

BOOTS & COOTS INTERNATIONAL WELL CONTROL INC
Form 10-K
March 13, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Form 10-K

For the fiscal year ended December 31, 2007

Commission file number 1-13817

Boots & Coots
International Well Control, Inc.
(Name of Registrant as specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

11-2908692
(I.R.S. Employer Identification No.)

7908 N. Sam Houston Parkway W., 5th Floor
Houston, Texas
(Address of Principal Executive Offices)

77064
(Zip Code)

281-931-8884
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.00001 par value	American Stock Exchange

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Exchange Act Rule (12b-2))

Large Accelerated Filer	<input type="checkbox"/>	Accelerated
Filer	<input checked="" type="checkbox"/>	Non-Accelerated Filer

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

The aggregate market value of common stock held by non-affiliates as of June 30, 2007 was \$115,894,000.

The number of shares of the issuer's common stock, par value \$.00001, outstanding on March 11, 2007 was 75,776,581.

DOCUMENTS INCORPORATED BY REFERENCE

FORM 10-K
ANNUAL REPORT
For the Year Ended December 31, 2007

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Included and incorporated by reference in this Form 10-K are certain 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. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-K that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including statements regarding our future financial position, growth strategy, budgets, projected costs, and plans and objectives of management for future operations. We use the words "may," "will," "expect," "anticipate," "estimate," "believe," "continue," "intend," "plan," "budget" and other similar words to identify forward-looking statements. You should read statements that contain these words carefully and should not place undue reliance on these statements. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, no assurance can be given that these expectations or assumptions will prove to have been correct. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include, but are not limited to, the following factors and the other factors described in this Form 10-K under the caption "Risk Factors":

- competition;
- changes in economic or political conditions in the markets in which we operate; and
- the inherent risks associated with our operations, such as equipment defects, malfunctions and natural disasters.

We believe that it is important to communicate our expectations of future performance to our investors. However, events may occur in the future that we are unable to accurately predict or control. We do not undertake any obligation to publicly update or revise publicly any forward-looking statements. When considering our forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Form 10-K.

Item 1. Business.

General

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 and the Middle East. Our customers include major and independent oil and gas companies in the U.S. market and major international and foreign national oil and gas producers as well as other oilfield service companies. Our service lines are organized into two business segments; well intervention and response. Our well intervention segment consists of services that are designed to enhance production for oil and gas operators and to reduce the number and severity of critical events such as oil and gas well fires, blowouts or other incidences due to loss of control at the well. This business segment consists primarily of hydraulic workover and snubbing services, prevention and risk management services and pressure control equipment rental and services. Our response segment consists of personnel, equipment and emergency services utilized during a critical well event. We have a long history in the oil and gas industry and are widely recognized for our emergency response services.

Executive Offices. Our principal offices are located at 7908 N. Sam Houston Parkway W., 5th Floor, Houston, Texas 77064, and our telephone number is (281) 931-8884. Our website is located at www.boots-coots.com.

History of Boots & Coots

Boots & Coots International Well Control, Inc. was incorporated in Delaware in April 1988, and remained largely inactive until acquiring IWC Services, Inc., a Texas corporation ("IWC Services"), on July 29, 1997. IWC Services was a global-response oil and gas well control service company that specialized in responding to and controlling oil and gas well emergencies, including blowouts and well fires. IWC Services was organized in June 1995 by six former key employees of the Red Adair Company.

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On July 31, 1997, we acquired substantially all of the operating assets of Boots & Coots, L.P., a Colorado limited partnership, and the stock of our subsidiary corporations, Boots & Coots Overseas, Ltd., and Boots & Coots de Venezuela, S.A. Boots & Coots, L.P. and our subsidiaries were engaged in oil well fire fighting, snubbing and blowout control services. Boots & Coots, L.P. was organized by Boots Hansen and Coots Matthews, two former employees of the Red Adair Company who, like the founders of IWC Services, left that firm to form an independent company, which was a primary competitor of IWC Services. As a consequence of the acquisition of Boots & Coots, L.P., we became a worldwide leader in the oil well firefighting and blowout control industry, reuniting many of the former employees of the Red Adair Company.

