

NEWPARK RESOURCES INC

Form 424B2

September 29, 2010

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**Filed Pursuant to Rule 424(b)(2)  
Registration No. 333-166776**

**Prospectus supplement**

*(To prospectus dated May 19, 2010)*

**Newpark Resources, Inc.**

***\$150,000,000 4.00% Convertible Senior Notes due 2017***

***Interest payable April 1 and October 1***

We are offering \$150,000,000 principal amount of our 4.00% Convertible Senior Notes due 2017. The notes will bear interest at a rate of 4.00% per year, payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2011. The notes will mature on October 1, 2017.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding the maturity date. Upon conversion, we will deliver for each \$1,000 principal amount of converted notes a number of shares of our common stock equal to the conversion rate, as described in this prospectus supplement.

The conversion rate will initially be 90.8893 shares of our common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$11.00 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances.

We may not redeem the notes. No sinking fund is provided for the notes.

If we undergo a fundamental change, holders may require us to repurchase for cash all or part of their notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The notes will be our senior unsecured obligations and will rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries.

We do not intend to apply to list the notes on any securities exchange or any automated dealer quotation system. Our common stock is listed on The New York Stock Exchange under the symbol NR. The last reported sale price of our common stock on The New York Stock Exchange on September 28, 2010 was \$8.09 per share.

**Investing in the notes and the common stock issuable upon conversion of the notes involves a high degree of risk. See Risk factors beginning on page S-8 of this prospectus supplement and page 2 of the accompanying prospectus.**

	<b>Per note</b>	<b>Total</b>
Public offering price <sup>(1)</sup>	100%	\$ 150,000,000
Underwriting discounts and commissions	3%	\$ 4,500,000
Proceeds, before expenses, to us	97%	\$ 145,500,000

(1) Plus accrued interest, if any, from October 4, 2010.

We have granted the underwriters the right to purchase within a 30-day period up to an additional \$22,500,000 principal amount of notes, solely to cover over-allotments.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about October 4, 2010.

*Sole book-running manager*

**J.P. Morgan**

*Senior co-manager*

**BofA Merrill Lynch**

*Co-managers*

**Wells Fargo Securities**

**Raymond James**

**September 29, 2010**

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**About this prospectus supplement**

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering, the notes and matters relating to us and our financial performance and condition. The second part, the accompanying prospectus dated May 19, 2010, gives more general information about securities that we may offer from time to time, some of which does not apply to this offering.

If the description of this offering and the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. In various places in this prospectus supplement and the accompanying prospectus, we refer you to sections of other documents for additional information by indicating the caption heading of the other sections. All cross-references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise indicated.

You should read both this prospectus supplement and the accompanying prospectus together with additional information described under the heading **Where you can find more information**.

**We have not, and the underwriters have not, authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement, in the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not making an offer of the securities covered by this prospectus supplement and accompanying prospectus in any state where the offer is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and any other document incorporated by reference is accurate only as of the date on the front cover of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.**

You should not consider any information in or incorporated by reference into this prospectus supplement or the accompanying prospectus to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

You should base your decision to invest in the notes after considering all of the information contained in this prospectus supplement, the accompanying prospectus and any information incorporated by reference herein and therein.

No representation or warranty, express or implied, is made as to the accuracy or completeness of the information obtained from third party sources set forth herein, in the accompanying prospectus or incorporated by reference into this prospectus supplement or the accompanying prospectus, and nothing contained in this prospectus supplement, the accompanying prospectus or incorporated by reference herein or therein is, or shall be relied upon as, a promise or representation, whether as to past or future performance.

Unless otherwise indicated or unless the context otherwise requires, all references in this prospectus supplement to Newpark, Newpark Resources, our company, we, our, us or similar references mean Newpark Resources, Inc. and its consolidated subsidiaries, except that such references with respect to the terms of the notes mean Newpark Resources, Inc. and not its subsidiaries.

