, 2007 and 2006 (amounts in thousands):

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	Three Months Ended	
	March 31,	
	2007	2006
Total decommissioning liabilities at December 31, 2006 and 2005, respectively	\$ 122,196	\$ 121,909
Liabilities settled	(478)	(2,255)
Accretion	991	1,178
Revision in estimated liabilities	207	(5,063)
Total decommissioning liabilities at March 31, 2007 and 2006, respectively	122,916	115,769
Current portion of decommissioning liabilities at March 31, 2007 and 2006, respectively	36,316	13,749
Long-term portion of decommissioning liabilities at March 31, 2007 and 2006, respectively	\$ 86,600	\$ 102,020

**(11) Notes Receivable**

Notes receivable consist primarily of contractual obligations of sellers of oil and gas properties to reimburse the Company a specified amount following the abandonment of acquired properties. The Company invoices the seller specified amounts following the performance of decommissioning operations (abandonment and structure removal) in accordance with the applicable agreements with the seller. These receivables are recorded at present value, and the related discounts are amortized to interest income, based on the expected timing of the decommissioning.

**(12) Prepaid Insurance and Other**

Prepaid insurance and other includes approximately \$12.7 million and \$13.6 million in insurance receivables at March 31, 2007 and December 31, 2006, respectively. The balances are primarily due to property and casualty insurance claims caused by the impact of Hurricanes Katrina and Rita on oil and gas properties, as well as buildings and equipment. The insurance deductibles on Hurricanes Katrina and Rita of approximately \$1 million were expensed during 2005. All amounts not expected to be reimbursed by insurance are expensed as incurred.

**(13) Other Comprehensive Income**

The following tables reconcile the change in accumulated other comprehensive income (loss) for the three months ended March 31, 2007 and 2006 (amounts in thousands):

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	Three Months Ended March 31,	
	2007	2006
Accumulated other comprehensive income (loss), December 31, 2006 and 2005, respectively	\$ 10,288	\$ (4,916)
Other comprehensive income (loss):		
Other comprehensive income (loss), net of tax		
Hedging activities:		
Adjustment for settled contracts, net of tax of \$1,323 in 2006		2,253
Changes in fair value of outstanding hedging positions, net of tax of (\$704) in 2006		(1,198)
Foreign currency translation adjustment	(442)	508
Total other comprehensive income (loss)	(442)	1,563
Accumulated other comprehensive income (loss), March 31, 2007 and 2006, respectively	\$ 9,846	\$ (3,353)

**(14) Income Taxes**

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109. FIN 48 requires that the Company recognize in its financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation, the Company recognized no material adjustment to the liability for unrecognized income tax benefits that existed as of December 31, 2006. At the date of adoption, the Company had approximately \$6.2 million of unrecognized tax benefits in other long-term liabilities, all of which would impact the Company's effective tax rate if recognized.

It is the Company's policy to recognize interest and applicable penalties related to uncertain tax positions in income tax expense. As of the date of adoption, the Company had accrued approximately \$1.1 million of interest and applicable penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal and various state and foreign jurisdictions. The number of years that are open under the statute of limitations and subject to audit varies depending on the tax jurisdiction. The Company remains subject to U.S. federal tax examinations for years after 2002.

As of March 31, 2007 there have been no material changes to the liability for uncertain tax positions.

**(15) Commitments and Contingencies**

From time to time, the Company is involved in litigation and other disputes arising out of operations in the normal course of business. In management's opinion, the Company is not involved in any litigation or disputes, the outcome of which would have a material effect on the financial position, results of operations or liquidity of the Company.

**(16) Financial Information Related to Guarantor Subsidiaries**

SESI, L.L.C. (Issuer), a wholly-owned subsidiary of Superior Energy Services, Inc. (Parent), has issued and outstanding \$300 million of 6 7/8% senior notes due 2014 and \$400 million of 1.5% senior exchangeable notes due 2026. The Parent, along with substantially all of its domestic subsidiaries, fully and unconditionally guaranteed the senior notes and the senior exchangeable notes and such guarantees are joint and several. All of the guarantor subsidiaries are wholly-owned subsidiaries of the Issuer. Domestic income taxes are paid by the Parent through a consolidated tax return and are accounted for by the Parent. The following tables present the Condensed Consolidating

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Balance Sheets as of March 31, 2007 and December 31, 2006 and the Condensed Consolidating Statements of Operations and Cash Flows for the three months ended March 31, 2007 and 2006.