Acquisitions

On March 3, 2006, we acquired the hydraulic well control business (HWC) of Oil States International, Inc. As consideration for HWC, we issued approximately 26.5 million shares of our common stock and subordinated promissory notes of \$21.2 million. In April 2007, Oil States International, Inc. sold 14.95 million shares of our common stock and now owns approximately 15% of our common stock. Additionally, they hold the subordinated note of \$21.2 million payable in September 2010, as of the date of this report. Our acquisition of hydraulic workover and snubbing equipment and services is reported in our well intervention business segment. This service line has significantly expanded and enhanced our pressure control services capabilities and further emphasizes our strategy of complementing our pressure control experience gained through our response service line. Well intervention services are routinely needed by oil and gas exploration and development companies.

On July 31, 2007, we acquired Rock Springs, Wyoming-based StassCo Pressure Control, LLC (StassCo) for \$11.2 million, including direct acquisition costs of \$0.1 million, a payable to the sellers of \$0.5 million and less cash acquired of \$0.8 million. This transaction was funded utilizing cash proceeds available from our underwritten public offering of common stock in April 2007. StassCo performs snubbing services in the Cheyenne basin, Wyoming and operates four hydraulic rig assist units. This acquisition is an entry point to the Rockies pressure control market, a key to our strategy to expand North America land operations.

Our Industry

Our business is primarily dependent on the condition of the oil and gas industry. Demand for our services is cyclical and dependent upon the level of capital expenditures by oil and gas companies for well intervention services in our operating areas. These expenditures are influenced by prevailing oil and gas prices, expectations about future demand and prices, the cost of exploring, producing and developing oil and gas reserves, the discovery rates of new oil and gas reserves, political and economic conditions, governmental regulation and the availability and cost of capital. Our well intervention business is directly impacted by the level of North American and international rig counts. Demand for oilfield products and services may indirectly impact the longer-term prospects for our well control and other event-driven services.

Business Strategy

We have endeavored to build upon our demonstrated strengths in providing pressure control services by growing more predictable revenues from our well intervention services business. During 2007, we were successful in expanding our pressure control services as we invested \$5.9 million to launch our pressure control equipment rental and services business. These services are currently provided primarily in the Gulf Coast and central Texas regions, however, we plan to expand this business into other operating areas where we provide pressure control services, including international markets where we are able to secure contract commitments from our customers. We also expanded our geographic presence in the North American land market as we increased our hydraulic unit fleet with the acquisition of StassCo in the Rockies. We intend to continue to seek complementary business acquisitions that

position us to attain more predictable levels of income, broaden our pressure control service capabilities and increase our geographic presence. The market for well control response services is finite, with services dependent upon the occurrence of blowouts that cannot be reasonably predicted; however, as we expand our well intervention services, we anticipate our response business will benefit from our well intervention business development efforts and increased geographic presence in the U.S. and international markets.

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Business Segments

Well Intervention

History. In 1999, we began to offer well intervention services in an effort to reduce the uncertainty of revenue in the response business. Well intervention services began with the introduction of our “Safeguard” prevention and risk management services in Alaska. We expanded these services into Venezuela in late 1999 and into Algeria in 2001. The Safeguard operations in Algeria were significantly expanded in 2004 when we entered into new long-term contracts with Algeria's national oil and gas company, Sonatrach, and ENSP, one of the Algeria national oil and gas service providers. In 1999, we introduced our WELLSURE® program, which provides oil and gas operators and insurance underwriters a medium for effective management of well control insurance costs. We expanded this program internationally into Canada in 2003 and Indonesia in 2004. The most substantial increase in our well intervention services business and our overall scope of services resulted from our March 3, 2006 acquisition of our hydraulic workover and snubbing services business. The acquisition significantly expanded our pressure control services to include hydraulic workover and snubbing operations and expanded our geographic presence in key international oil and natural gas markets. In 2007, we further expanded our pressure control services by commencing our pressure control equipment rental and services business primarily in the Gulf Coast, Central and East Texas regions.