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**Cautionary statement  
regarding forward-looking statements**

Some information contained in this prospectus supplement, the accompanying prospectus and in the documents we incorporate by reference herein and therein may contain certain statements (other than statements of historical fact) that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. Forward-looking statements generally can be identified by the use of words such as may, will, expect, intend, estimate, anticipate, believe, assume, could, plans, projects, targets or similar expressions that convey the uncertainty of future events or activities, expectations or outcomes. However, these are not the exclusive means of identifying forward-looking statements.

Forward-looking statements are subject to risk and uncertainties, which may include assumptions or bases underlying such forward-looking statement, and we caution that, while we believe these assumptions or bases to be reasonable and to be made in good faith, assumed facts or bases almost always vary from actual results, and the difference between assumed facts or bases and actual results could be material, depending on the circumstances. It is important to note that actual results could differ materially from those projected by such forward-looking statements.

Although we believe that the expectations in our forward-looking statements are reasonable, we cannot give any assurance that those expectations will be correct. Our operations are subject to numerous uncertainties, risks and other influences, many of which are outside our control and any of which could materially affect our results of operations and ultimately prove the statements we make to be inaccurate.

Factors that could cause our results to differ materially from the results discussed in such forward-looking statements include, but are not limited to, the following:

- our customer concentration and cyclical nature of our industry;
- the availability of raw materials and skilled personnel;
- our market competition;
- the cost and continued availability of borrowed funds;
- risks related to our international operations;
- compliance with legal and regulatory matters, including environmental regulations;
- the availability of insurance and the risks and limitations of our insurance coverage;
- potential impairment of long-lived intangible assets;
- our ability to continue to develop product enhancements or new products acceptable to our industry;
- risks related to severe weather, including hurricanes and other adverse weather events;



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risks related to fluctuations in the market value of our common stock; and

the impact of the Deepwater Horizon oil spill and the statutory and regulatory measures adopted in response thereto.

Other factors, risks and uncertainties that could cause actual results to differ materially from our expectations are discussed under the heading "Risk factors" below and as otherwise described in our periodic filings with the Securities and Exchange Commission, or the SEC.

We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus supplement or, in the accompanying prospectus or in any document we incorporate by reference, the date of that document. Other than as required under the securities laws, we undertake no obligation to publicly update or revise any forward-looking statements.

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**Summary**

*This summary highlights selected information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus. The following summary does not contain all of the information that you should consider before investing in the notes and is qualified in its entirety by the more detailed information appearing elsewhere in the prospectus supplement, the accompanying prospectus, the financial statements and the documents incorporated by reference herein and therein. See *Where you can find more information*. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the *Risk factors* section beginning on page S-8 of this prospectus supplement, before making an investment decision. To the extent the following information is inconsistent with the information in the accompanying prospectus, you should rely on the following information.*

***The company***

We are a diversified oil and gas industry supplier, and have three reportable segments: Fluids Systems and Engineering, Mats and Integrated Services, and Environmental Services. We provide our products and services primarily to the oil and natural gas exploration and production, or E&P, industry in the U.S. Gulf Coast, West Texas, East Texas, Oklahoma, North Louisiana, Rocky Mountains and Northeast regions, as well as Canada, Brazil, United Kingdom, or U.K., Mexico and certain areas of Europe and North Africa. Furthermore, we have established a presence outside the E&P sector, particularly in Mats and Integrated Services, where we are marketing to utilities, municipalities and government sectors.

Our Fluids Systems and Engineering business offers unique solutions, including highly technical drilling projects involving complex subsurface conditions, such as horizontal, directional, geologically deep or deep water drilling. These projects require increased monitoring and critical engineering support of the fluids system during the drilling process. We provide drilling fluids products and technical services to the North American, European, North African and Brazilian markets. We also provide completion fluids services and equipment rental to customers in Oklahoma and Texas. Included within our Fluids System and Engineering business are our industrial mineral grinding operations for barite, a critical raw material in drilling fluids products, which serve to support our activity in the drilling fluids market. We grind barite and other industrial minerals at our facilities and use the resulting products in our drilling fluids business and also sell the resulting products to industrial users, including other drilling fluids companies.

