FLOTEK INDUSTRIES INC/CN/ Form 10QSB August 10, 2005

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

FORM 10 - QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED JUNE 30, 2005

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-13270

FLOTEK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation) **90-0023731** (I.R.S. Employer Identification Number)

7030 Empire Central Drive, Houston TX (Address of Principal Executive Offices)

Registrant's telephone number, including area code: (713) 849-9911

Securities registered pursuant to Section 12(b) of the Exchange Act: (none)

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$0.0001 par value (Title of Class)

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** "

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12 b-2 of the Exchange Act.) **YES** "**NO x**

Transitional small business disclosure format: YES " NO x

There were 6,803,846 shares of the registrant's common stock, \$.0001 par value, outstanding as of August 8, 2005.

77040 (Zip Code)

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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:	¢	445.072	¢	204 001
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
Descentes along and environment and		4 002 060		2 116 706
Property, plant and equipment, net Goodwill		4,002,960		2,116,796
		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	Ψ	2,527,336	Ψ	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		3⁄4
Total current liabilities		9,593,916		5,862,207
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		5,002,207
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 Month 2005	s Ended June 30, 2004	Six Months 2005	Ended June 30, 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	