Description. Our well intervention segment consists of services that are designed to enhance production for oil and gas operators and reduce the number and severity of critical well events such as oil and gas well fires, blowouts, or other incidents due to loss of control at the well. Our services include hydraulic workover and snubbing, prevention and risk management, and pressure control equipment rental and services. These services are available for both onshore and offshore operations for U.S. and international customers. Domestically, we generate revenue from these services on a "call-out" basis and charge a day rate for equipment and personnel. This contracting structure permits dynamic pricing based on market conditions, which are primarily driven by the price of oil and natural gas. Call out services range in duration from less than a week in the case of a single well cleanout procedure to more than one year for a multi-well plugging and abandonment campaign. Internationally, revenue is typically generated on a contractual basis, with contracts ranging between six months and three years in duration.

Trends. The advancement of under-balanced drilling techniques and well completion methods is being utilized to unlock the potential in unconventional resource recovery and is driving demand for hydraulic snubbing equipment. Underbalanced drilling can reduce lost circulation, minimize differential sticking, decrease time, and most importantly, complete more productive wells by avoiding formation damage. Similarly, completion techniques utilizing snubbing services have also advanced to drive the economics of these unconventional natural gas resource plays. This trend has gained acceptance in the North American shale resource play and we expect these techniques to expand into international natural gas producing markets.

In the international markets, national oil and gas companies and large international operators are aware of the risks associated with older, poorly maintained wells and wellheads, internal competency levels among core employees and service vendors and societal risks from fields positioned in high population areas. This awareness is leading to increased demand for prevention and risk management services to assess the magnitude of exposure, prevent catastrophic failures and mitigate damages in the event a loss occurs. We provide these risk management services in the form of training, risk analyses, contingency planning, audit programs and well inspections, as well as the prevention and control of blowouts and the mitigation of risks related to installations. These services are typical of those provided under our Safeguard programs to foreign national oil and gas companies and international oil and gas companies.

Demand for natural gas is expected to continue rising; driven by its cleaner burning property and by economics when compared to oil. As investments in LNG infrastructure are made, we believe that natural gas will be transformed from a regional resource to a commodity that can be readily traded and transported globally, increasing its commercial value in underdeveloped emerging markets of West Africa and the Middle East. We expect to benefit from increased international gas drilling as these wells typically have higher wellbore pressure and require pressure control services such as snubbing and pressure control equipment rental and services.

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Our principal products and services of our well intervention business segment include:

Hydraulic Workover/Snubbing. This service line includes those services performed by hydraulic workover and snubbing units primarily to enhance production of oil and gas wells. We provide our hydraulic workover and snubbing units and services in various well intervention solutions involving workovers, well drilling, well completions, plugging and abandonment services and snubbing operations in pressure situations. Hydraulic units may be used for both routine and emergency well control situations in the oil and gas industry. Our hydraulic workover and snubbing units are specially designed for moving tubulars in and out of a wellbore using hydraulic pressure. When snubbing, the unit is pushing pipe or tubulars into the well bore against well bore pressures. Due to their small size and ability to work on wells under pressure, hydraulic units offer some advantages over larger conventional workover and drilling rigs in onshore and offshore applications, especially when performing workover services on wells with pressure. We operate a fleet of 33 hydraulic workover and snubbing units; 26 of which are "stand alone" units and 7 are rig assist units. We own all of the units except two of the "stand alone" units, which we operate on behalf of a customer. In 2007, we assembled a unit at our Louisiana facility and refurbished three underutilized snubbing units, which were deployed internationally and to U.S. onshore operations. Our units are deployed in various markets; nine in the Mid Continent and Rockies regions, nine in the Gulf Coast, three in Venezuela, six in Africa and six in the Middle East. The utilization rate for our total fleet of hydraulic units was 36.7% in 2007 compared to 35.5% in 2006. Utilization rates are impacted by the regional demand for hydraulic workover and snubbing units, the capabilities of the units in the region relative to the specific applications and capabilities desired by customers, and the nature of our contractual arrangements with customers. Our utilization rates are particularly affected by the concentration of our fleet in the U.S., where we are typically unable to obtain contractual utilization commitments from customers, our continuing efforts to upgrade and redeploy certain units to better position our fleet for opportunities in the U.S. gas drilling market, and the fact that we are required to stage units in specific international markets to service our regional customer base due to the particular application and capacity required. Utilization may increase as underutilized units in the U.S. are redeployed domestically and we continue to expand internationally, where service contracts typically have terms of six months to three years. In 2008, we plan to assemble new hydraulic units in order to supplement our most highly utilized unit class and to service our expanding international business.

