Boots & Coots, Inc.
Form 10-Q
July 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the Quarter Ended June 30, 2010

or

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

For the Transition Period from _____ to _____

Commission File Number 1-13817

Boots & Coots, Inc.
(Exact name of registrant as specified in its charter)

Delaware	11-2908692
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7908 N. Sam Houston Parkway W., 5th Floor Houston, Texas	77064
(Address of principal executive offices)	(Zip Code)

(281) 931-8884
(Registrant's telephone number, including area code)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

The number of shares of the Registrant's Common Stock, par value $.00001 per share, outstanding at July 28, 2010, was 82,772,202.

BOOTS & COOTS, INC.

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(Unaudited)

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BOOTS & COOTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(000's except share and per share amounts)

ASSETS

	June 30, 2010 (unaudited)	December 31, 2009
CURRENT ASSETS:		
Cash and cash equivalents	$8,330	$ 7,357
Restricted cash	323	323
Receivables, net	93,725	70,471
Inventory	4,012	3,569
Prepaid expenses and other current assets	8,215	10,928
Total current assets	114,605	92,648
PROPERTY AND EQUIPMENT, net	83,956	80,289
GOODWILL	14,313	14,313
INTANGIBLE ASSETS, net	7,017	7,500
OTHER ASSETS	2,408	2,616
Total assets	$222,299	$ 197,366
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$6,933	$ 6,931
Accounts payable	32,319	17,857
Income tax payable	8,565	3,587
Accrued compensation and benefits	5,671	6,004
Accrued taxes, other than income tax	4,172	5,003
Accrued liabilities	8,295	6,262
Total current liabilities	65,955	45,644
LONG-TERM DEBT, net of current maturities	34,924	32,359
RELATED PARTY LONG-TERM DEBT	3,000	3,000
DEFERRED TAXES	200	5,638
OTHER LIABILITIES	587	1,108
Total liabilities	104,666	87,749
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock ($.00001 par value, 5,000,000 shares authorized, 0 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively)	—	—
Common stock ($.00001 par value, 125,000,000 shares authorized, 82,558,000 and 80,046,000 shares issued and outstanding at June 30, 2010 and December 31, 2009)	1	1
Additional paid-in capital	131,073	129,955
Accumulated other comprehensive loss	(1,234)	(1,234)
Accumulated deficit	(12,207)	(19,105)

Total stockholders' equity	117,633	109,617
Total liabilities and stockholders' equity	$222,299	$ 197,366

See accompanying notes to condensed consolidated financial statements.

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BOOTS & COOTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(000's except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
REVENUES	$70,872	$47,048	$124,183	$101,710
COST OF SALES, excluding depreciation and amortization	46,831	31,339	84,244	68,225
OPERATING EXPENSES	7,990	7,835	14,188	16,067
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,357	2,518	6,582	5,415
DEPRECIATION AND AMORTIZATION	3,570	3,122	6,984	5,953
OPERATING INCOME	9,124	2,234	12,185	6,050
INTEREST EXPENSE	837	974	1,613	1,935
FOREIGN CURRENCY TRANSLATION	36	223	1,209	195
OTHER (INCOME) EXPENSE, net	(9)	28	(5)	68
INCOME BEFORE INCOME TAXES	8,260	1,009	9,368	3,852
INCOME TAX EXPENSE	2,057	290	2,470	1,187
NET INCOME	6,203	719	6,898	2,665
Basic Earnings per Common Share:	$0.08	$0.01	$0.09	$0.03
Weighted Average Common Shares Outstanding – Basic	78,700,000	76,824,000	78,180,000	76,738,000
Diluted Earnings per Common Share:	$0.08	$0.01	$0.08	$0.03
Weighted Average Common Shares Outstanding – Diluted	82,110,000	78,244,000	81,327,000	78,026,000

See accompanying notes to condensed consolidated financial statements.

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BOOTS & COOTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2010
(Unaudited)
(000's)

	Preferred Stock		Common Stock		Additional Paid - in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Equity
BALANCES, January 1, 2010	—	$—	80,046	$1	$ 129,955	$ (1,234)	$ (19,105)	$ 109,617
Stock based compensation	—	—	1,359	—	1,101	—	—	1,101
Stock option exercises	—	—	1,153	—	889	—	—	889
Excess tax expense for options	—	—	—	—	(872)	—	—	(872)
Net income	—	—	—	—	—	—	6,898	6,898
BALANCES, June 30, 2010	—	$—	82,558	$1	$ 131,073	$ (1,234)	$ (12,207)	$ 117,633

See accompanying notes to condensed consolidated financial statements.

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BOOTS & COOTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(000's)
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$6,898	$2,665
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,984	5,953
Deferred tax expense (credit)	(5,438)	658
Stock-based compensation	1,101	675
Excess tax expense from stock options exercised	872	—
Bad debt provision, net	1,161	11
(Gain) Loss on sale/disposal of assets	26	(261)
Changes in operating assets and liabilities, net of business acquisitions:		
Receivables	(24,415)	(3,383)
Inventory	(443)	(308)
Prepaid expenses and other current assets	2,713	2,129
Other assets	207	(3,015)
Accounts payable and accrued liabilities	18,918	(5,244)
Net cash provided by (used in) operating activities	8,584	(120)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Business acquired, net of cash received	—	(6,668)
Property and equipment additions	(10,263)	(11,277)
Proceeds from sale of property and equipment	70	346
Net cash used in investing activities	(10,193)	(17,599)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of related party debt	—	(21,166)
Payments of term loan	(3,440)	(5,647)
Revolving credit net borrowings	6,032	7,047
Principal payments under capital lease obligations	(27)	(24)
Term loan borrowings	—	34,400
Increase in restricted cash	—	(323)
Stock options exercised	889	—
Excess tax expense from stock options exercised	(872)	—
Net cash provided by financing activities	2,582	14,287
Net increase (decrease) in cash and cash equivalents	973	(3,432)
CASH AND CASH EQUIVALENTS, beginning of period	7,357	6,220
CASH AND CASH EQUIVALENTS, end of period	$8,330	$2,788
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	$1,394	$1,416
Cash paid for income taxes	4,058	3,672

NON-CASH INVESTING AND FINANCING ACTIVITIES		
Long-term notes issued for acquisition of business	—	3,000

See accompanying notes to condensed consolidated financial statements.

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BOOTS & COOTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2010
(Unaudited)

A. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by accounting principles generally accepted in the United States of America for complete annual financial statements. The accompanying condensed consolidated financial statements include all adjustments, including normal recurring accruals, which, in the opinion of management, are necessary to make the condensed consolidated financial statements not misleading. The unaudited condensed consolidated financial statements and notes thereto and the other financial information contained in this report should be read in conjunction with the audited financial statements and notes in our annual report on Form 10-K for the year ended December 31, 2009, and our reports filed previously with the Securities and Exchange Commission ("SEC"). The results of operations for the three months and six months ended June 30, 2010 are not necessarily indicative of the results to be expected for the full year. Certain reclassifications have been made to the prior period consolidated financial statements to conform to current period presentation.

The carrying values of financial instruments, including cash, accounts receivable, accounts payable and other accrued liabilities, approximate their fair values due to their short-term maturities. We use available market rates to estimate the fair value of debt which approximated the carrying value at June 30, 2010.

B. RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS

Adopted

Effective January 1, 2010, the Company adopted changes issued by the FASB on January 21, 2010, to disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. The changes also clarify existing disclosure requirements related to how assets and liabilities should be grouped by class and valuation techniques used for recurring and nonrecurring fair value measurements. The adoption of these changes had no impact on the consolidated financial statements.

Effective January 1, 2010, the Company adopted changes issued by the FASB on February 24, 2010, to accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued, otherwise known as "subsequent events." Specifically, these changes clarified that an entity that is required to file or furnish its financial statements with the SEC is not required to disclose the date through which subsequent events have been evaluated. Other than the elimination of disclosing the date through which management has performed its evaluation for subsequent events, the adoption of these changes had no impact on the consolidated financial statements. We have evaluated subsequent events after the balance sheet date of June 30, 2010 to the date the financial statements were issued.

Issued

In January 2010, the FASB issued changes to disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose, in the reconciliation of fair value measurements using significant unobservable inputs (Level 3), separate information about purchases, sales, issuances, and settlements (that is, on a

gross basis rather than as one net number). These changes become effective for the Company beginning January 1, 2011. Other than the additional disclosure requirements, management has determined these changes will not have an impact on the consolidated financial statements.