Our Mats and Integrated Services business provides mat rentals, location construction and related well site services to E&P customers in the Northeast U.S., onshore U.S. Gulf Coast and Western Colorado regions, and mat rentals to the utility industry in the U.K., which ensure all-weather access to sites with unstable soil conditions common to these areas. We also install access roads and temporary work sites for pipeline, electrical utility and highway construction projects where soil protection is required by environmental regulations or to assure productivity in unstable soil conditions.

Our Environmental Services business processes and disposes of waste generated by our oil and gas customers that is treated as exempt under the Resource Conservation and Recovery Act, or RCRA. Primary revenue sources include onshore drilling waste management as well as reclamation services. In addition, we provide disposal services in the West Texas market. We

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operate six receiving and transfer facilities located along the U.S. Gulf Coast. E&P waste is collected at the transfer facilities from drilling and production operations located offshore, onshore and within inland waters. Waste is accumulated at the transfer facilities and moved by barge through the Gulf Intracoastal Waterway to our processing and transfer facility at Port Arthur, Texas, and, if not recycled, is trucked to injection disposal facilities. We also recycle a portion of the material received and deliver it to municipal landfill facilities for application as a commercial product. Any remaining material is injected, after further processing, into environmentally secure geologic formations, effecting a permanent isolation of the material from the environment.

***Business strengths***

*Demonstrated ability to expand fluids market share.* We have achieved market share growth in our fluids business during nine of the last ten years while competing with larger, more diversified oilfield service companies. We believe that we are well-positioned in the six most prolific North American shale plays to expand our market share further.

*Differentiation through technology advancements.* We have focused on providing customized technological solutions for exploration and production operators to reduce their drilling time and improve their economics, which differentiates us from other drilling fluid providers. For example, our mostly recently announced technological development, a new water-based system called Evolution<sup>tm</sup>, improves the rate of penetration with less environmental impact.

*Creditworthy and diverse customer base.* We have a customer base, with varied levels of revenues, that includes both national oil companies and international oil companies. This diversity of customers provides more stability in contracts and investments and increases our opportunities for longer-term and higher-rate operating margins.

*Favorable international markets.* During the last five years, we have demonstrated the ability to expand our business internationally into Europe, North Africa and Brazil. We experienced a 30% rate of revenue growth in our international markets during the first six months of 2010. We have additional opportunities for growth in Europe, Africa and the Middle East.

***Corporate information***

We were incorporated in 1932 as a Nevada corporation. In 1991, we changed our state of incorporation to Delaware. Our corporate headquarters are located at 2700 Research Forest Drive, Suite 100, The Woodlands, Texas 77381. Our phone number is (281) 362-6800, and our website is accessed at [www.newpark.com](http://www.newpark.com). Information on our website is not incorporated into this prospectus supplement or our other securities filings and is not a part of this prospectus supplement.

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**The offering**

*The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes. As used in this section, we, our, and us refer to Newpark Resources, Inc. and not to its consolidated subsidiaries.*

<b>Issuer</b>	Newpark Resources, Inc., a Delaware corporation.
<b>Securities</b>	\$150,000,000 principal amount of 4.00% Convertible Senior Notes due 2017 (plus up to an additional \$22,500,000 principal amount to cover over-allotments).
<b>Maturity</b>	October 1, 2017, unless earlier repurchased or converted.
<b>Interest</b>	4.00% per year. Interest will accrue from October 4, 2010 and will be payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2011. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under Description of notes Events of default.
<b>Conversion rights</b>	<p> Holders may convert their notes at their option prior to the close of business on the business day immediately preceding the maturity date, in multiples of \$1,000 principal amount.</p> <p> The conversion rate for the notes is initially 90.8893 shares per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$11.00 per share of common stock), subject to adjustment as described in this prospectus supplement.</p> <p> Upon conversion, we will deliver for each \$1,000 principal amount of converted notes a number of shares of our common stock equal to the conversion rate (together with a cash payment in lieu of any fractional share) on the third business day following the relevant conversion date.</p> <p> In addition, following certain corporate events that occur prior to maturity, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances as described under Description of notes Conversion rights Adjustment to shares delivered upon conversion upon a make-whole fundamental change.</p> <p> You will not receive any additional cash payment or additional shares representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the delivery to you of the shares of our common stock, together with a cash payment for any fractional share, upon conversion of a note.</p>