Safeguard. Safeguard includes services that are designed to reduce the number and severity of critical well events by providing dedicated prevention and risk management services. Safeguard was specifically designed for international producers and operators, including foreign national oil and gas companies, through dedicated prevention and risk management services. These services include training, contingency planning, well plan reviews, audits, inspection services and engineering services. The growth of our Safeguard business reflects an industry trend moving operators towards a higher level of preventative and risk mitigation measures to protect against critical well events. These services typically generate revenue on a contractual basis dependent upon the breadth, scope, and duration of services performed. We provide these services to customers in the United States, Venezuela, the Middle East and North Africa, for both onshore and offshore applications

WELLSURE® Program. We and Global Special Risks, Inc., a managing general insurance agent located in Houston, Texas and New Orleans, Louisiana, have formed an alliance that offers oil and gas exploration and production companies, through retail insurance brokers, a program known as "WELLSURE®," which combines traditional well control and blowout insurance with our post-event response services and well control preventative services, including company-wide and/or well specific contingency planning, personnel training, safety inspections and engineering consultation. Insurance provided under WELLSURE® has been arranged with leading London insurance underwriters. WELLSURE® program participants are provided with the full benefit of having us as a safety and prevention partner. We generate service fees based upon the scope of prevention activity required.

Engineering Services. With greater pressure control engineering capabilities than our competitors, we provide pre-event engineering services that include consultation, well planning, dynamic kill modeling and intervention planning.

Firefighting Equipment Sales and Service. In this service line, we sell complete firefighting equipment packages, together with maintenance, monitoring, updating of equipment and ongoing consulting services.

Specialized Drilling Engineering. We have a highly specialized in-house engineering staff which provides engineering services, including planning and design of relief well drilling (trajectory planning, directional control and equipment specifications, and on-site supervision of drilling operations); planning and design of production facilities which are susceptible to well capping or other control procedures and mechanical and computer aided designs for well control equipment.

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Inspections. A cornerstone of our strategy of providing preventive well control services involves on-site inspection services for drilling and workover rigs, production platforms and field production facilities.

Training. We provide specialized training in well control procedures for drilling, exploration and production personnel for both U.S. and international operators. Additionally, we provide competency programs, blowout drills and evaluations as well as incident command training.

Pressure Control Equipment Rental and Services. This service line was added to our suite of pressure control services during 2007. Our pressure control equipment is utilized primarily during the drilling and completion phases of oil and gas producing wells. A typical job includes rental of equipment such as high pressure flow iron, valves, manifolds and chokes. Typically one or two technicians assemble, operate and maintain our equipment during the rental phase. We provide these services on a day rental and service basis with rates varying based on the type of equipment and length of time of rental and service. This business is currently operating in the Gulf Coast and Central and East Texas regions. We plan to expand this business into other operating areas where we provide pressure control services such as in the Rockies, North Texas and Oklahoma, including international markets where we are able to secure contractual commitments from our customers.