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C. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS

	June 30, 2010 (unaudited) (000's)	December 31, 2009
Receivables, net:		
Trade	$61,775	$ 45,830
Unbilled Revenue	33,240	24,499
Other	400	671
Allowance for doubtful accounts	(1,690)	(529)
	$93,725	$ 70,471

	June 30, 2010 (unaudited) (000's)	December 31, 2009
Prepaid expenses and other current assets:		
Prepaid taxes	$2,252	$ 4,342
Prepaid insurance	1,131	2,578
Other	4,832	4,008
	$8,215	$ 10,928

	June 30, 2010 (unaudited) (000's)	December 31, 2009
Property and equipment, net:		
Land	$571	$ 571
Building and leasehold improvements	5,163	4,818
Equipment	101,983	95,559
Furniture, fixtures and office	3,789	3,053
Vehicles	3,521	3,634
Capital leases	201	201
Construction in progress	4,981	2,491
Total property and equipment	120,209	110,327
Less: Accumulated depreciation	(36,253)	(30,038)
	$83,956	$ 80,289

	June 30, 2010 (unaudited) (000's)	December 31, 2009
Accrued liabilities:		
Accrued insurance	814	$ 845
Other	7,481	5,417
	$8,295	$ 6,262

D. GOODWILL

The carrying amount of goodwill at June 30, 2010 of $14,313,000 consists of $5,163,000 from the John Wright Company acquisition in 2009, $4,824,000 from our acquisition of StassCo Pressure Control, LLC (StassCo) in 2007 and $4,326,000 from our acquisition of the hydraulic well control business (HWC) of Oil States International, Inc. in 2006.

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E. INTANGIBLE ASSETS

Intangible assets were recognized in conjunction with the StassCo acquisition on July 31, 2007 and the John Wright Company acquisition on February 10, 2009. There were no intangible assets prior to these acquisitions.

	December 31, 2009 Gross Carrying Amount (in thousands)	Accumulated Amortization	Net
Intangible assets			
Customer relationships	$ 4,021	$ 707	$ 3,314
Non-compete agreements	1,677	673	1,004
Proprietary software	1,507	89	1,418
Trade name	1,336	119	1,217
Process diagram	600	53	547
	$ 9,141	$ 1,641	$ 7,500

	June 30, 2010 (unaudited) Gross Carrying Amount (in thousands)	Accumulated Amortization	Net
Intangible assets			
Customer relationships	$ 4,021	$ 866	$ 3,155
Non-compete agreements	1,677	850	827
Proprietary software	1,507	139	1,368
Trade name	1,336	186	1,150
Process diagram	600	83	517
	$ 9,141	$ 2,124	$ 7,017

Amortization expense on intangible assets for the three months and the six months ended June 30, 2010 was (in thousands) $241 and $483, respectively. Amortization for the three months and six months ended June, 30, 2009 was (in thousands) $306, and $434, respectively. Total amortization expense is expected to be (in thousands) $966, $966, $779, $731 and $626 for the years ended December 31, 2010, 2011, 2012, 2013 and 2014, respectively.

F. LONG-TERM DEBT AND RELATED PARTY DEBT

Long-term and related party debt and notes payable consisted of the following:

	June 30, 2010 (Unaudited)	December 31, 2009
	(000's)	
U.S. revolving credit facility, with available commitments up to $25.0 million, a borrowing base of $24.8 million adjusted for $4.9 million outstanding under letters of credit and guarantees, leaving $4.0 million available to be drawn under the facility and an average interest rate of 7.75% for the six months ended June 30, 2010, and	$ 15,933	$ 9,901

a borrowing base of $16.6 million and an average interest rate of 7.22% for the year ended December 31, 2009				
U.S. term credit facility with initial borrowings of $34.4 million, payable over 36 months and average interest rate of 5.79% for the six months ended June 30, 2010 and an average interest rate of 5.59% for the year ended December 31, 2009		25,800		29,240
Related party debt		3,000		3,000
Capital lease obligations, with interest rates ranging from 4.2% to 6.0%		124		149
Total debt		44,857		42,290
Less: current maturities		(6,933)		(6,931)
Total long-term and related party debt	$	37,924	$	35,359

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On February 10, 2009, we entered into a new $54.4 million syndicated credit agreement with Wells Fargo Bank, National Association, Royal Bank of Canada and Bank of America, N.A. (the “Credit Agreement”). The Credit Agreement replaced our existing term and revolving credit facilities at that time. The Credit Agreement provides for a term loan in the principal amount of $34.4 million and revolving credit line commitments of $20 million with the Company having the one time option of increasing the revolving commitments by an additional $5 million. On July 2, 2010, the Company exercised its right to increase the commitments under the revolving credit line from $20 million to $25 million. The term loan facility requires regularly scheduled quarterly payments of principal and interest. Quarterly principal payments on the term facility are $1.72 million and commenced on June 30, 2009. Amounts repaid under the term loan cannot be re-borrowed. The term loan and the revolving credit line each mature on February 10, 2012.

Interest under the Credit Agreement accrues at a base rate (which is the greater of the Federal Funds Rate plus 1.50%, Wells Fargo’s prime rate, or the daily one-month London Interbank Offered Rate plus 1.50%) plus a margin ranging from 4.25% to 4.75% per annum or, at our option, at a Eurodollar base rate plus a margin ranging from 5.25% to 5.75% per annum. We also pay a commitment fee on the unused portion of the revolving credit line ranging from 1.30% to 1.40% per annum. The commitment fee and the margin applicable to advances under the Credit Agreement increase within the applicable range if the ratio of our debt to adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) rises above 1.50.

The Credit Agreement is unconditionally guaranteed by all of our current and future domestic subsidiaries (collectively, the “Guarantors”) and secured by substantially all of our assets and those of the Guarantors, including a pledge of all of the capital stock of our direct and indirect domestic subsidiaries and 66% of the capital stock of our first-tier foreign subsidiaries. We have not entered into any interest rate hedges with respect to the Credit Agreement but may elect do so in the future.

The Credit Agreement contains covenants that limit our ability and the Guarantors’ ability to, among other things, incur or guarantee additional indebtedness; create liens; pay dividends on or repurchase stock; make certain types of investments; sell stock of our subsidiaries; restrict dividends or other payments from our subsidiaries; enter into transactions with affiliates; sell assets; merge with other companies; and spend in excess of $30 million per year on capital expenditures.

The Credit Agreement also requires compliance with certain financial covenants, including, commencing with the quarter ending March 31, 2009, (1) the maintenance of a minimum tangible net worth of not less than 85% of our tangible net worth as of March 31, 2009, plus an amount equal to 50% of consolidated net income for each succeeding fiscal quarter plus 100% of future net proceeds from the sale of equity securities, (2) a maximum ratio of funded debt to adjusted EBITDA for the preceding four fiscal quarters of 2.25 to 1.00, and (3) a minimum ratio of adjusted EBITDA to fixed charges of 1.50 to 1.00. We are in compliance with the covenants as of June 30, 2010.

We utilized initial borrowings of approximately $40 million under the Credit Agreement to repay all amounts outstanding under our existing credit facilities, repay all of the $21.2 million of senior subordinated related party notes held by Oil States Energy Services, Inc. and to fund our purchase of John Wright Company.

G. RELATED PARTY LONG-TERM DEBT

A related party note of $3 million in unsecured subordinated debt was issued to John W. Wright in connection with the John Wright Company acquisition on February 10, 2009. The note bears interest at a rate of 8% per annum, and requires a one-time principal payment on the earlier of the Senior payment date, February 10, 2012 or the five year anniversary of the note, February 10, 2014. Interest is accrued monthly and payable semi-annually on February 15 and August 15. The interest expense on the note was $60,000 for the three months ended June 30, 2010 and 2009, and the interest expense on the note was $119,000 and $93,000 for the six months ended June 30, 2010, and 2009,

respectively. In addition to this debt, John Wright entered into an employment agreement with the Company.

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H. COMMITMENTS AND CONTINGENCIES

Litigation

We are involved in or threatened with various legal proceedings from time to time arising in the ordinary course of business. We do not believe that any liabilities with respect to these proceedings will have a material adverse effect on our operations or financial position.

Expro Americas, LLC, sued Boots & Coots and several of our employees in the 281st Judicial District of Harris County, Texas in August, 2007, claiming misappropriation of trade secrets, tortious interference with contracts and employment relationships, conspiracy and violations of the Texas Theft liability Act relating to Boots & Coots' hiring of a number of the plaintiff's former employees. Trial in the case was held on August 18, 2009. The jury found against Boots & Coots on misappropriation of trade secrets and intentional interference with contractual relations relating to two Expro employees, although it also found that Boots & Coots did not knowingly participate in breach of fiduciary duty. On December 11, 2009, the court entered a judgment against us and one employee indemnified by us in the amount of $3,000,000 plus $351,780.82 pre-judgment interest and costs of court. The total judgment bears interest at 5% compounded on an annual basis. The Company has taken appropriate steps to file an appeal of the trial court's judgment. No amount has been recorded in the Company's financial statements for this judgment in accordance with the requirements under "Accounting for Contingencies", based upon the Company's assessment of the likely outcome of the appeal. The anticipated time frame for the appeal to be heard is within the next two years.