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

## Condensed Consolidating Balance Sheets

March 31, 2007

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$	\$ 566	\$ 10,620	\$ 20,800	\$	\$ 31,986
Accounts receivable, net		3,190	294,415	44,579	(14,285)	327,899
Current portion of notes receivable			15,149			15,149
Prepaid insurance and other	63	3,801	41,730	4,118		49,712
Total current assets	63	7,557	361,914	69,497	(14,285)	424,746
Property, plant and equipment, net		2,476	782,757	100,097		885,330
Goodwill, net			419,987	42,244		462,231
Notes receivable			16,101			16,101
Equity-method investments	124,271	532,432	58,604		(655,725)	59,582
Intangible and other long-term assets, net		26,069	99,862	823		126,754
Total assets	\$ 124,334	\$ 568,534	\$ 1,739,225	\$ 212,661	\$ (670,010)	\$ 1,974,744
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>						
Current liabilities:						
Accounts payable	\$	\$ 1,841	\$ 61,599	\$ 24,857	\$ (14,285)	\$ 74,012
Accrued expenses	579	32,069	89,320	8,512		130,480
Income taxes payable	18,359			5,117		23,476
Current portion of decommissioning liabilities			36,316			36,316
Current maturities of long-term debt				810		810
Total current liabilities	18,938	33,910	187,235	39,296	(14,285)	265,094
Deferred income taxes	114,000			7,586		121,586
Decommissioning liabilities			86,600			86,600
Long-term debt		695,827		15,786		711,613
Intercompany payables/(receivables)	(225,230)	(57,163)	745,415	38,026	(501,048)	
Other long-term liabilities	6,197	6,911		411		13,519
Stockholders equity:						
Preferred stock of \$.01 par value						



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Common stock of \$.001 par value	81			101	(101)	81
Additional paid in capital	413,441	127,173		27,403	(154,576)	413,441
Accumulated other comprehensive income, net				9,846		9,846
Retained earnings (deficit)	(203,093)	(238,124)	719,975	74,206		352,964
Total stockholders equity	210,429	(110,951)	719,975	111,556	(154,677)	776,332
Total liabilities and stockholders equity	\$ 124,334	\$ 568,534	\$ 1,739,225	\$ 212,661	\$ (670,010)	\$ 1,974,744

**Table of Contents****SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

## Condensed Consolidating Balance Sheets

December 31, 2006

(in thousands)

(audited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$	\$ 1,608	\$ 14,775	\$ 22,587	\$	\$ 38,970
Accounts receivable, net		3,764	275,477	39,390	(14,831)	303,800
Income taxes receivable	7,242				(4,612)	2,630
Current portion of notes receivable			14,824			14,824
Prepaid insurance and other		16,582	40,456	2,525		59,563
Total current assets	7,242	21,954	345,532	64,502	(19,443)	419,787
Property, plant and equipment, net		2,622	738,446	63,160		804,228
Goodwill, net			417,979	26,708		444,687
Notes receivable			16,137			16,137
Equity-method investments	124,271	510,163	63,627		(633,458)	64,603
Intangible and other long-term assets, net		23,823	101,097	116		125,036
Total assets	\$ 131,513	\$ 558,562	\$ 1,682,818	\$ 154,486	\$ (652,901)	\$ 1,874,478
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>						
Current liabilities:						
Accounts payable	\$	\$ 1,045	\$ 58,528	\$ 20,709	\$ (14,831)	\$ 65,451
Accrued expenses	505	27,671	104,866	8,642		141,684
Income taxes payable				4,612	(4,612)	
Current portion of decommissioning liabilities			35,150			35,150
Current maturities of long-term debt				810		810
Total current liabilities	505	28,716	198,544	34,773	(19,443)	243,095
Deferred income taxes	108,649			3,362		112,011
Decommissioning liabilities			87,046			87,046
Long-term debt		695,719		15,786		711,505
Intercompany payables/(receivables)	(224,208)	(79,487)	782,022	23,507	(501,834)	
Other long-term liabilities	6,197	3,936				10,133
Stockholders equity:						
Preferred stock of \$.01 par value				101	(101)	81
Common stock of \$.001 par value	81					81

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Additional paid in capital	411,374	127,173		4,350	(131,523)	411,374
Accumulated other comprehensive income, net				10,288		10,288
Retained earnings (deficit)	(171,085)	(217,495)	615,206	62,319		288,945
Total stockholders' equity	240,370	(90,322)	615,206	77,058	(131,624)	710,688
Total liabilities and stockholders' equity	\$ 131,513	\$ 558,562	\$ 1,682,818	\$ 154,486	\$ (652,901)	\$ 1,874,478

**Table of Contents****SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Condensed Consolidating Statements of Operations

Three Months Ended March 31, 2007

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Oilfield service and rental revenues	\$	\$	\$ 289,971	\$ 43,471	\$ (7,547)	\$ 325,895
Oil and gas revenues			37,029			37,029
Total revenues			327,000	43,471	(7,547)	362,924
Cost of oilfield services and rentals			130,523	19,453	(7,547)	142,429
Cost of oil and gas sales			18,058			18,058
Total cost of services, rentals and sales			148,581	19,453	(7,547)	160,487
Depreciation, depletion, amortization and accretion		145	35,099	3,600		38,844
General and administrative expenses	133	12,676	33,783	4,267		50,859
Income (loss) from operations	(133)	(12,821)	109,537	16,151		112,734
Other income (expense):						
Interest expense, net		(7,814)	(195)	(269)		(8,278)
Interest income		3	436	140		579
Earnings (losses) from equity-method investments, net		3	(5,009)			(5,006)
Income (loss) before income taxes	(133)	(20,629)	104,769	16,022		100,029
Income taxes	31,875			4,135		36,010