Response

History. The emergency response segment of the oil and gas services industry traces its roots to the late 1930's when Myron Kinley organized the Kinley Company; the first oil and gas well firefighting specialty company. Shortly after organizing the Kinley Company, Mr. Kinley hired Paul "Red" Adair, who learned the firefighting business under Mr. Kinley's supervision and remained with the Kinley Company until Mr. Kinley's retirement. When Mr. Kinley retired in the late 1950's, Mr. Adair organized the Red Adair Company and subsequently hired Boots Hansen, Coots Matthews and Raymond Henry as members of his professional firefighting staff. Mr. Adair later added Richard Hatteberg, Danny Clayton, Mike Foreman and Juan Moran to his staff, and the international reputation of the Red Adair Company grew to the point where it was a subject of popular films and the dominant competitor in the industry. Boots Hansen and Coots Matthews remained with the Red Adair Company until 1978 when they split off to organize Boots & Coots, an independent firefighting, snubbing and blowout control company.

The 1990's represented a period of rapid change in the oil and gas well control and firefighting business. The hundreds of oil well fires that were started by Iraqi troops during their retreat from Kuwait spurred the development of new firefighting techniques and tools that have now become industry standards. Moreover, after extinguishing the Kuwait fires, the entrepreneurs who created the oil and gas well firefighting industry, including Red Adair, Boots Hansen and Coots Matthews, retired, leaving our senior staff as the most experienced active oil and gas well firefighters in the world.

Historically, the well control emergency response segment of the oil and gas services industry has been reactive, rather than proactive, and a small number of companies have dominated the market. As a result, if an operator in West Africa, for example, experienced a well blowout and fire, he would likely call a well control emergency response company in Houston, Texas that would take the following steps:

- immediately dispatch a control team to the well location to assess the damage, supervise debris removal, local equipment mobilization and site preparation;
- gather and analyze the available data, including drilling history, geology, availability of support equipment, personnel, water supplies and ancillary firefighting resources;
- develop or implement a detailed fire suppression and well-control plan;

- mobilize additional well-control and firefighting equipment in Houston, Texas;
- transport equipment by air freight from Houston, Texas to the blowout location;
- extinguish the fire and bring the well under control; and
- transport the control team and equipment back to Houston, Texas.

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Description. Our response services consist of personnel, equipment and emergency services utilized during a critical well event, such as an oil and gas well fire, blowout, or other loss of control at the well. These services also include snubbing and pressure control services provided during a response which are designed to minimize response time, mitigate damage, and maximize safety. Revenue is generated through personnel time and material. Personnel time consists of day rates charged for working crews usually consisting of a team of four personnel. Day rates charged for personnel time vary widely depending upon the perceived technical, political, and security risks inherent in a project. Critical events are typically covered by our customers' insurance, lowering the risk of non-payment. The emergency response business is by nature episodic and unpredictable.

Our principal products and services for response segment include:

Well Control. This service line offers two distinct levels of service. A critical event response refers to a well control situation in which hydrocarbons are escaping from a well bore, regardless of whether a fire has occurred. Such an event frequently results in explosive fires, loss of life, damage to or destruction of drilling and production facilities, substantial environmental damage and the loss of significant production revenue. Because critical events ordinarily arise from equipment failures or human error, it is impossible to accurately predict the timing or scope of our critical event work. Critical events of catastrophic proportions can result in significant revenues to us in the year of the incident. Our professional firefighting staff has over 300 years of combined industry experience in responding to critical events, oil well fires and blowouts. Non-critical event response, on the other hand, is intended to address more common sub-surface operating problems that do not involve escaping hydrocarbons. These events typically occur in connection with workover operations or the drilling of new wells into high pressure reservoirs. In most non-critical events, the blowout prevention equipment and other safety systems on the drilling rig function according to design and in those instances, we are called upon to supervise and assist in the well control effort so that drilling operations can resume as promptly as safety permits. While non-critical events do not ordinarily have the revenue impact of a critical event, they are more frequent. Non-critical events sometimes escalate into critical events.

Firefighting Equipment Rentals. This service includes the rental of specialty well control and firefighting equipment primarily for use in conjunction with critical events; including firefighting pumps, pipe racks, atehy wagons, pipe cutters, crimping tools and deluge safety systems. We charge for this equipment on a per diem basis.