On April 9, 2010, we entered into a definitive merger agreement with Halliburton Company, a Delaware corporation ("Halliburton"), and Gradient, LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of Halliburton ("Merger Sub"). On April 15, 2010, Ed Van Cott filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots, current members of Boots & Coots' Board of Directors, including its Chief Executive Officer (the "Individual Defendants"), Halliburton Company and Gradient LLC (Merger Sub) (the "Van Cott I Suit"). On April 16, 2010, David Contreras filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots, the Individual Defendants, Halliburton Company and Gradient LLC (Merger Sub) (the "Contreras Suit"). On April 16, 2010 Edgar L. Van Cott and J. David Schoepf filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots, the Individual Defendants, Halliburton Company and Gradient LLC (Merger Sub) (the "Van Cott II Suit"). On April 16, 2010, Charles Bryce filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots and the Individual Defendants (the "Bryce Suit"). On April 19, 2010, Dennis Palkon filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots, the Individual Defendants, Halliburton Company and Gradient LLC (Merger Sub) (the "Palkon Suit"). On April 20, 2010, Dennis Alweiss filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots and the Individual Defendants (the "Alweiss Suit"; the Van Cott I Suit, Contreras Suit, Van Cott II Suit, Bryce Suit and Palkon Suit are collectively referred to as the "Harris County Class Actions"). On April 21, 2010, Ed Van Cott filed an amended petition in the Van Cott I Suit. On April 26, 2010, a motion to consolidate the Harris County Class Actions and to appoint interim class counsel was filed in the Bryce Suit. On April 27, 2010, a motion to consolidate the Harris County Class Actions and to appoint co-interim class counsel and liaison counsel was filed in the Van Cott I Suit. On April 28, 2010, Herbert Silverberg filed a purported class action lawsuit in the Court of Chancery of the State of Delaware against Boots & Coots and the Individual Defendants (the "Silverberg Suit"). The Harris County Class Actions and the Silverberg Suit are collectively referred to as the "Class Actions".

Each of the Class Actions has been brought by a purported stockholder of Boots & Coots and seeks certification of a class of all holders of Boots & Coots' common stock. The Harris County Class Actions allege, among other things, (1) the Individual Defendants have breached and continue to breach their fiduciary duties to the plaintiffs and members of the proposed class, (2) the Merger is unfair to the public stockholders of Boots & Coots as it underestimates the true

value of Boots & Coots, (3) the Individual Defendants are pursuing a course of conduct that does not maximize the value of Boots & Coots, and (4) Boots & Coots and, to the extent a party thereto, Halliburton aided and abetted the breaches of duties by the Individual Defendants. The petitions associated with the Class Actions seek, among other things, an injunction prohibiting consummation of the Merger, attorneys' fees and expenses and, in the case of the Van Cott II Suit, rescission or damages in the event the Merger is consummated. The Silverberg Suit is a derivative action alleging, among other things, that the Individual Defendants breached their fiduciary duties to the plaintiffs and members of the proposed class in approving certain restricted stock grants to members of the board of directors and that seeks, among other things, to obtain the return of those grants by the Individual Defendants.

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We believe that all of the putative shareholder Class Actions are without merit and intend to vigorously defend against such claims.

Employment Contracts

We have employment contracts with certain executives and other key employees with contract terms that include lump sum payments of up to two and one-half times an employee's salary and bonus, continuation of benefits for up to two and one-half years, the full vesting of equity awards and payment to cover certain tax liabilities upon termination of employment under certain circumstances.

I. EARNINGS PER SHARE

Basic and diluted income per common share is computed by dividing net income attributable to common stockholders by the weighted average common shares outstanding. The weighted average number of shares used to compute basic and diluted earnings per share for the three months and six months ended June 30, 2010 and 2009 are illustrated below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Numerator:				
For basic and diluted earnings per share:				
Net income attributable to common stockholders	$ 6,203	$ 719	$ 6,898	$ 2,665
Denominator:				
For basic earnings per share-weighted-average shares	78,700	76,824	78,180	76,738
Effect of dilutive securities:				
Stock options and warrants(1)	3,410	1,420	3,147	1,288
Denominator:				
For diluted earnings per share – weighted-average shares	82,110	78,244	81,327	78,026

(1) Excludes the effect of outstanding stock options and restricted shares that have an anti-dilutive effect on earnings per share for the three months and six months ended June 30, 2010 and June 30, 2009.

The exercise price of our stock options and appreciation rights varies from $0.67 to $2.58 per share. The maximum number of potentially dilutive securities at June 30, 2010, and 2009 included: (1) 3,269,000 and 4,885,000 common shares, respectively, issuable upon exercise of stock options, and (2) zero and zero common shares, respectively, issuable upon exercise of stock options and appreciation rights.

J. EMPLOYEE "STOCK-BASED" COMPENSATION

We use the Black-Scholes option pricing model to estimate the fair value of options on the date of grant. For the six month periods ended June 30, 2010 and June 30, 2009, there were no stock options granted.

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K. BUSINESS SEGMENT INFORMATION

Segments:

We operate in three business segments: Pressure Control, Well Intervention and Equipment Services. Intercompany transfers between segments were not material. Our accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. While cost of sales expenses are variable based upon the type of revenue generated, the majority of our operating expenses represent fixed costs for base labor charges, rent and utilities. For purposes of this presentation, operating expenses and depreciation and amortization have been charged to each segment based upon specific identification of expenses and a pro rata allocation of remaining non-segment specific expenses are assigned between segments based upon relative revenues. Selling, general and administrative and corporate expenses have been allocated between segments in proportion to their relative revenue. Business segment operating data from continuing operations is presented for purposes of management discussion and analysis of operating results.

The Pressure Control segment consists of personnel and services provided during critical well events and for prevention services and project management. These services also include snubbing and pressure control services that are provided during a response to a critical well event to minimize response time and mitigate damage while maximizing safety. These services primarily utilize existing personnel to maximize utilization with only slight increases in fixed operating costs. The prevention and project management services are designed to reduce the number and severity of critical well events offered through our prevention and risk management programs, including training, contingency planning, well plan reviews, audits, inspection services and engineering services.

Our Well Intervention segment consists of services that are designed to enhance production for oil and gas operators. This segment includes services performed by hydraulic workover and snubbing units that are used to enhance production of oil and gas wells. These units are used for underbalanced drilling, workover, well completions and plugging and abandonment services.

The Equipment Services segment includes our pressure control equipment rental and service business, which began as an expansion of the Company’s existing services in 2007. We cross-sell pressure control equipment, rentals and services to customers of our Pressure Control and Well Intervention businesses, which has driven this segment’s growth to date.

Information concerning segment operations for the three months and six months ended June 30, 2010 and 2009 is presented below. Certain reclassifications have been made to the prior periods to conform to the current presentation.

	Pressure Control	Well Intervention	Equipment Services	Consolidated
		(Unaudited)		
	(000’s)			
Three Months Ended June 30, 2010:				
Operating Revenues	$ 34,301	$ 24,382	$ 12,189	$ 70,872
Operating Income(1)(2)	5,176	1,012	2,936	9,124
Identifiable Operating Assets(3)(4)	61,533	117,060	43,706	222,299
Capital Expenditures	231	4,034	5,998	10,263
Depreciation and Amortization(1)	194	2,280	1,096	3,570
Three Months Ended June 30, 2009:				
Operating Revenues	$ 22,587	$ 18,615	$ 5,846	$ 47,048

Operating Income(Loss)(1)(2)	2,210	(524)	548	2,234
Identifiable Operating Assets(4)(5)	49,338	121,428	30,672	201,438
Capital Expenditures	236	4,655	6,386	11,277
Depreciation and Amortization(1)	161	2,146	815	3,122

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	Pressure Control	Well Intervention	Equipment Services	Consolidated
		(Unaudited)		
	(000's)			
Six Months Ended June 30, 2010:				
Operating Revenues	$ 56,859	$ 47,710	$ 19,614	$ 124,183
Operating Income(1)(2)	7,230	1,597	3,358	12,185
Identifiable Operating Assets(3)(4)	61,533	117,060	43,706	222,299
Capital Expenditures	231	4,034	5,998	10,263
Depreciation and Amortization(1)	375	4,521	2,088	6,984
Six Months Ended June 30, 2009:				
Operating Revenues	$ 49,621	$ 39,084	$ 13,005	$ 101,710
Operating Income(Loss)(1)(2)	5,012	(1,647)	2,685	6,050
Identifiable Operating Assets(4)(5)	49,338	121,428	30,672	201,438
Capital Expenditures	236	4,655	6,386	11,277
Depreciation and Amortization(1)	309	4,210	1,434	5,953

(1) Operating expenses and depreciation and amortization have been charged to each segment based upon specific identification of expenses and the remaining non-segment specific expenses have been allocated pro-rata between segments in proportion to their relative revenues.

(2) Selling, general and administrative expenses have been allocated pro-rata between segments based upon relative revenue.