Net income (loss)	\$ (32,008)	\$ (20,629)	\$ 104,769	\$ 11,887	\$	\$ 64,019
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**Table of Contents****SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Condensed Consolidating Statements of Operations

Three Months Ended March 31, 2006

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Oilfield service and rental revenues	\$	\$	\$ 190,221	\$ 21,773	\$ (4,996)	\$ 206,998
Oil and gas revenues			15,471			15,471
Total revenues			205,692	21,773	(4,996)	222,469
Cost of oilfield services and rentals			86,664	11,587	(4,996)	93,255
Cost of oil and gas sales			14,205			14,205
Total cost of services, rentals and sales			100,869	11,587	(4,996)	107,460
Depreciation, depletion, amortization and accretion			20,773	2,142		22,915
General and administrative expenses	106	7,358	27,159	3,028		37,651
Income (loss) from operations	(106)	(7,358)	56,891	5,016		54,443
Other income (expense):						
Interest expense, net		(4,548)	(10)	(286)		(4,844)
Interest income		185	412	66		663
Income (loss) before income taxes	(106)	(11,721)	57,293	4,796		50,262
Income taxes	16,760			1,334		18,094
Net income (loss)	\$ (16,866)	\$ (11,721)	\$ 57,293	\$ 3,462	\$	\$ 32,168

**Table of Contents****SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

## Condensed Consolidating Statements of Cash Flows

Three Months Ended March 31, 2007

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (32,008)	\$ (20,629)	\$ 104,769	\$ 11,887	\$ 64,019
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, depletion, amortization and accretion		145	35,099	3,600	38,844
Deferred income taxes	5,350			195	5,545
Stock-based and performance share unit compensation expense		3,557			3,557
(Earnings) losses from equity-method investments		(3)	5,009		5,006
Amortization of debt acquisition costs and note discount		881			881
Changes in operating assets and liabilities, net of acquisitions:					
Receivables		(413)	(19,180)	(1,353)	(20,946)
Other, net	(63)	4,348	1,314	(936)	4,663
Accounts payable		796	2,522	689	4,007
Accrued expenses	74	1,850	(16,366)	(748)	(15,190)
Decommissioning liabilities			(478)		(478)
Income taxes	25,385			179	25,564
Net cash provided by (used in) operating activities	(1,262)	(9,468)	112,689	13,513	115,472
Cash flows from investing activities:					
Payments for capital expenditures			(78,602)	(4,519)	(83,121)
Acquisitions of businesses, net of cash acquired		(49,758)			(49,758)
Other		9,585			9,585
Intercompany receivables/payables	202	48,808	(38,242)	(10,768)	
Net cash provided by (used in) investing activities	202	8,635	(116,844)	(15,287)	(123,294)
Cash flows from financing activities:					
Payment of debt acquisition costs		(209)			(209)

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Proceeds from exercise of stock options	670			670
Tax benefit from exercise of stock options	390			390
Net cash provided by (used in) financing activities	1,060	(209)		851
Effect of exchange rate changes on cash			(13)	(13)
Net decrease in cash		(1,042)	(4,155)	(1,787)
Cash and cash equivalents at beginning of period		1,608	14,775	22,587
Cash and cash equivalents at end of period	\$	\$ 566	\$ 10,620	\$ 20,800
			\$	\$ 31,986



**Table of Contents****SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

## Condensed Consolidating Statements of Cash Flows

Three Months Ended March 31, 2006

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (16,866)	\$ (11,721)	\$ 57,293	\$ 3,462	\$ 32,168
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, depletion, amortization and accretion			20,773	2,142	22,915
Deferred income taxes	1,172			(138)	1,034
Stock-based and performance share unit compensation expense		1,155			1,155
Amortization of debt acquisition costs		235			235
Changes in operating assets and liabilities, net of disposition:					
Receivables		627	(16,609)	(4,050)	(20,032)
Other, net	(50)	(1,652)	(11,524)	174	(13,052)
Accounts payable		(175)	(939)	(2,573)	(3,687)
Accrued expenses	58	3,357	3,923	(618)	6,720
Decommissioning liabilities			(2,255)		(2,255)
Income taxes	15,092			44	15,136
Net cash provided by (used in) operating activities	(594)	(8,174)	50,662	(1,557)	40,337
Cash flows from investing activities:					
Payments for capital expenditures			(43,131)	(1,358)	(44,489)
Cash proceeds from sale of subsidiary, net of cash sold		18,343			18,343
Other		(1,695)			(1,695)
Intercompany receivables/payables	(873)	(203)	(901)	1,977	
Net cash provided by (used in) investing activities	(873)	16,445	(44,032)	619	(27,841)
Cash flows from financing activities:					
Proceeds from exercise of stock options	1,467				1,467

Net cash provided by financing activities	1,467			1,467
Effect of exchange rate changes on cash			154	154
Net increase (decrease) in cash	8,271	6,630	(784)	14,117
Cash and cash equivalents at beginning of period	21,414	19,421	13,622	54,457
Cash and cash equivalents at end of period	\$	\$ 29,685	\$ 26,051	\$ 12,838
		\$	\$	\$ 68,574

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(17) Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 157 (FAS No. 157), Fair Value Measurements. FAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FAS No. 157 indicates, among other things, a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of FAS No. 157 on the Company's financial statements.