WELLSURE® Program. Under the WELLSURE® program, we have formed an alliance with a managing general insurance agent that offers oil and gas exploration and production companies a program which combines traditional well control and blowout insurance with our post-event response services and well control prevention services. WELLSURE® program participants are provided with the full benefit of having us as a safety, prevention and emergency well control response partner in an emergency. We generate service fees based upon the scope of prevention and well control response services performed.

Snubbing Services. We provide hydraulic snubbing units for emergency well control situations to the oil and gas industry. A hydraulic snubbing unit is a specially designed rig used for moving tubulars in and out of a wellbore using hydraulic pressure. When a unit is snubbing, it is pushing pipe or tubulars into the well bore against well pressures. These units may also be used for blowout control and pipe recovery during a response event.

Customers

Our customers include major and independent oil and gas companies in the U.S. market, major international and foreign national oil and gas producers, as well as other oilfield service companies. While pressure control services in general are generated from a base of several hundred customers, a significant portion of the total revenue in recent years has been generated by less than five international clients. Approximately 37% of our consolidated revenues during the year ended December 31, 2007 were derived from two key customers. We generate revenue in Venezuela

from one of these key customers. Unless we are able to retain our existing customers or secure new customers if we lose one or more of our significant customers, our revenue and results of operations would be adversely affected. We have a dedicated business development team in place to market our suite of pressure control services. In the U.S., services are primarily provided on a “call out” basis, with short lead time between ordering equipment and services and providing service and delivering equipment. In international markets, services and equipment are delivered based on service contracts with a term range of six months to three years.

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Regulation

Our operations are affected by numerous federal, state, and local laws and regulations relating to, among other things, workplace health and safety and the protection of the environment. The technical requirements of these laws and regulations are becoming increasingly complex and stringent, and compliance is becoming increasingly difficult and expensive. However, we do not believe that compliance with current laws and regulations is likely to have a material adverse effect on our business or financial statements. Nevertheless, we are obligated to exercise prudent judgment and reasonable care at all times and the failure to do so could result in liability under any number of laws and regulations.

Certain environmental laws provide for “strict liability” resulting from remediation of spills and releases of hazardous substances and some provide liability for damages to natural resources or threats to public health and safety. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties, and criminal prosecution. It is possible that changes in the environmental laws and enforcement policies hereunder, or claims for damages to persons, property, natural resources, or the environment could result in substantial costs and liabilities to us. Our insurance policies provide liability coverage for sudden and accidental occurrences of pollution and/or clean-up and containment of the foregoing in amounts which we believe are comparable to companies in the industry. To date, we have not been subject to any fines or penalties for violations of governmental or environmental regulations and have not incurred material capital expenditures to comply with environmental regulations.

Research and Development

We are not directly involved in activities that will require the expenditure of substantial sums on research and development.

Competition

We operate in highly competitive markets within the oilfield services industry. We compete with large and small oilfield industry competitors including larger integrated oilfield service providers in both business segments. Although we have a strong market share position in our well intervention service lines providing hydraulic workover and snubbing and prevention and risk management services, these markets are highly fragmented. Our main competitors in hydraulic workover include Halliburton Company, Cudd Pressure Control, a subsidiary of RPC, Inc., International Snubbing Services (ISS) and Warrior Energy Services (Bobcat) which are both subsidiaries of Superior Energy Services, Inc., and a number of local and regional oilfield service businesses.

The emergency response segment of the oil and gas services business is a dynamic market in which new technical developments could afford a service company a significant advantage. At present, the principal competitors in the oil and gas well firefighting business are Wild Well Control, Inc., a subsidiary of Superior Energy Services, Inc., and Cudd Pressure Control, a subsidiary of RPC, Inc. We believe that our growth in well intervention services has strengthened our competitive position in the industry by expanding both the scope of services that we offer to our customers as well as our geographic presence.

Our competitors may succeed in developing new techniques, products and services that are more effective than any that have been or are being developed by us or that render our techniques, products and services obsolete or noncompetitive. Our competitors may also succeed in obtaining patent protection or other intellectual property rights that might hinder our ability to develop, produce or sell competitive products or the specialized equipment used in our business.