(3) At June 30, 2010

(4) Identifiable Operating Assets have been assigned to each segment based upon specific identification of assets and the remaining non-segment specific assets have been allocated pro-rata between segments in proportion to their relative revenues.

(5) At June 30, 2009

L. INCOME TAXES

Effective January 1, 2007, we adopted FASB changes which are intended to clarify the accounting for income taxes by prescribing a minimum recognition threshold for a tax position before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. In accordance with the requirements of the change, the Company evaluated all tax years still subject to potential audit under state, federal and foreign income tax law in reaching its accounting conclusions. In accordance with the guidance, we have recorded gross unrecognized tax benefits as of June 30, 2010 totaling $0.6 million and related interest and penalties of $0.3 million in other noncurrent liabilities on the condensed consolidated balance sheet. Of this amount, $0.9 million would affect the effective tax rate if subsequently recognized. We classify interest and penalties associated with income tax positions within income tax expense.

We have open years for income tax audit purposes in our major taxing jurisdictions according to statutes as follows:

Jurisdiction	Open Years
Federal	2006 and forward
State	2005 and forward

Venezuela	2006 and forward
Congo	2005 and forward
Algeria	2006 and forward
Libya	2008 and forward

We have determined that as a result of the acquisition of HWC we experienced a change of control pursuant to limitations set forth in Section 382 of the IRS rules and regulations. As a result, we are limited to utilizing approximately $2.1 million of U.S. net operating losses ("NOL's") to offset taxable income generated by us during the tax year ended December 31, 2010 and expect similar dollar limits in future years until our U.S. NOL's are either completely used or expire.

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In each period, we assess the likelihood that deferred taxes will be recovered from existing deferred tax liabilities or future taxable income in each jurisdiction. To the extent that we believe that we do not meet the test that recovery is “more likely than not,” we established a valuation allowance. We have recorded valuation allowances for certain net deferred tax assets since management believes it is more likely than not that these particular assets will not be realized. We have determined that a portion of deferred tax assets related to Venezuela will be realized and accordingly, in the first six months of 2010, $0.8 million of valuation allowance was released.

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

Forward-looking statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking information. Forward-looking information is based on projections, assumptions and estimates, not historical information. Some statements in this Form 10-Q are forward-looking and may be identified as such through the use of words like “may,” “may not,” “believes,” “do not believe,” “expects,” “do not expect,” “do not anticipate,” and other similar expressions. We also provide oral or written forward-looking information on other materials we release to the public. Forward-looking information involves risks and uncertainties and reflects our best judgment based on current information. Actual events and our results of operations may differ materially from expectations because of inaccurate assumptions we make or by known or unknown risks and uncertainties. As a result, no forward-looking information can be guaranteed.

While it is not possible to identify all factors, the risks and uncertainties that could cause actual results to differ from our forward-looking statements include those contained in this 10-Q, and our Forms 10-Q, 8-K and 10-K filed with the United States Securities and Exchange Commission (SEC). We do not assume any responsibility to publicly update any of our forward-looking statements regardless of whether factors change as a result of new information, future events or for any other reason.

Overview

We provide a suite of integrated pressure control and related services to onshore and offshore oil and gas exploration and development companies, principally in North America, South America, North Africa, West Africa, the Middle East and Asia, including training, contingency planning, well plan reviews, audits, inspection services, engineering services, pressure control equipment rental services, hydraulic snubbing workovers, well completions and plugging and abandonment services.

On April 9, 2010, we entered into a definitive merger agreement with Halliburton Company, a Delaware corporation (“Halliburton”), and Gradient, LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of Halliburton (“Merger Sub”). The merger agreement provides that, upon the terms and subject to the conditions set forth in the merger agreement, Boots & Coots will merge with and into Merger Sub, with Merger Sub surviving as a direct, wholly-owned subsidiary of Halliburton (the “merger”). The merger agreement and the merger have been approved by the boards of directors of Boots & Coots and Halliburton. Under the merger agreement, Boots & Coots stockholders will receive consideration valued at approximately $3.00 per share for each share of Boots & Coots common stock, par value $0.00001 per share, comprised of $1.73 in cash and $1.27 in shares of Halliburton common stock, par value $2.50 per share, subject to adjustment to achieve the intended tax consequences of the merger and subject to an election feature. Completion of the merger remains subject to certain conditions, including the adoption of the merger agreement by our stockholders. To date, early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 was granted by the Federal Trade Commission on April 29, 2010. We currently expect to complete the merger in the third quarter of 2010, however, no assurance can be given as to when, or if, the merger will occur.

On July 31, 2007, we acquired Rock Springs, Wyoming-based StassCo Pressure Control, LLC (StassCo), in a transaction that was effective for accounting and financial purposes as of August 1, 2007. StassCo operates four hydraulic rig assist units in the Cheyenne Basin, Wyoming, and its presence in the Rockies fits our strategy to expand North America land operations.

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We added our pressure control equipment rental service line to our suite of pressure control services during the fourth quarter of 2007. Our pressure control equipment and operating personnel are utilized primarily during the drilling and completion phases of oil and gas wells. We are currently operating this business in our North America regions, classified as the Gulf of Mexico, the Mid-Continent and Southeast regions of North America and our Middle East international region. We plan to expand the service line into other operating areas where we provide pressure control services.

On February 10, 2009, we purchased John Wright Company (JWC) for approximately $10 million in a combination of cash and subordinated debt. Based in Houston, JWC provides a suite of relief well drilling and risk management services to the oil and gas industry worldwide. We are integrating the company's proprietary technology into our Safeguard program.

Demand for our services depends on factors beyond our control, including the volume and type of drilling and workover activity, which is substantially influenced by fluctuations in oil and natural gas prices. Wars, acts of terrorism and other unpredictable factors may affect demand for our services on a regional basis. Demand for our emergency well control, or critical well event, services is volatile and inherently unpredictable. As a result we expect to experience large fluctuations in our revenues from these services. Non-critical services, included in our well intervention segment, while subject to typical industry volatility associated with commodity prices, drilling activity levels and the like, provide more stable revenues and our strategy continues to be to expand these product and service offerings while focusing on our core strength of pressure control services.

Segment Information

Our operating segments are our service lines, which we aggregate into three reporting segments. These reporting segments are Pressure Control, Well Intervention and Equipment Services.

Intercompany transfers between segments were not material. Our accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. While cost of sales expenses are variable based upon the type of revenue generated, most of our operating expenses represent fixed costs for base labor charges, rent and utilities. For purposes of this presentation, operating expenses and depreciation and amortization have been charged to each segment based upon specific identification of expenses and a pro rata allocation of remaining non-segment specific expenses are assigned between segments based upon relative revenues. Selling, general and administrative and corporate expenses have been allocated between segments in proportion to their relative revenue. Business segment operating data from continuing operations is presented for purposes of management discussion and analysis of operating results.

The Pressure Control segment consists of personnel and services provided during a critical well event. These services also include snubbing and pressure control services provided during a response which are designed to minimize response time and mitigate damage while maximizing safety. These services primarily utilize existing personnel to maximize utilization with only slight increases in fixed operating costs. This segment also includes services that are designed to reduce the number and severity of critical well events offered through our prevention and risk management programs, including training, contingency planning, well plan reviews, audits, inspection services and engineering services.

Our Well Intervention segment consists of services that are designed to enhance production for oil and gas operators. This segment includes services performed by hydraulic workover and snubbing units that are used to enhance production of oil and gas wells. These units are used for underbalanced drilling, workover, well completions and plugging and abandonment services.

The Equipment Services segment includes our pressure control equipment rental and service business, which began as an expansion of the Company's existing services in 2007. We cross-sell pressure control equipment, rentals and services to customers of our Pressure Control and Well Intervention businesses, which has driven its growth to date.

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Results of operations

Information concerning operations in different business segments for the three months and six months ended June 30, 2010 and 2009 is presented below. Certain reclassifications have been made to the prior periods to conform to the current presentation.