In September 2006, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 158 (FAS No. 158), Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an Amendment of FASB Statements No. 87, 88, 106, and 132(R). FAS No. 158 requires recognition of the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability on the balance sheet and the recognition of changes in the funded status in the year in which the changes occur through comprehensive income. FAS No. 158 also requires an employer to measure the funded status of a plan as of the end of the fiscal year. FAS No. 158 is effective for fiscal years ending after December 15, 2006, except for the measurement date provisions which are effective for fiscal years ending after December 15, 2008. The adoption of FAS No. 158 has not had an impact on our results of operations or our financial position.

In February 2007, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 159 (FAS No. 159), The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115 – which is effective for fiscal years beginning after November 15, 2007. This statement permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The Company is currently evaluating the impact of FAS No. 159 on its financial statements.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Forward-Looking Statements**

The following management's discussion and analysis of financial condition and results of operations contains forward-looking statements which involve risks and uncertainties. All statements other than statements of historical fact included in this section regarding our financial position and liquidity, strategic alternatives, future capital needs, 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 its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. Such forward-looking statements are subject to uncertainties that could cause our actual results to differ materially from such statements. Such uncertainties include but are not limited to: the volatility and cyclicity of the oil and gas industry, including oil and gas prices and the level of offshore exploration, production and development activity; changes in competitive factors affecting our operations; risks associated with the acquisition of mature oil and gas properties, including estimates of recoverable reserves, future oil and gas prices and potential environmental and plugging and abandonment liabilities; the risk associated with our non-United States operations, which expose us to additional political, economic and other uncertainties; risks of adverse weather conditions in the Gulf of Mexico; risks of our growth strategy, including the risks of rapid growth and the risks inherent in acquiring businesses and mature oil and gas properties; our dependence on key personnel; our ability to employ and retain skilled workers; our dependence on significant customers; operating hazards, including the significant possibility of accidents resulting in personal injury, property damage or environmental damage; the volatility and risk associated with oil and gas prices; the effect on our performance of regulatory programs and environmental matters and risks associated with international expansion, including political and economic uncertainties. These and other uncertainties related to our business are described in detail in our Annual Report on Form 10-K for the year ended December 31, 2006. 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. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update any of our forward-looking statements for any reason.

**Executive Summary**

During the first quarter of 2007, we achieved our highest quarterly levels for revenue, income from operations, net income and diluted earnings per share. Revenue was \$362.9 million, income from operations was \$112.7 million and net income was \$64.0 million, or \$0.78 diluted earnings per share. These results were achieved primarily due to a full quarter contribution from our acquisition of Warrior, which closed on December 12, 2006, and continued geographic expansion, particularly in the rental tools segment.

The greatest impact from the Warrior transaction was in the well intervention segment, which recorded revenue of \$174.5 million and income from operations of \$45.9 million, a 31% and 60% increase, respectively, over the fourth quarter of 2006. As a result of our acquisition of Warrior, we saw significant increases in revenues from domestic land markets in coiled tubing, electric line and snubbing services. In addition to the contribution from our acquisition of Warrior, we benefited from increased well control activity in certain international market areas. Activity for many of our core production-related services remained essentially unchanged to slightly lower, particularly in the Gulf of Mexico, due to similar seasonal factors experienced in the most recent quarter.

In our rental tools segment, revenue was \$118.6 million, a 9% increase as compared to the fourth quarter of 2006, and income from operations was \$45.2 million, an 8% increase over the fourth quarter of 2006. Rentals increased for drill pipe, stabilizers, drill collars, specialty tubulars and accessories. Geographically, demand increased domestically in Texas and internationally in the North Sea, Norway and West Africa market areas.

In our marine segment, revenue was \$35.9 million and income from operations was \$16.5 million. These results were down slightly from the fourth quarter of 2006 primarily due to lower utilization. Utilization in the first quarter was 74% as compared to 80% in the fourth quarter of 2006. Idle days increased significantly in the first quarter primarily due to poor weather in the Gulf of Mexico early in the quarter.

