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Forward-Looking Statements

Except for the historical information contained herein, the discussion in this Form 10-QSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. The words "anticipate", "believe", "expect", "plan", "intend", "project", "forecast", "could" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical facts included in this Form 10-QSB regarding the Company's financial position, business strategy, budgets and plans, and objectives of management for future operations are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from those in the forward-looking statements for various reasons, including the effect of competition, the level of petroleum industry exploration and production expenditures, world economic and political conditions, prices of and the demand for crude oil and natural gas, weather, the legislative environment in the United States of America and other countries, adverse changes in the capital and equity markets, and other risk factors including those identified herein.

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements -**

FLOTEK INDUSTRIES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

	June 30, 2005 (Unaudited)	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 445,972	\$ 284,801
Restricted cash	37,038	37,038
Accounts receivable, net	7,174,991	3,372,236
Inventories, net	10,246,677	2,447,390
Other current assets	46,207	39,721
Total current assets	17,950,885	6,181,186
Property, plant and equipment, net	4,002,960	2,116,796
Goodwill	7,619,555	7,465,725
Intangible and other assets, net	445,140	193,380
	\$ 30,018,540	\$ 15,957,087
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,115,869	\$ 2,641,577
Accrued liabilities	2,527,336	1,617,762
Current portion of long-term debt	2,219,224	1,136,467
Amounts due to related parties	128,722	466,401
Deferred tax liability	1,602,765	¾
Total current liabilities	9,593,916	5,862,207
Long-term debt, less current portion	11,415,170	5,271,987
Total liabilities	21,009,086	11,134,194
Stockholders' equity:		
Common stock, \$.0001 par value; 20,000,000 shares authorized; shares issued and outstanding: June 30, 2005 - 6,803,846 and December 31, 2004 - 6,670,004	680	667
Additional paid-in capital	17,812,128	17,082,141
Accumulated deficit	(8,803,354)	(12,259,915)
Total stockholders' equity	9,009,454	4,822,893
	\$ 30,018,540	\$ 15,957,087

The accompanying notes are an integral part of these consolidated condensed financial statements.

FLOTEK INDUSTRIES, INC.
CONSOLIDATED CONDENSED INCOME STATEMENTS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues	\$ 12,460,604	\$ 4,810,976	\$ 23,501,768	\$ 9,607,367
Cost of revenues	7,197,008	2,660,573	14,169,906	5,488,395
Gross margin	5,263,596	2,150,403	9,331,862	4,118,972
Expenses:				
Selling, general and administrative	2,186,362	1,322,164	4,046,468	2,601,926
Depreciation and amortization	307,633	182,848	577,995	364,274
Research and development	147,189	71,401	277,858	136,290
Total expenses	2,641,184	1,576,413	4,902,321	3,102,490
Income from operations	2,622,412	573,990	4,429,541	1,016,482
Other income (expense):				
Interest expense	(239,274)	(166,348)	(438,048)	(344,063)
Other, net	28,624	34,241	40,672	3,454
Total other income (expense)	(210,650)	(132,107)	(397,376)	