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<b>No redemption</b>	We may not redeem the notes prior to maturity and no sinking fund is provided for the notes, which means that we are not required to redeem or retire the notes periodically.
<b>Fundamental change</b>	If we undergo a fundamental change (as defined in this prospectus supplement under Description of notes Fundamental change permits holders to require us to repurchase notes ), subject to certain conditions, holders may require us to repurchase for cash all or part of their notes in principal amounts of \$1,000 or an integral multiple thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. See Description of notes Fundamental change permits holders to require us to repurchase notes.
<b>Ranking</b>	<p>The notes will be our senior unsecured obligations and will rank:</p> <ul style="list-style-type: none"><li>senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the notes;</li><li>equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated;</li><li>effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and</li><li>structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries.</li></ul> <p>As of June 30, 2010, our total consolidated indebtedness was \$120.1 million, of which an aggregate of \$114.0 million was secured indebtedness of ours and of which an aggregate of \$6.1 million was indebtedness of our subsidiaries. After giving effect to the issuance of the notes (assuming no exercise of the underwriters over-allotment option) and the use of proceeds therefrom, our total consolidated long-term indebtedness would have been \$156.1 million as of June 30, 2010.</p> <p>The indenture governing the notes does not limit the amount of debt that we or our subsidiaries may incur.</p>
<b>Use of proceeds</b>	We estimate that the proceeds from this offering will be approximately \$145.0 million (or \$166.8 million if the underwriters exercise their option to purchase additional notes in full), after deducting fees and estimated expenses. We intend to use approximately \$104 million of the net proceeds from this offering to repay existing indebtedness outstanding under our revolving and term loan credit facility and the remaining net proceeds for general corporate purposes. See Use of proceeds.
<b>Book-entry form</b>	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The

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Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

**Absence of a public market for the notes** The notes are new securities and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.

**U.S. federal income tax consequences** For the U.S. federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of shares of our common stock, see Certain United States federal tax considerations.

**New York Stock Exchange symbol for our common stock** Our common stock is listed on The New York Stock Exchange under the symbol NR.

**Conflicts of Interest** Affiliates of J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are lenders under our credit facility and may receive more than 5% of the proceeds from this offering. Raymond James & Associates, Inc. is assuming the responsibilities of acting as the qualified independent underwriter in connection with this offering. See Conflicts of interest.

**Trustee, paying agent and conversion agent** Wells Fargo Bank, National Association.

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The following table sets forth our summary historical financial information and other operating data for the periods indicated. The summary consolidated statement of operations information for the years ended December 31, 2007, 2008 and 2009 and the summary consolidated balance sheet information as of December 31, 2008 and 2009 are derived from our audited consolidated financial statements, which are incorporated by reference into this prospectus supplement. The summary consolidated balance sheet information as of December 31, 2007 is derived from our audited consolidated financial statements, which are not included or incorporated by reference into this prospectus supplement. The summary consolidated statement of operations information for the six months ended June 30, 2009 and 2010, and the summary consolidated balance sheet data as of June 30, 2010 is derived from our unaudited interim financial statements, which are incorporated by reference into this prospectus supplement. The summary consolidated balance sheet data as of June 30, 2009 are derived from our unaudited interim financial statements, which are not included or incorporated by reference into this prospectus supplement. In the opinion of management, these unaudited financial statements reflect all adjustments necessary for a fair presentation of our results of operations and financial condition. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year. This summary consolidated financial information and operating data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K as filed with the SEC on May 12, 2010, and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, which are incorporated by reference into this prospectus supplement.