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Employees

As of December 31, 2007, we and our operating subsidiaries collectively had 521 full-time employees and 5 part-time personnel. In addition, we have several part-time consultants and also employ part-time contract personnel who remain on-call for certain well intervention and response projects. We are not subject to any collective bargaining agreements and consider our relations with our employees, consultants and contract personnel to be good.

Reliance upon Officers, Directors and Employees

Our services require highly specialized skilled personnel. Because of the unique nature of the industry and the small number of persons who possess the requisite skills and experience, we are highly dependent upon the personal efforts and abilities of our employees. In seeking qualified personnel, we may be required to compete with companies having greater financial and other resources than us. Our future success will be dependent upon our ability to attract and retain qualified personnel, and the inability to do so, or the loss of personnel, could have a material adverse impact on our business.

Contractual Obligations to Customers; Indemnification

We customarily enter into service contracts which contain provisions that hold us liable for various losses or liabilities incurred by the customer in connection with our activities, including, without limitation, losses and liabilities relating to claims by third parties, damage to property, violation of governmental laws, regulations or orders, injury or death to persons, and pollution or contamination caused by substances in our possession or control. We may also be responsible for any such losses or liabilities caused by contractors retained by us in connection with the provision of services. In addition, such contracts generally require us, our employees, agents and contractors to comply with all applicable laws, rules and regulations (which may include the laws, rules and regulations of various foreign jurisdictions) and to provide sufficient training and educational programs to such persons in order to enable them to comply with applicable laws, rules and regulations. In the case of emergency response services, we frequently enter into agreements with customers which limit our exposure to liability and/or require the customer to indemnify us for losses or liabilities incurred by us in connection with such services, except in the case of gross negligence or willful misconduct. There can be no assurance, however, that such contractual provisions limiting our liability will be enforceable in whole or in part under applicable law.

Item 1A. Risk Factors.

In addition to the other information set forth elsewhere or incorporated by reference in this report, the following factors relating to us and our common stock should be considered carefully.

Risks Relating to Our Business

Demand for our services and products depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices.

Demand for our products and services is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of, and demand for, oil and natural gas, market uncertainty, and a variety of other factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the immediate levels of exploration, development, and production activity, often reflected as changes in rig counts. Perceptions of longer-term lower oil and natural gas prices by oil and gas companies may result in the reduction or deferral of major expenditures given the

long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our services that could have a material adverse effect on our revenue and profitability. Many factors affect the supply and demand for oil and natural gas and therefore influence product prices, including:

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- the level of production;
- the levels of oil and natural gas inventories;
- domestic and worldwide demand for oil and natural gas;
- the expected cost of developing new reserves;
- the actual cost of finding and producing oil and natural gas;
- the availability of attractive oil and gas field prospects, which may be affected by governmental actions and regulations or environmental activists;
- the availability of transportation infrastructure and refining capacity;
- the level of drilling activity;
- global weather conditions and natural disasters;
- worldwide political, military, and economic conditions and economic activity, including growth in underdeveloped countries;
- national government political objectives, including the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels and prices for oil;
- the cost and timing of the development of alternate energy sources; and
- tax policies.

If demand for drilling services or drilling rig utilization rates decrease significantly then demand for our services will decrease, which will adversely affect our results of operations.

We may not successfully integrate the businesses we acquire or achieve the benefits we are seeking from acquisitions.

As part of our business strategy, we intend to evaluate potential acquisitions of other businesses or assets. However, there can be no assurance that we will be successful in consummating any such acquisitions. Successful acquisition of businesses or assets will depend on various factors, including, but not limited to, our ability to obtain financing and the competitive environment for acquisitions. In addition, we may not be able to successfully integrate any business or assets that we acquire in the future. The integration of acquired businesses is likely to be complex and time consuming and may place a significant strain on management resources.

Disruptions in the political and economic conditions of the foreign countries in which we operate expose us to risks that may have a material adverse effect on our business.