	Three Months Ended June 30, (Unaudited) (000's)		Six Months Ended June 30, (Unaudited) (000's)	
	2010	2009	2010	2009
Revenues				
Pressure Control	$ 34,301	$ 22,587	$ 56,859	$ 49,621
Well Intervention	24,382	18,615	47,710	39,084
Equipment Services	12,189	5,846	19,614	13,005
	$ 70,872	$ 47,048	$ 124,183	$ 101,710
Cost of Sales				
Pressure Control	$ 23,739	$ 15,499	$ 40,603	$ 34,286
Well Intervention	16,629	12,880	32,664	28,154
Equipment Services	6,463	2,960	10,977	5,785
	$ 46,831	$ 31,339	$ 84,244	$ 68,225
Operating Expenses(1)				
Pressure Control	$ 3,567	$ 3,509	$ 5,661	$ 7,373
Well Intervention	3,306	3,116	6,362	6,285
Equipment Services	1,117	1,210	2,165	2,409
	$ 7,990	$ 7,835	$ 14,188	$ 16,067
Selling, General and Administrative Expenses(2)				
Pressure Control	$ 1,625	$ 1,208	$ 2,990	$ 2,641
Well Intervention	1,155	997	2,566	2,082
Equipment Services	577	313	1,026	692
	$ 3,357	$ 2,518	$ 6,582	$ 5,415
Depreciation and Amortization(1)				
Pressure Control	$ 194	$ 161	$ 375	$ 309
Well Intervention	2,280	2,146	4,521	4,210
Equipment Services	1,096	815	2,088	1,434
	$ 3,570	$ 3,122	$ 6,984	$ 5,953
Operating Income(Loss)				
Pressure Control	$ 5,176	$ 2,210	$ 7,230	$ 5,012
Well Intervention	1,012	(524)	1,597	(1,647)
Equipment Services	2,936	548	3,358	2,685
	$ 9,124	$ 2,234	$ 12,185	$ 6,050

(1) Operating expenses and depreciation and amortization have been charged to each segment based upon specific identification of expenses and the remaining non-segment specific expenses have been allocated pro-rata between segments in proportion to their relative revenues.

(2) Selling, general and administrative expenses have been allocated pro-rata between segments based upon relative revenue.

Comparison of the Three Months Ended June 30, 2010 with the Three Months Ended June 30, 2009

Revenues

Pressure Control revenues were $34,301,000 for the quarter ended June 30, 2010, compared to $22,587,000 for the quarter ended June 30, 2009, representing an increase of $11,714,000, or 51.9%, in the current quarter. The increase is primarily due to increases in revenue from Safeguard contracts and projects in North Africa and Asia and from increased global response revenue.

Well Intervention revenues were $24,382,000 for the quarter ended June 30, 2010, compared to $18,615,000 for the quarter ended June 30, 2009, representing an increase of $5,767,000, or 31.0%, in the current quarter. The increase was primarily due to increased performance and utilization in North America, excluding work in the Gulf of Mexico, in Venezuela as operations had been suspended for much of the prior year quarter, and from improved results in the Middle East.

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Equipment service revenues were $12,189,000 for the quarter ended June 30, 2010, compared to $5,846,000 for the quarter ended June 30, 2009, representing an increase of $6,343,000, or 108.5%, in the current quarter. This increase has resulted from capital investment activity, increased domestic drilling activity and from international projects.

Cost of Sales

Pressure Control cost of sales was $23,739,000 for the quarter ended June 30, 2010, compared to $15,499,000 for the quarter ended June 30, 2009, representing an increase of $8,240,000, or 53.2%, in the current quarter. For the quarter ended June 30, 2010, cost of sales represented 69.2% of revenues compared to 68.6% of revenues for the quarter ended June 30, 2009. The increase in cost as a percentage of revenue was primarily due to current year reclassification of payroll related expenses for certain employees in order to better align those expenses with the related revenue generating services, and it was partially offset by an increased level of higher margin response revenue in the current year quarter.

Well Intervention cost of sales was $16,629,000 for the quarter ended June 30, 2010, compared to $12,880,000 for the quarter ended June 30, 2009, representing an increase of $3,749,000, or 29.1%, in the current quarter. For the quarter ended June 30, 2010, cost of sales represented 68.2% of revenues compared to 69.2% of revenues for the quarter ended June 30, 2009. The decrease in costs as a percentage of revenue was generally attributable to the higher utilization rates due to the increase in domestic drilling activity and returning to work in Venezuela.

Equipment Services cost of sales was $6,463,000 for the quarter ended June 30, 2010, compared to $2,960,000 for the quarter ended June 30, 2009, representing an increase of $3,503,000, or 118.3%, in the current quarter. For the quarter ended June 30, 2010, cost of sales was 53.0% of revenue compared to 50.6% of revenue for the quarter ended June 30, 2009. The increases, both in dollars and as a percentage of revenue, were primarily due to increases in staffing, facilities and repairs and maintenance resulting in higher fixed field, shop, field sales, and field administration costs in support of our expansion of this business.

Operating Expenses

Consolidated operating expenses were $7,990,000 for the quarter ended June 30, 2010, compared to $7,835,000 for the quarter ended June 30, 2009, representing an increase of $155,000, or 2.0%, in the current quarter. During the current quarter, operating expenses represented 11.3% of revenues compared to 16.7% of revenues in the prior year quarter. The decrease in operating expense as a percentage of revenue is primarily due to current year reclassification of payroll related expenses for certain employees in order to better align those expenses with the related revenue generating services. This decrease was partially offset by an increase in bad debt expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) were $3,357,000 for the quarter ended June 30, 2010, compared to $2,518,000 for the quarter ended June 30, 2009, representing an increase of $839,000, or 33.3%, in the current quarter. During the current quarter, SG&A represented 4.7% of revenues compared to 5.4% of revenues in the prior year quarter. The increase in total SG&A expense was primarily due to increases in professional fees related to our proposed merger with Halliburton that was announced on April 9, 2010.

Depreciation and Amortization

Depreciation and amortization expense increased by $448,000 in the quarter ended June 30, 2010 compared to the quarter ended June 30, 2009, primarily due to the depreciation increase of $515,000 resulting from an increase in capitalized assets since June 30, 2009. Amortization of intangible assets related to our acquisition of StassCo Pressure

Control LLC in August 2007 and John Wright Company in first quarter 2009 was $241,000 for the quarter ended June 30, 2010 and $306,000 for the quarter ended June 30, 2009. The intangible assets consist of customer relationships being amortized over a 13 year period and management non-compete agreements being amortized over 5.5 and 3.5 year periods. Intangible assets related to the John Wright purchase consists of trade name, non-compete agreement, proprietary software, process diagrams, and customer relationships being amortized over 10, 5, 15, 10, and 10 years, respectively.

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Interest Expense

Interest expense decreased by $137,000, or 14.1%, in the quarter ended June 30, 2010 as compared to the quarter ended June 30 2009. The decrease was primarily a result of lower borrowings resulting from quarterly principal payments of the term loan portion of the syndicated credit agreement.

Other Expense, Net and Foreign Currency Translation

Other expense, net and foreign currency translation decreased by $224,000 in the quarter ended June 30, 2010 primarily due to a reduction in the foreign currency translation expense associated with Algeria.

Income Tax Expense

Income taxes for the quarter ended June 30, 2010 totaled $2,057,000 or 24.9% of pre-tax income, compared to the quarter ended June 30, 2009 which totaled $290,000, or 28.7% of pre-tax income. The increase in tax expense for the quarter ended June 30, 2010 compared to the prior year quarter is due to an increase in income before tax partly offset by a decrease in the effective tax rate. The decrease in the effective tax rate is largely due to the increase in income from taxing jurisdictions with lower foreign tax rates, in addition to the utilization of foreign tax credits, the utilization of US net operating loss carryforward and the release of associated valuation allowances.

Comparison of the Six Months Ended June 30, 2010 with the Six Months Ended June 30, 2009

Revenues

Pressure Control revenues were $56,859,000 for the six months ended June 30, 2010, compared to $49,621,000 for the six months ended June 30, 2009, representing an increase of $7,238,000, or 14.6%, in the current period. The increase was primarily due to an increase in international revenue from prevention and risk management projects, offset by projects completed during 2009.

Well Intervention revenues were $47,710,000 for the six months ended June 30, 2010, compared to $39,084,000 for the six months ended June 30, 2009, representing an increase of $8,626,000, or 22.1%, in the current period. The increase was primarily due to increased performance and utilization in North Africa and North America. This increase was offset by the negative impact caused by the suspension of operations in Venezuela during the first six months of 2009.

Equipment service revenues were $19,614,000 for the six months ended June 30, 2010, compared to $13,005,000 for the six months ended June 30, 2009, representing an increase of $6,609,000, or 50.8%, in the current period. This increase is due to the expansion of our equipment rental and services business into foreign locations.

Cost of Sales

Pressure Control cost of sales was $40,603,000 for the six months ended June 30, 2010, compared to $34,286,000 for the six months ended June 30, 2009, representing an increase of $6,317,000, or 18.4%, in the current period. For the six months ended June 30, 2010, cost of sales represented 71.4% of revenues compared to 69.1% of revenues for the six months ended June 30, 2009. The increase in cost of sales is generally attributable to increased revenues, while the cost of sales as a percentage of revenue increased primarily due to current year reclassification of payroll related expenses for certain employees in order to better align those expenses with the related revenue generating services, and it was partially offset by an increased level of higher margin response revenue in the current year six month period.

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Well Intervention cost of sales was $32,664,000 for the six months ended June 30, 2010, compared to $28,154,000 for the six months ended June 30, 2009, representing an increase of $4,510,000, or 16.0%, in the current period. For the six months ended June 30, 2010, cost of sales represented 68.5% of revenues compared to 72.0% of revenues for the six months ended June 30, 2009. The increase in cost of sales is generally attributable to the increase in revenues, while the decrease in cost of sales as a percentage of revenue is primarily due to the prior year carrying costs incurred during suspension of operations in Venezuela.