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Revenues and income from operations from our oil and gas segment were \$37.0 million and \$5.1, respectively, in the first quarter. This represents a 8.3% decrease in revenue and a significant decrease in income from operations as compared to the fourth quarter of 2006. Higher realized commodity prices were partially offset by lower oil and gas production as compared to the most recent quarter. Oil and gas production was approximately 711,000, or 7,900 barrels of oil equivalent (boe) per day as compared to fourth quarter 2006 oil and gas production of approximately 772,000, or 8,400 boe per day. Production was lower in the first quarter of 2007 due to weather, mechanical repair downtime and a shut-in third party pipeline.

We experienced losses from our equity-method investment in Coldren Resources as it was negatively impacted by \$3.3 million in unrealized losses from Coldren Resources oil and gas derivative positions as compared to \$0.7 million in unrealized gains during the fourth quarter of 2006.

**Comparison of the Results of Operations for the Three Months Ended March 31, 2007 and 2006**

For the three months ended March 31, 2007, our revenues were \$362.9 million, resulting in net income of \$64 million, or \$0.78 diluted earnings per share. For the three months ended March 31, 2006, revenues were \$222.5 million and net income was \$32.2 million, or \$0.40 diluted earnings per share. Revenue and gross margin were higher in the well intervention, rental tools and marine segments as a result of increased production-related projects and drilling activity worldwide, recent acquisitions and continued expansion of our rental tool business. Revenues in our oil and gas segment were higher due to significantly higher production as the first quarter of 2006 production was impacted by shut-in production due to Hurricanes Katrina and Rita.

The following table compares our operating results for the three months ended March 31, 2007 and 2006. Gross margin is calculated by subtracting cost of services from revenue for each of our four business segments. Oil and gas eliminations represent products and services provided to the oil and gas segment by our three other segments.

	Revenue			Gross Margin				
	2007	2006	Change	2007	%	2006	%	Change
Well Intervention	\$ 174,548	\$ 102,073	\$ 72,475	\$ 80,556	46%	\$ 42,073	41%	\$ 38,483
Rental Tools	118,563	77,774	40,789	81,532	69%	53,476	69%	28,056
Marine	35,866	30,207	5,659	21,377	60%	18,194	60%	3,183
Oil and Gas	37,029	15,471	21,558	18,972	51%	1,266	8%	17,706
Less: Oil and Gas Elim	(3,082)	(3,056)	(26)					
Total	\$ 362,924	\$ 222,469	\$ 140,455	\$ 202,437	56%	\$ 115,009	52%	\$ 87,428

The following discussion analyzes our results on a segment basis.

**Well Intervention Segment**

Revenue for our well intervention segment was \$174.5 million for the three months ended March 31, 2007, as compared to \$102.1 million for the same period in 2006. This segment's gross margin percentage increased to 46% for the three months ended March 31, 2007 from 41% for the same period of 2006. We experienced higher revenue for most of our production-related services, especially our well control, coiled tubing, pumping and stimulation, mechanical wireline, hydraulic workover services, and engineering and project management services as production-related activity improved significantly. We also benefited from the December 2006 acquisition of Warrior, which increased domestic land revenue in coiled tubing, electric line and snubbing. Revenue increased for our plug and abandonment services as many customers continued plugging severely damaged wells and temporarily or permanently plugging other wells to lower their insurance exposure and risk of damage from any future hurricanes. Gross margin improved due to higher increases in demand for our services, as well as the contribution from Warrior.

**Rental Tools Segment**

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Revenue for our rental tools segment for the three months ended March 31, 2007 was \$118.6 million, a 52% increase over the same period in 2006. The gross margin percentage remained constant at 69% for the three months ended March 31, 2007 and 2006. We experienced significant increases in revenue from our stabilizers, on-site accommodations, drill pipe and accessories, specialty tubulars and drill collars. The increases are a result of recent acquisitions, expansion of rental products through capital expenditures, and increased activity worldwide. Our international revenue for the rental tools segment has increased significantly to approximately \$37.0 million for the quarter ended March 31, 2007 over the same period of 2006. Our largest improvements were in the North Sea, South America and West Africa market areas.

**Marine Segment**

Our marine segment revenue for the three months ended March 31, 2007 increased 19% over the same period in 2006 to \$35.9 million. The gross margin percentage for the three months ended March 31, 2007 remained constant at 60% for the same period in 2006. We experienced higher pricing for our liftboats in the three months ended March 31, 2007 than the same period of 2006 due to demand for liftboats in the Gulf of Mexico throughout 2006. The fleet's average dayrate increased over 33% to approximately \$19,100 in the first quarter of 2007 from \$14,300 in the first quarter of 2006. The fleet's average utilization decreased to approximately 74% for the first quarter of 2007 from 85% in the same period in 2006 due to poor weather conditions in the Gulf of Mexico.

**Oil and Gas Segment**

Oil and gas revenues were \$37.0 million in the three months ended March 31, 2007, as compared to \$15.5 million in the same period of 2006. In the first quarter of 2007, production was approximately 711,000 boe, as compared to approximately 358,600 boe in the first quarter of 2006. Much of our production was shut-in during the first quarter of 2006 due to ongoing repairs to third party pipelines and SPN Resources' facilities that sustained hurricane damage. The gross margin percentage increased significantly to 51% for the three months ended March 31, 2007 from 8% for the same period of 2006.