(dollars in thousands)	2007	Year ended December 31,		Six months ended	
		2008	2009	2009	June 30, 2010
					(unaudited)
<b>Statement of Operations Data:</b>					
Revenues	\$ 671,207	\$ 858,350	\$ 490,275	\$ 236,537	\$ 342,150
Operating income (loss)	66,403	71,496	(15,325)	(22,701)	33,605
Interest expense	20,251	10,881	9,334	3,250	4,376
Income (loss) from continuing operations	\$ 31,763	\$ 39,300	\$ (20,573)	\$ (20,791)	\$ 18,622
Loss from discontinued operations, net of tax	(3,488)	(842)			
Loss from disposal of discontinued operations, net of tax	(1,613)				
Net income (loss)	\$ 26,662	\$ 38,458	\$ (20,573)	\$ (20,791)	\$ 18,622
Ratio of earnings to fixed charges <sup>(a)</sup>	2.49x	3.33x	(b)	(b)	3.82x
<b>Balance Sheet Data (at end of period):</b>					
Working Capital <sup>(c)</sup>	\$ 214,890	\$ 253,136	\$ 163,110	\$ 172,955	\$ 225,475
Total assets	\$ 643,493	\$ 713,679	\$ 585,114	\$ 582,208	\$ 643,458
Foreign bank lines of credit	\$ 7,297	\$ 11,302	\$ 6,901	\$ 6,370	\$ 5,286

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Current maturities of long-term debt	\$ 11,565	\$ 10,391	\$ 10,319	\$ 10,471	\$ 10,192
Long-term debt, less current portion	\$ 158,616	\$ 166,461	\$ 105,810	\$ 127,944	\$ 104,588
Stockholders equity	\$ 360,664	\$ 377,882	\$ 368,022	\$ 361,457	\$ 381,210
<b>Other Operating Data:</b>					
EBITDA (unaudited) <sup>(d)</sup>	\$ 91,087	\$ 97,570	\$ 14,683	\$ (8,047)	\$ 48,727

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- (a) For these ratios, earnings represent the aggregate of (1) pre-tax income from continuing operations before adjustment for income or loss from equity investees, (2) fixed charges, (3) amortization of capitalized interest, (4) distributed income of equity investees and (5) our share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges, net of (1) interest capitalized, (2) preference security dividend requirements of consolidated subsidiaries, and (3) the minority interest in pre-tax income of subsidiaries that have not incurred fixed charges. Fixed Charges represent the sum of (1) interest expensed and capitalized, (2) amortized premiums, discounts and capitalized expenses related to indebtedness, (3) an estimate of the interest within rental expense, and (4) preference security dividend requirements of consolidated subsidiaries. Preference security dividend is the amount of pre-tax income that is required to pay the dividends on outstanding preference securities.
- (b) Reflects deficiency of earnings available to cover fixed charges of \$22.8 million and \$20.8 million for the fiscal year ended December 31, 2009 and the six months ended June 30, 2009, respectively.
- (c) Working capital calculated as current assets less current liabilities.
- (d) Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a non-GAAP financial measurement. We use EBITDA as an alternative measure of financial performance of our operations. Although EBITDA is a common alternative measure of performance used by investors, financial analysts and rating agencies to assess operating performance for companies in our industry, it is not a substitute for other GAAP financial measures such as net income or operating income as calculated and presented in accordance with GAAP. Furthermore, we believe that the non-GAAP EBITDA financial measure is useful to investors in providing greater transparency to the information used by management in its operational and investment decision making. Our non-GAAP financial measures may be different from such measures used by other companies. We urge you to review the GAAP financial measures included in this prospectus supplement and our consolidated financial statements, including the notes thereto, and the other financial information contained in this prospectus supplement and incorporated herein by reference, and not to rely on any single financial measure to evaluate our business.

A reconciliation of income (loss) from continuing operations to EBITDA for each of the historical fiscal periods indicated is as follows:

(dollars in thousands)	Year ended December 31,			Six months ended	
	2007	2008	2009	2009	June 30, 2010
Income (loss) from continuing operations	\$ 31,763	\$ 39,300	\$ (20,573)	\$ (20,791)	\$ 18,622
Depreciation and amortization	23,601	27,343	28,138	14,093	13,298
Interest expense, net	20,251	10,881	9,334	3,250	4,376
Income tax expense (benefit)	15,472	20,046	(2,216)	(4,599)	12,431
 EBITDA	 \$ 91,087	 \$ 97,570	 \$ 14,683	 \$ (8,047)	 \$ 48,727



Use of non-GAAP financial measures is subject to inherent limitations because they do not include all the expenses that must be included under GAAP and because they involve the exercise of judgment of which charges should properly be excluded from the non-GAAP financial measure. EBITDA has material limitations as a performance measure because it excludes (1) interest expense, which is a necessary element of our costs and ability to generate revenues because we borrow money to finance our operations, (2) depreciation, which is a necessary element of our costs and ability to generate revenues because we use capital assets, and (3) income taxes, which we are required to pay. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from EBITDA and by presenting comparable GAAP measures more prominently in our disclosures.