Equipment Services cost of sales was $10,977,000 for the six months ended June 30, 2010, compared to $5,785,000 for the six months ended June 30, 2009, representing an increase of $5,192,000, or 89.7%, in the current period. For the six months ended June 30, 2010, cost of sales was 56.0% of revenue compared to 44.5% of revenue for the six months ended June 30, 2009. The increases, both dollars in and as a percentage of revenue, were primarily due to increases in staffing, facilities and repairs and maintenance resulting in higher fixed field, shop, field sales, and field administration costs in support of our expansion of this business.

Operating Expenses

Consolidated operating expenses were $14,188,000 for the six months ended June 30, 2010, compared to $16,067,000 for the six months ended June 30, 2009, representing a decrease of $1,879,000, or 11.7%, in the current period. During the current year first six month period, operating expenses represented 11.4% of revenues compared to 15.8% of revenues in the prior year first six months. The decrease in operating expenses was primarily due to current year reclassification of payroll related expenses for certain employees in order to better align those expenses with the related revenue generating services. This decrease was partially offset by an increase in bad debt expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) were $6,582,000 for the six months ended June 30, 2010, compared to $5,415,000 for the six months ended June 30, 2009, representing an increase of $1,167,000, or 21.6%, in the current period. During the six months ended June 30, 2010, SG&A represented 5.3% of revenues compared to 5.3% of revenues in the prior year first six months. The increase in total SG&A expense was primarily due to increases in professional fees related to our proposed merger with Halliburton that was announced on April 9, 2010.

Depreciation and Amortization

Depreciation and amortization expense increased by $1,031,000 in the six months ended June 30, 2010 compared to the six months ended June 30, 2009, primarily due to the depreciation increase of $982,000 resulting from an increase in capitalized assets since June 30, 2009. Amortization of intangible assets related to our acquisitions of StassCo Pressure Control LLC in August 2007 and the John Wright Company in February 2009 was $483,000 for the six months ended June 30, 2010 and $434,000 in 2009. The intangible assets related to StassCo purchase consists of customer relationships being amortized over a 13 year period and management non-compete agreements being amortized over 5.5 and 3.5 year periods. Intangible assets related to the John Wright purchase consists of trade name, non-compete agreement, proprietary software, process diagrams and customer relationships being amortized over 10, 5, 15, 10, and 10 years, respectively.

Interest Expense

Interest expense decreased by $322,000, or 16.6%, in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 which included a write off of the remaining deferred financing charges form the credit facility that was replaced by a new syndicated credit agreement in February 2009. The remaining decrease was primarily due to a lower level of debt resulting from quarterly principal payments of the term loan portion of the credit agreement.

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Other Expense, Net and Foreign Currency Translation

Other expense, net and foreign currency translation increased by $941,000 in the six months ended June 30, 2010 compared to the prior year primarily due to the devaluation of the Venezuelan Bolivar Fuerte currency for which we recorded a foreign exchange loss of $1,172,000. We historically had remeasured our net Bolívar Fuerte denominated monetary asset position at the official, fixed exchange rate of 2.15 Bolívar Fuerte to United States dollar. In January 2010, the Venezuelan government announced a devaluation of the Bolívar Fuerte under a new two-exchange rate system with a 2.6 Bolívar Fuerte to United States dollar rate for essential products and a 4.3 Bolívar Fuerte to United States dollar rate for non-essential products. We are now utilizing the 4.3 Bolívar Fuerte to United States dollar exchange rate.

Income Tax Expense

Income taxes for the six months ended June 30, 2010 totaled $2,470,000, or 26.4% of pre-tax income compared to the six months ended June 30, 2009 which totaled $1,187,000, or 30.8% of pre-tax income. The increase in tax expense for the six months ended June 30, 2010 compared to the prior year period is due to an increase in income before tax partly offset by a decrease in the effective tax rate. The decrease in the effective tax rate is largely due to the decrease in US source income as compared to foreign source income with lower tax rates, in addition to the utilization of foreign tax credits and the release of associated valuation allowances.

Liquidity and Capital Resources

Liquidity

At June 30, 2010, we had working capital of $48,650,000 compared to $47,004,000 at December 31, 2009. Our cash balance at June 30, 2010 was $8,330,000 compared to $7,357,000 at December 31, 2009. We ended the quarter with stockholders' equity of $117,633,000 which increased $8,016,000 when compared to $109,617,000 at December 31, 2009 primarily due to our net income of $6,898,000 for the six months ended June 30, 2010.

Our primary liquidity needs are to fund working capital, capital expenditures such as expanding our equipment services fleet of equipment and replacing support equipment for our hydraulic workover and snubbing service line, debt service and acquisitions. Our primary sources of liquidity are cash, cash flows from operations and borrowings under the revolving credit facility.

In the first six months of 2010, we generated cash from operating activities of $8,584,000 compared to cash used for operating activities of $120,000 during the first six months of 2009. Cash was provided by operations primarily through net income of $6,898,000, non-cash charges of $4,680,000, an increase in accounts payable and accrued liabilities of $18,918,000 and a decrease in prepaid expenses and other assets of $2,920,000. Non-cash charges were comprised primarily of $6,984,000 of depreciation and amortization, excess tax expense from stock options of $872,000, stock-based compensation of $1,101,000, and bad debt provision of $1,161,000, all of which were offset by a deferred tax credit of $5,438,000. These positive cash flows were offset by an increase in receivables of $24,415,000 and inventory of $443,000. Receivables increased due to the increase in revenue producing activity late in the six month period ending June 30, 2010, and inventory increased as a result of supporting the current and future revenue activity. Accounts payable and accrued liabilities increased primarily due to increase in accrued taxes and commissions. Prepaid expenses and other current assets decreased primarily due to a reduction in prepaid taxes and insurance. Other assets decreased primarily due to amortization of deferred financing charges related to the new credit agreement.

Cash used in investing activities during the six months ended June 30, 2010 and 2009 was $10,193,000 and $17,599,000, respectively. Capital expenditures, including capitalized interest, totaled $10,263,000 and $11,277,000 during the six months ended June 30, 2010 and 2009, respectively. Capital expenditures in 2010 consisted of purchases of assets for our hydraulic workover and snubbing services and our rental equipment services. Our 2009 capital expenditures consisted of purchases of assets for our hydraulic workover and snubbing services and our rental equipment services, the acquisition of abrasive jet cutting systems from Halliburton for $420,000 and the acquisition of John Wright Company (JWC).

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On February 10, 2009, we acquired Houston-based John Wright Company (JWC) for cash consideration of $6,668,000, net of cash acquired, and issued a promissory note to John. W. Wright for $3,000,000. This transaction was funded utilizing cash obtained under our new credit facility.

We increased our net cash by $2,582,000 due to financing activities during the six months ended June 30, 2010 primarily as a result of loan borrowings and stock options exercised during the quarter. We generated net cash of $14,287,000 from financing activities during the six months ended June 30, 2009 primarily as a result of the new credit facility entered into on February 10, 2009, which generated proceeds of $9,701,000, net of paydown of $3,927,000 on the previous credit facility and $21,166,000 on related party debt.

On June 30, 2010, we had cash of $1,590,000 denominated in Bolivares Fuertes and residing in a Venezuelan bank. On June 30, 2010, included in our accounts receivable were Venezuela trade accounts receivables owing from the country's national oil companies of $12,240,000 including $2,460,000 denominated in Bolivares Fuertes and $9,780,000 denominated in U.S. Dollars.

As of June 30, 2010, we had net working capital exposure in Venezuela of $10,527,000 including $1,685,000 denominated in Bolivares Fuertes and $8,842,000 denominated in U.S. Dollars. Our international operations give rise to exposure to market risks from changes in foreign currency exchange rates to the extent that transactions are not denominated in U.S. Dollars. We typically endeavor to denominate our contracts in U.S. Dollars to mitigate exposure to fluctuations in foreign currencies, and we partially do this in Venezuela.

The Venezuelan government implemented a foreign currency control regime on February 5, 2003. This has resulted in currency controls that restrict the conversion of the Venezuelan currency, the Bolivar Fuerte, to U.S. Dollars. The Company has registered with the control board (CADIVI) in order to have a portion of total receivables in U.S dollar payments made directly to a United States bank account. Venezuela is considered a highly inflationary economy, and management continues to monitor the situation closely.

Effective January 1, 2006, and related to our acquisition of the hydraulic well control business of Oil States, we changed our functional currency in Venezuela from the Venezuelan Bolivar Fuerte to the U.S. Dollar. This change allowed us to have one consistent functional currency after the acquisition. Accumulated other comprehensive loss reported in the consolidated statements of stockholders' equity before January 1, 2006 totaled $1,234,000 and consisted solely of the cumulative foreign currency translation adjustment in Venezuela prior to changing our functional currency. The currency translation adjustment recorded up through the date of the change in functional currency will only be adjusted in the event of a full or partial disposition of our investment in Venezuela.