**Depreciation, Depletion, Amortization and Accretion**

Depreciation, depletion, amortization and accretion increased to \$38.8 million in the three months ended March 31, 2007 from \$22.9 million in the same period in 2006. The increase results from the depreciation associated with our 2007 and 2006 capital expenditures as well as our acquisition of Warrior. The increase also results from additional depletion related to significantly higher production in the first quarter of 2007 as compared to the first quarter of 2006.

**General and Administrative Expenses**

General and administrative expenses increased to \$50.9 million for the three months ended March 31, 2007 from \$37.7 million for the same period in 2006. This increase was primarily related to our acquisition of Warrior, increased bonus and compensation expenses due to our improved performance, and increased expenses related to our geographic expansion, other acquisitions and our growth. General and administrative expenses decreased to 14% of revenue for the three months ended March 31, 2007 from 17% for the same period in 2006.

**Liquidity and Capital Resources**

In the three months ended March 31, 2007, we generated net cash from operating activities of \$115.5 million as compared to \$40.3 million in the same period of 2006. Our primary liquidity needs are for working capital, capital expenditures, debt service and acquisitions. Our primary sources of liquidity are cash flows from operations and borrowings under our revolving credit facility. We had cash and cash equivalents of \$32.0 million at March 31, 2007 compared to \$39.0 million at December 31, 2006.

We made \$83.1 million of capital expenditures during the three months ended March 31, 2007, of which approximately \$26.0 million was used to expand and maintain our rental tool equipment inventory. We also made \$17.9 million of capital expenditures in our oil and gas segment and \$37.6 million of capital expenditures to expand and maintain the asset base of our well intervention and marine segments, including \$2.0 million related to

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modification of the derrick barge presently under charter and \$2.1 million of progress payments related to the construction of another derrick barge. In addition, we made \$1.6 million of capital expenditures on construction and improvements to our facilities.

During the three months ending March 31, 2007, we acquired Duffy & McGovern Accommodation Services Limited (Duffy & McGovern) for approximately \$47.4 million in cash consideration. Duffy & McGovern is a provider of offshore accommodation rentals operating in most deep water oil and gas territories with major operations in Europe, Africa, the Americas and South East Asia.

In July 2006, we contracted to construct a derrick barge that will be sold to a third party for approximately \$53.7 million. We expect to take delivery of the derrick barge and sell it to the third party during the first quarter of 2008. We receive monthly payments from the purchaser in accordance with the terms of the sales contract. In turn, we issue letters of credit to the purchaser in equal amounts to guarantee our performance of the contract. We have entered into fixed-price contracts to construct this derrick barge and its 880-ton offshore mast crane. Our payment obligation for the construction of the barge is secured by letters of credit that are posted upon performance milestones and are payable upon the barge's delivery and our acceptance. The contract for the crane requires periodic progress payments with final payment due upon completion of the contract. Revenue and costs associated with the sale contract are accounted for on the percentage-of-completion method utilizing engineering estimates and construction progress. This methodology requires us to make estimates regarding our progress against the project schedule and estimated completion date, both of which impact the amount of revenue and gross margin we recognize in each reporting period. Contract costs mainly include sub-contract and program management costs. Provisions for any anticipated losses will be recorded in full when such losses become evident.

Also in July 2006, we contracted to construct another derrick barge to support our decommissioning and construction operations. We expect to take delivery of this barge in the second quarter of 2008. We have entered into fixed-price contracts to construct this derrick barge and its 880-ton offshore mast crane. Our payment obligation for the construction of the barge is secured by letters of credit that are posted upon performance milestones and are payable upon the barge's delivery and our acceptance. The contract for the crane requires periodic progress payments with final payment due upon completion of the contract. We currently intend to utilize this construction barge to support our removal projects in the Gulf of Mexico market area for both third party customers and our subsidiary, SPN Resources. We currently believe that we will make approximately \$265 to \$275 million of capital expenditures, excluding acquisitions and targeted asset purchases, during the remaining nine months of 2007 to expand our rental tool asset base and perform workovers and drilling operations on SPN Resources' oil and gas properties. We believe that our current working capital, cash generated from our operations and availability under our revolving credit facility will provide sufficient funds for our identified capital projects.

We have a \$250 million bank revolving credit facility. Any amounts outstanding under the revolving credit facility are due on June 14, 2011. At March 31, 2007, we had no amounts outstanding under the bank credit facility, but we had approximately \$60.7 million of letters of credit outstanding, which reduce our borrowing capacity under this credit facility. Borrowings under the credit facility bear interest at a LIBOR rate plus margins that depend on our leverage ratio. As of May 4, 2007, we had \$25.7 million outstanding on this facility, and the weighted interest rate was 8.25%. Indebtedness under the credit facility is secured by substantially all of our assets, including the pledge of the stock of our principal subsidiaries. The credit facility contains customary events of default and requires that we satisfy various financial covenants. It also limits our ability to pay dividends or make other distributions, make acquisitions, create liens, incur additional indebtedness or assume additional decommissioning liabilities.