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**Risk factors**

*An investment in the notes involves significant risks. Prior to making a decision about investing in the notes, and in consultation with your own financial and legal advisors, you should carefully consider, among other matters, the following risk factors, as well as those in this prospectus supplement, the accompanying prospectus and our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q incorporated by reference herein and therein under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations.*

**Risks related to our business**

**Risks related to our customer concentration and cyclical nature of the E&P industry**

We derive a significant portion of our revenues from companies in the E&P industry, and our customer base is highly concentrated in major and independent oil and gas E&P companies operating in the markets that we serve. In 2009, approximately 51% of our consolidated revenues were derived from our 20 largest customers. The E&P industry is historically cyclical, with levels of activity generally affected by the following factors:

- current oil and natural gas prices and expectations about future prices;
- the cost to explore for, produce and deliver oil and gas;
- the discovery rate for new oil and gas reserves;
- the ability of oil and gas companies to raise capital;
- domestic and international political, military, regulatory and economic conditions; and
- government regulations regarding environmental protection, taxation, price controls and product allocation.

Because of the cyclical nature of our industry and our customer concentration, our quarterly and annual operating results have fluctuated significantly in recent years and may continue to fluctuate in future periods. A prolonged decline in industry drilling rig activity or the loss of any of our large customers could materially affect the demand for our services. Because our business has high fixed costs, including significant facility and personnel expenses, downtime or low productivity due to reduced demand can have a significant adverse impact on our profitability.

**Risks related to the availability of raw materials and skilled personnel**

Our ability to provide products and services to our customers is dependent upon our ability to obtain the raw materials and qualified personnel necessary to operate our business.

Barite is a naturally occurring mineral that constitutes a significant portion of our drilling fluids systems. We currently secure the majority of our barite ore from foreign sources, primarily China and India. The availability and cost of barite ore is dependent on factors beyond our control including power shortages, political priorities and government imposed export fees in China as well as natural disasters such as the 2008 earthquake in Sichuan Province, China. The availability and cost of barite ore is further impacted by inland transportation and ocean freight. Due to recent wide swings in world wide demand for raw materials, the cost of transportation has



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fluctuated significantly. Significant fluctuations in either the cost of raw materials, including barite ore or their transportation costs, may impact our profitability.

Our business is also highly dependent on our ability to attract and retain highly-skilled engineers, technical sales and service personnel. The market for these employees is very competitive, and if we cannot attract and retain quality personnel, our ability to compete effectively and to grow our business will be severely limited. Also a significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force or an increase in our operating costs.

**Risk related to our market competition**

We face competition in the Fluids Systems and Engineering business, where there are several companies larger than us that may have access to more capital, at lower costs, and greater geographic coverage. Numerous smaller companies also compete against us in the drilling fluids market.

Our competition in the Mats and Integrated Services business is very fragmented and competitive, with nine to ten competitors providing various forms of wooden mat products and services. No domestic competitors provide a product similar to our DuraBase™ composite mat system at the present time.

Competition in the Environmental Services market could increase as the industry continues to develop, which could put downward pressure on our margins. We also face competition from efforts by oil and gas producing customers to improve their own methods of disposal and waste elimination.

**Risks related to the cost and continued availability of borrowed funds**

We employ borrowed funds as an integral part of our long-term capital structure, and our future success is dependent upon continued access to borrowed funds to support our operations. The availability of borrowed funds on reasonable terms is dependent on the condition of credit markets and financial institutions from which these funds are obtained. Adverse events in the financial markets, such as th