The Security and Exchange Commission Regulation Committee's International Practices Task Force's Center for Audit Quality has deemed Venezuela's currency as hyperinflationary effective January 1, 2010. Effective January 11, 2010, the Venezuelan government devalued its currency and moved to a two-tier exchange structure. The official exchange rate moved from 2.15 to 2.60 for essential goods and to 4.30 for non-essential goods and services. The unfavorable impact of the devaluation to the Company's results for the quarter ended March 31, 2010 was $1,172,000 on account of the exchange rate movement from 2.15 to 4.30. The future results of our Venezuelan operations will be affected by many factors, including our ability to take actions to mitigate the effect of the devaluation, further actions of the Venezuelan government, and general economic conditions such as continued inflation and future customer payments and spending.

Disclosure of on and off balance sheet debts and commitments

Our known contractual obligations at June 30, 2010 are reflected in the table below.

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	Future commitments (000's)				
Description	TOTAL	Less than 1 year	1-3 years	3-5 years	After 5 years
Long and short term debt and notes payable					
Term loan	$ 25,800	$ 6,880	$ 18,920	$ —	$ —
Revolving credit facility	$ 15,932	$ —	$ 15,932	$ —	$ —
Subordinated debt	$ 3,000	$ —	$ 3,000	$ —	$ —
Capital lease payments (including interest)	$ 135	$ 62	$ 73	$ —	$ —
Future minimum lease payments	$ 7,280	$ 2,207	$ 2,459	$ 1,336	$ 1,278
Total commitments	$ 52,147	$ 9,149	$ 40,384	$ 1,336	$ 1,278

Credit Facilities/Capital Resources

On February 10, 2009, we entered into a new $54.4 million syndicated credit agreement with Wells Fargo Bank, National Association, Royal Bank of Canada and Bank of America, N.A. (the "Credit Agreement"). The Credit Agreement replaced our existing term and revolving credit facilities. The Credit Agreement provides for a term loan in the principal amount of $34.4 million and revolving credit line commitments of $20 million with the Company having the one time option of increasing the revolving commitments by an additional $5 million. On July 2, 2010, the Company exercised it right to increase the commitments under the revolving credit line from $20 million to $25 million. The term loan facility requires regularly scheduled quarterly payments of principal and interest. Quarterly principal payments on the term facility are $1.72 million and commence June 30, 2009. Amounts repaid under the term loan cannot be re-borrowed. The term loan and the revolving credit line each mature on February 10, 2012. The loan balance outstanding on June 30, 2010 was $25.8 million on the term credit facility and $15.9 million on the revolving credit facility. The revolving credit facility borrowing base was $24.8 million at June 30, 2010, adjusted for $4.9 million outstanding under letters of credit and guarantees, leaving $4.0 million available to be drawn under the facility.

Interest under the Credit Agreement accrues at a base rate (which is the greatest of the Federal Funds Rate plus 1.50%, Wells Fargo's prime rate, or the daily one-month London Interbank Offered Rate plus 1.50%) plus a margin ranging from 4.25% to 4.75% per annum or, at our option, at a Eurodollar base rate plus a margin ranging from 5.25% to 5.75% per annum. We will also pay a commitment fee on the unused portion of the revolving credit line ranging from 1.30% to 1.40% per annum. The commitment fee and the margin applicable to advances under the Credit Agreement increase within the applicable range if the ratio of our debt to adjusted EBITDA rises above 1.50. The interest rate applicable to borrowings under the revolving credit facility and the term credit facility at June 30, 2010 was 7.50% and 5.88%, respectively.

The Credit Agreement is unconditionally guaranteed by all of our current and future domestic subsidiaries (collectively, the "Guarantors") and secured by substantially all of our assets and those of the Guarantors, including a pledge of all of the capital stock of our direct and indirect domestic subsidiaries and 66% of the capital stock of our first-tier foreign subsidiaries. We have not entered into any interest rate hedges with respect to the Credit Agreement

but may elect to do so in the future.

The Credit Agreement contains covenants that limit our ability and the Guarantors ability to, among other things, incur or guarantee additional indebtedness; create liens; pay dividends on or repurchase stock; make certain types of investments; sell stock of our subsidiaries; restrict dividends or other payments from our subsidiaries; enter into transactions with affiliates; sell assets; merge with other companies; and spend in excess of $30 million per year on capital expenditures. The Credit Agreement also requires compliance with certain financial covenants, including, (1) the maintenance of a minimum tangible net worth of not less than 85% of our tangible net worth as of March 31, 2009, plus an amount equal to 50% of consolidated net income for each succeeding fiscal quarter plus 100% of future net proceeds from the sale of equity securities, (2) a maximum ratio of funded debt to adjusted EBITDA for the preceding four fiscal quarters of 2.25 to 1.00, and (3) a minimum ratio of adjusted EBITDA to fixed charges of 1.50 to 1.00. We are in compliance with these covenants as of June 30, 2010 and expect to be in compliance for the next twelve months.

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We utilized initial borrowings of approximately $40 million under the Credit Agreement to repay all amounts outstanding under our existing credit facilities, repay all of the $21.2 million of senior subordinated notes held by Oil States International and to fund our purchase of John Wright Company. We believe that cash on hand, cash from operations and amounts available under our credit facilities will be sufficient to meet our liquidity needs in the coming twelve months.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We derive a substantial portion of our revenues from our international operations. For the first six months of 2010, approximately 65% of our total revenues were generated internationally. Due to the unpredictable nature of the critical well events that drive our response segment revenues and fluctuations in regional demand for our well intervention segment products and services, the percentage of our revenues that are derived from a particular country, geographic region or business segment can be expected to vary significantly from quarter to quarter. Although most transactions are denominated in U.S. Dollars, the foreign currency risks that we are subject to may vary from quarter to quarter depending upon the countries in which we are then operating and the payment terms under the contractual arrangements we have with our customers.

During the first six months of 2010, work in Venezuela and Algeria contributed 5% and 16% of our consolidated revenues, respectively, which was collectively down slightly from the prior year period when revenues from these countries represented 7% and 19%, respectively, of total consolidated revenues. Remaining foreign revenues for the first six months of 2010 were primarily generated in the Republic of Congo, India, Libya, and Egypt, with India and Libya representing over 24% of total international revenues for the period.

For almost one month during the second quarter of 2010, we suspended operations in Venezuela pending payment on certain outstanding receivables from the country's national oil companies. The Company resumed operations in the second quarter as partial payment was received. During the first quarter of 2009, we suspended operations in Venezuela pending payment on certain outstanding receivables from the country's national oil companies. The Company resumed operations in the second quarter as partial payment was received. Effective June 2009, for that portion of all future services to be settled in U.S. Dollars, revenue will be recognized as it is earned and cash is collected. As of June 30, 2010 this deferred revenue totaled $937,000. The current accounts receivable to be settled in U.S. Dollars totaled approximately $3.0 million at June 30, 2010. During the six months ended June 30, 2010, the Company has collected payment on Bolivares Fuertes receivables totaling $3.1 million, on Bolivares Fuertes receivables denominated in U.S. Dollars totaling $1.5 million, and on U.S. Dollar denominated receivables settled in U.S Dollars totaling $1.9 million. The Company continues efforts to collect accounts receivable and unbilled revenue. Management is closely monitoring the situation, expects to continue to maintain and operate its facilities in Venezuela, and does not believe a reserve is necessary for current uncollected receivables. For more information regarding our foreign currency risks, see "Liquidity and Capital Resources – Liquidity".

As part of our normal business operations, we monitor industry developments and their potential impacts to our business. In this regard, the recent incident in the U.S. Gulf of Mexico involving the Macondo well has the potential to adversely impact our customers and, therefore, our business. In response to this incident, the U.S. Federal government has instituted a temporary deepwater drilling moratorium and a variety of legislative initiatives are being considered that may adversely impact future drilling activities and increase the costs associated with regulatory compliance. At this time, we cannot predict what, if any, actions may be taken by the U.S. federal or state governments or our customers or other industry participants in response to the incident, or what impact any such actions may have on our operations or the operations of our customers.

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Our debt consists of both fixed-interest and variable-interest rate debt; consequently, our earnings and cash flows, as well as the fair values of our fixed-rate debt instruments, are subject to interest-rate risk.

We have a term loan and a revolving line of credit that are subject to movements in interest rates. As of June 30, 2010, we had floating rate obligations totaling approximately $41.9 million. See “Liquidity and Capital Resources – Credit Facilities/Capital Resources” for more information. These floating rate obligations expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If the floating interest rate was to increase by 10% from the June 30, 2010 levels, our interest expense would increase by a total of approximately $222,000 annually.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), as of June 30, 2010. Our Chief Executive Officer and Chief Financial Officer concluded, based upon their evaluation, that our disclosure controls and procedures are effective to ensure that the information required to be disclosed in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

During the quarter ended March 31, 2010, the Company installed new accounting software. The new accounting software contains automated internal control features that will permit the Company to migrate away from certain manual internal control processes required by the older system. There were no changes in the Company’s internal controls over financial reporting for the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II

Item 1. Legal Proceedings

We are involved in or threatened with various legal proceedings from time to time arising in the ordinary course of business. Other than as described herein, we do not believe that any liabilities with respect to these proceedings will have a material adverse effect on our operations or financial position.