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We have \$16.6 million outstanding at March 31, 2007 in U. S. Government guaranteed long-term financing under Title XI of the Merchant Marine Act of 1936, which is administered by the Maritime Administration (MARAD), for two 245-foot class liftboats. This debt bears an interest rate of 6.45% per annum and is payable in equal semi-annual installments of \$405,000 on every June 3<sup>rd</sup> and December 3<sup>rd</sup> through the maturity date of June 3, 2027. Our obligations are secured by mortgages on the two liftboats. This MARAD financing also requires that we comply with certain covenants and restrictions, including the maintenance of minimum net worth and debt-to-equity requirements. We have \$300 million of 6 7/8% unsecured senior notes due 2014. The indenture governing the senior notes requires semi-annual interest payments, on every June 1<sup>st</sup> and December 1<sup>st</sup> through the maturity date of June 1, 2014. The indenture contains certain covenants that, among other things, restrict us from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions.

We also have \$400 million of 1.50% senior exchangeable notes due 2026. The exchangeable notes bear interest at a rate of 1.50% per annum and decrease to 1.25% per annum on December 15, 2011. Interest on the exchangeable notes is payable semi-annually in arrears on December 15<sup>th</sup> and June 15<sup>th</sup> of each year, beginning June 15, 2007. The exchangeable notes do not contain any restrictive financial covenants.

Under certain circumstances, holders may exchange the notes for shares of our common stock. The initial exchange rate is 21.9414 shares of common stock per \$1,000 principal amount of notes. This is equal to an initial exchange price of \$45.58 per share. The exchange price represents a 35% premium over the closing share price at the date of issuance. The notes may be exchanged under the following circumstances:

- during any fiscal quarter (and only during such fiscal quarter) commencing after March 31, 2007, if the last reported sale price of our common stock is greater than or equal to 135% of the applicable exchange price of the notes for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;

- prior to December 15, 2011, during the five business-day period after any ten consecutive trading-day period (the measurement period) in which the trading price of \$1,000 principal amount of notes for each trading day in the measurement period was less than 95% of the product of the last reported sale price of our common stock and the exchange rate on such trading day;

- if the notes have been called for redemption;

- upon the occurrence of specified corporate transactions; or

- at any time beginning on September 15, 2026, and ending at the close of business on the second business day immediately preceding the maturity date of December 15, 2026.

In connection with the issuance of the exchangeable notes, we entered into agreements with affiliates of the initial purchasers to purchase call options and sell warrants on our common stock. We may exercise the call options we purchased at any time to acquire approximately 8.8 million shares of our common stock at a strike price of \$45.58 per share. The owners of the warrants may exercise the warrants to purchase from us approximately 8.8 million shares of our common stock at a price of \$59.42 per share, subject to certain anti-dilution and other customary adjustments. The warrants may be settled in cash, in shares or in a combination of cash and shares, at our option. These transactions may potentially reduce the dilution of our common stock from the exchange of the notes by increasing the effective exchange price to \$59.42 per share.

The following table summarizes our contractual cash obligations and commercial commitments at March 31, 2007 (amounts in thousands) for our long-term debt (including estimated interest payments), decommissioning liabilities, operating leases and contractual obligations. The decommissioning liability amounts do not give any effect to our contractual right to receive amounts from third parties, which is approximately \$31.2 million, when decommissioning operations are performed. The vessel construction liability amounts do not give any effect to our contractual right to receive payments from a third-party customer, which is approximately \$31.4 million. We do not have any other



material obligations or commitments.

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Description	Remaining Nine Months 2007	2008	2009	2010	2011	2012	Thereafter
Long-term debt, including estimated interest payments	\$28,492	\$28,440	\$28,388	\$28,336	\$27,783	\$27,231	\$818,347
Decommissioning liabilities	32,463	5,717	2,395	10,363	29,700	6,353	35,925
Operating leases	4,882	5,945	3,926	2,100	1,087	324	12,789
Vessel construction	20,258	47,056					
Total	\$86,095	\$87,158	\$34,709	\$40,799	\$58,570	\$33,908	\$867,061

We have no off-balance sheet arrangements other than our potential additional consideration that may be payable as a result of the future operating performances of one acquisition. At March 31, 2007, the maximum additional consideration payable for this acquisition was approximately \$0.4 million. We do not have any other financing arrangements that are not required under generally accepted accounting principles to be reflected in our financial statements.

We intend to continue implementing our growth strategy of increasing our scope of services through both internal growth and strategic acquisitions. We expect to continue to make the capital expenditures required to implement our growth strategy in amounts consistent with the amount of cash generated from operating activities, the availability of additional financing and our credit facility. Depending on the size of any future acquisitions, we may require additional equity or debt financing in excess of our current working capital and amounts available under our revolving credit facility.