Expro Americas, LLC, sued Boots & Coots and several of our employees in the 281st Judicial District of Harris County, Texas in August, 2007, claiming misappropriation of trade secrets, tortious interference with contracts and employment relationships, conspiracy and violations of the Texas Theft liability Act relating to Boots & Coots’ hiring of a number of the plaintiff’s former employees. Trial in the case was held on August 18, 2009. The jury found against Boots & Coots on misappropriation of trade secrets and intentional interference with contractual relations relating to two Expro employees, although it also found that Boots & Coots did not knowingly participate in breach of fiduciary duty. On December 11, 2009, the court entered a judgment against us and one employee indemnified by us in the amount of $3,000,000 plus $351,780.82 pre-judgment interest and costs of court. The total judgment bears interest at 5% compounded on an annual basis. The Company has taken appropriate steps to file an appeal of the trial court's judgment. No amount has been recorded in the Company’s financial statements for this judgment in accordance with the requirements under “Accounting for Contingencies”, based upon the Company’s assessment of the likely outcome of the appeal. The anticipated time frame for the appeal to be heard is within the next two years.

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On April 9, 2010, we entered into a definitive merger agreement with Halliburton Company, a Delaware corporation (“Halliburton”), and Gradient, LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of Halliburton (“Merger Sub”). On April 15, 2010, Ed Van Cott filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots, current members of Boots & Coots’ Board of Directors, including its Chief Executive Officer (the “Individual Defendants”), Halliburton Company and Gradient LLC (Merger Sub) (the “Van Cott I Suit”). On April 16, 2010, David Contreras filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots, the Individual Defendants, Halliburton Company and Gradient LLC (Merger Sub) (the “Contreras Suit”). On April 16, 2010 Edgar L. Van Cott and J. David Schoepf filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots, the Individual Defendants, Halliburton Company and Gradient LLC (Merger Sub) (the “Van Cott II Suit”). On April 16, 2010, Charles Bryce filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots and the Individual Defendants (the “Bryce Suit”). On April 19, 2010, Dennis Palkon filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots, the Individual Defendants, Halliburton Company and Gradient LLC (Merger Sub) (the “Palkon Suit”). On April 20, 2010, Dennis Alweiss filed a purported class action lawsuit in the District Court of Harris County, Texas against Boots & Coots and the Individual Defendants (the “Alweiss Suit”; the Van Cott I Suit, Contreras Suit, Van Cott II Suit, Bryce Suit and Palkon Suit are collectively referred to as the “Harris County Class Actions”). On April 21, 2010, Ed Van Cott filed an amended petition in the Van Cott I Suit. On April 26, 2010, a motion to consolidate the Harris County Class Actions and to appoint interim class counsel was filed in the Bryce Suit. On April 27, 2010, a motion to consolidate the Harris County Class Actions and to appoint co-interim class counsel and liaison counsel was filed in the Van Cott I Suit. On April 28, 2010, Herbert Silverberg filed a purported class action lawsuit in the Court of Chancery of the State of Delaware against Boots & Coots and the Individual Defendants (the “Silverberg Suit”). The Harris County Class Actions and the Silverberg Suit are collectively referred to as the “Class Actions”.

Each of the Class Actions has been brought by a purported stockholder of Boots & Coots and seeks certification of a class of all holders of Boots & Coots’ common stock. The Harris County Class Actions allege, among other things, (1) the Individual Defendants have breached and continue to breach their fiduciary duties to the plaintiffs and members of the proposed class, (2) the Merger is unfair to the public stockholders of Boots & Coots as it underestimates the true value of Boots & Coots, (3) the Individual Defendants are pursuing a course of conduct that does not maximize the value of Boots & Coots, and (4) Boots & Coots and, to the extent a party thereto, Halliburton aided and abetted the breaches of duties by the Individual Defendants. The petitions associated with the Class Actions seek, among other things, an injunction prohibiting consummation of the Merger, attorneys’ fees and expenses and, in the case of the Van Cott II Suit, rescission or damages in the event the Merger is consummated. The Silverberg Suit is a derivative action alleging, among other things, that the Individual Defendants breached their fiduciary duties to the plaintiffs and members of the proposed class in approving certain restricted stock grants to members of the board of directors and that seeks, among other things, to obtain the return of those grants by the Individual Defendants.

We believe that all of the putative shareholder Class Actions are without merit and intend to vigorously defend against such claims.

Item 1A. Risk Factors

Our business is subject to many risks. We describe the risks and factors that could materially adversely affect our business, financial condition, operating results or liquidity and the trading price of our common stock under “Risk Factors” in Item 1A of our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission. This information should be considered carefully together with the other information in this report and other reports and materials we file with the U.S. Securities and Exchange Commission.

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Failure to complete our recently announced merger with Halliburton could negatively impact our stock price and our future business and financial results.

On April 9, 2010, we entered into a definitive merger agreement with Halliburton and a direct, wholly-owned subsidiary of Halliburton pursuant to which, on the terms and subject to the conditions set forth in the merger agreement, we will merge with and into such subsidiary. If our proposed merger is not completed, our ongoing businesses may be adversely affected and, without realizing any of the benefits of having completed the merger, we would be subject to a number of risks, including the following:

Ÿ we may experience negative reactions from our customers and employees;

Ÿ the current market price of our common stock may reflect a market assumption that the merger will occur and a failure to complete the merger could result in a negative perception by the stock market and a resulting decline in the market price of our common stock;

Ÿ certain costs relating to the merger, including certain investment banking, financing, legal and accounting fees and expenses, must be paid even if the merger is not completed, and we may be required to pay a fee of $10.0 million or expense reimbursements up to $1.5 million to Halliburton if the merger agreement is terminated under specified circumstances; and

Ÿ there may be substantial disruption to our business and distraction of our management and employees from day-to-day operations because matters related to the merger (including integration planning) may require substantial commitments of time and resources which could otherwise have been devoted to other opportunities that could have been beneficial to us.

There can be no assurance that the risks described above will not materialize, and if any of them do, they may materially adversely affect our business, financial results and stock price.

We may have difficulty attracting, motivating and retaining officers and other key employees in light of our recently announced merger agreement with Halliburton.

Uncertainty about the effect of the proposed merger on our officers and employees may have an adverse effect on us. This uncertainty may impair our ability to attract, retain and motivate key personnel during the pendency of the merger, as employees may experience uncertainty about their future roles with us and with Halliburton. If we are unable to attract, retain and motivate key personnel, we could face disruptions in our operations, loss of existing customers and loss of key information, expertise or know-how, which may adversely affect our business and financial results.

Business uncertainties and contractual restrictions while the proposed merger is pending may have an adverse effect on us.

Uncertainty about the effect of the proposed merger on suppliers, partners and customers may have an adverse effect on us. These uncertainties may cause suppliers, customers and others that deal with us to defer purchases or other decisions concerning us or seek to change existing business relationships with us. In addition, the merger agreement restricts us from making certain acquisitions and taking other specified actions without Halliburton’s approval. These restrictions could prevent us from pursuing certain business opportunities that may arise prior to the completion of the merger. The adverse effect of such disruptions could be exacerbated by a delay in the completion of the merger or termination of the merger agreement.

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

None

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Item 3. Defaults Upon Senior Securities

None

Item 4. (Removed and Reserved)

Item 5. Other Information

None

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Document
2.1	Agreement and Plan of Merger dated April 9, 2010, by and among Boots & Coots, Inc., Halliburton Company, and Gradient, LLC (incorporated herin by reference to exhibit 2.1 of Form 8-K filed on April 15, 2010.)
4.1	Second Amendment to Rights Agreement dated as of April 9, 2010 between Boots & Coots, Inc. and American Stock Transfer & Trust Company, LLC. (incorporated herin by reference to exhibit 4.1 of Form 8-K filed on April 15, 2010.)
*10.1	Waiver Agreement - Jerry Winchester
*10.2	Waiver Agreement - Dewitt H. Edwards
*31.1	§302 Certification by Jerry Winchester
*31.2	§302 Certification by Cary Baetz
*32.1	§906 Certification by Jerry Winchester
*32.2	§906 Certification by Cary Baetz

*Filed herewith

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SIGNATURES

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.

BOOTS & COOTS INTERNATIONAL
WELL CONTROL, INC.

By: /s/ Jerry Winchester
Jerry Winchester
Chief Executive Officer

By: /s/Cary Baetz
Cary Baetz
Chief Financial Officer

Date: July 29, 2010