**New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 157 (FAS No. 157), *Fair Value Measurements*. FAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FAS No. 157 indicates, among other things, a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that FAS No. 157 will have on our results of operations and financial position.

In September 2006, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 158 (FAS No. 158), *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* an Amendment of FASB Statements No. 87, 88, 106, and 132(R). FAS No. 158 requires recognition of the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability on the balance sheet and the recognition of changes in the funded status in the year in which the changes occur through comprehensive income. FAS No. 158 also requires an employer to measure the funded status of a plan as of the end of the fiscal year. FAS No. 158 is effective for fiscal years ending after December 15, 2006, except for the measurement date provisions which are effective for fiscal years ending after December 15, 2008. The adoption of FAS No. 158 has not had an impact on our results of operations or our financial position.

In February 2007, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 159 (FAS No. 159), *The Fair Value Option for Financial Assets and Financial Liabilities* Including an Amendment of FASB Statement No. 115 which is effective for fiscal years beginning after November 15, 2007. This

statement permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. We are currently evaluating the impact that FAS No. 159 will have on our results of operations and financial position.

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**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

**Foreign Currency Exchange Rates**

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 our operations in the United Kingdom, is the U.S. dollar, but a portion of the revenues from our foreign operations is paid in foreign currencies. The effects of foreign currency fluctuations are partly mitigated because local expenses of such foreign 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. Any gains or losses associated with such fluctuations have not been material.

We do not hold any foreign currency exchange forward contracts and/or currency options. We have not made use of derivative financial instruments to manage risks associated with existing or anticipated transactions. We do not hold derivatives for trading purposes or use derivatives with complex features. Assets and liabilities of our subsidiaries in the United Kingdom are translated at current exchange rates, while income and expense are translated at average rates for the period. Translation gains and losses are reported as the foreign currency translation component of accumulated other comprehensive income in stockholders' equity.

**Interest Rate Risk**

At March 31, 2007, none of our long-term debt outstanding had variable interest rates, and we had no interest rate risks at that time.

**Equity Price Risk**

We have \$400 million of 1.50% senior exchangeable notes due 2026. The notes are, subject to the occurrence of specified conditions, exchangeable for our common stock initially at an exchange price of \$45.58 per share, which would result in an aggregate of approximately 8.8 million shares of common stock being issued upon exchange. We may redeem for cash all or any part of the notes on or after December 15, 2011 for 100% of the principal amount redeemed. The holders may require us to repurchase for cash all or any portion of the notes on December 15, 2011, December 15, 2016 and December 15, 2021 for 100% of the principal amount of notes to be purchased plus any accrued and unpaid interest. The notes do not contain any restrictive financial covenants.

Each \$1,000 of principal amount of the notes is initially exchangeable into 21.9414 shares of our common stock, subject to adjustment upon the occurrence of specified events. Holders of the notes may exchange their notes prior to maturity only if: (1) the price of our common stock reaches \$45.58 during certain periods of time specified in the notes; (2) specified corporate transactions occur; (3) the notes have been called for redemption; or (4) the trading price of the notes falls below a certain threshold. In addition, in the event of a fundamental change in our corporate ownership or structure, the holders may require us to repurchase all or any portion of the notes for 100% of the principal amount.

We also have agreements with affiliates of the initial purchasers to purchase call options and sell warrants of our common stock. We may exercise the call options at any time to acquire approximately 8.8 million shares of our common stock at a strike price of \$45.58 per share. The owners of the warrants may exercise their warrants to purchase from us approximately 8.8 million shares of our common stock at a price of \$59.42 per share, subject to certain anti-dilution and other customary adjustments. The warrants may be settled in cash, in shares or in a combination of cash and shares, at our option.

For additional discussion of the notes, see "Managements' Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in Part I, Item 2 above.

**Commodity Price Risk**

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

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We use derivative commodity instruments to manage commodity price risks associated with future oil production. Our hedging contracts for a portion of our oil production expired on August 31, 2006, and there are no outstanding contracts as of March 31, 2007 or as of the date of this Form 10-Q.

**Item 4. Controls and Procedures**

As of the end of the period covered by this quarterly report on Form 10-Q, our chief financial officer and chief executive officer have concluded, based on their evaluation, that our disclosure controls and procedures (as defined in rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended) 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 recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There were no material changes to our system of internal controls over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect those internal controls subsequent to the date of the most recent evaluation by our chief financial officer and chief executive officer.

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**PART II. OTHER INFORMATION**

**Item 6. Exhibits**

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

- 3.1 Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1996).
- 3.2 Certificate of Amendment to the Company's Certificate of Incorporation (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).
- 3.3 Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed on November 15, 2004).
- 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.

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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: May 9, 2007

By: /s/ Robert S. Taylor

Robert S. Taylor  
Executive Vice President, Treasurer and  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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