OIL STATES INTERNATIONAL, INC
Form 10-K
February 23, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form 10-K

/x/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

or

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ________

Commission file no. 001-16337

Oil States International, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**76-0476605**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

Three Allen Center, 333 Clay Street, Suite 4620, Houston, Texas 77002

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

(713) 652-0582

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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 has submitted electronically and posted on its corporate Website, 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 [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. [X]

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.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

The aggregate market value of common stock held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter, June 30, 2014, was $3,414,229,876.

The number of shares of the registrant’s common stock, par value $0.01 per share, outstanding as of February 20, 2015 was 51,358,276 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, which the registrant intends to file with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this Annual Report on Form 10-K.

- 2 -

TABLE OF CONTENTS

PART I

This Annual Report on Form 10-K contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933(the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). Actual results could differ materially from those projected in the forward-looking statements as a result of a number of important factors. For a discussion of known material factors that could affect our results, please refer to "Part I, Item 1. Business," "Part I, Item 1A. Risk Factors," "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk" below.

Cautionary Statement Regarding Forward-Looking Statements

We include the following cautionary statement to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 for any "forward-looking statement" made by us, or on our behalf. The factors identified in this cautionary statement are important factors (but not necessarily all of the important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by us, or on our behalf. You can typically identify "forward-looking statements" by the use of forward-looking words such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," "forecast," "proposed," "should," "seek," and other similar words. Such statements may include statements regarding our future financial position, budgets, capital expenditures, projected costs, plans and objectives of management for future operations and possible future strategic transactions. Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that assumed facts or bases almost always vary from actual results. The differences between assumed facts or bases and actual results can be material, depending upon the circumstances.

In any forward-looking statement where we, or our management, express an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. Taking this into account, the following are identified as important factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, our company;

the level of supply and of demand for oil and natural gas;

fluctuations in the current and future prices of oil and natural gas;

the level of drilling and completion activity;

the availability of attractive oil and natural gas field prospects, which may be affected by governmental actions or actions of other parties which may restrict drilling;

the level of offshore oil and natural gas developmental activities;

general global economic conditions;

global weather conditions and natural disasters;

our ability to find and retain skilled personnel;

the availability and cost of capital; and

the other factors identified in “Part I, Item 1A. "Risk Factors."

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no responsibility to publicly release the result of any revision of our forward-looking statements after the date they are made.

Item 1. *Business*

Our Company

Oil States International, Inc. (the Company or Oil States), through its subsidiaries, is a leading provider of specialty products and services to oil and natural gas companies throughout the world. We operate in some of the world's most active oil and natural gas producing regions, including onshore and offshore U.S., Canada, West Africa, the North Sea, South America and Southeast and Central Asia. Our customers include many national oil companies, major and independent oil and natural gas companies, onshore and offshore drilling companies and other oilfield service companies. We operate in two principal business segments – offshore products and well site services – and have established a leadership position in certain of our product or service offerings in each segment. In this Annual Report on Form 10-K, references to the "Company" or “Oil States” or to "we," "us," "our," and similar terms are to Oil States International, Inc. and our subsidiaries.

Available Information

The Company maintains a website with the address of www.oilstatesintl.com. The Company is not including the information contained on the Company's website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. The Company makes available free of charge through its website its Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after the Company electronically files such material with, or furnishes such material to, the Securities and Exchange Commission (the Commission). The filings are also available through the Commission at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. Also, these filings are available on the internet at http://www.sec.gov. The Board of Directors of the Company (the Board) has documented its governance practices by adopting several corporate governance policies. These governance policies, including the Company's Corporate Governance Guidelines, Corporate Code of Business Conduct and Ethics and Financial Code of Ethics for Senior Officers, as well as the charters for the committees of the Board (Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee) may also be viewed at the Company's website. The financial code of ethics applies to our principal executive officer, principal financial officer, principal accounting officer and other senior officers. Copies of such documents will be sent to shareholders free of charge upon written request to the corporate secretary at the address shown on the cover page of this Annual Report on Form 10-K.

Our Business Strategy

We have in past years grown our business lines both organically through capital spending and through strategic acquisitions. Our investments are focused in growth areas and on areas where we expect we can expand market share and where we believe we can achieve an attractive return on our investment. We see investment opportunities in shale play regions in North America and in the expansion of our capabilities to manufacture and assemble deepwater capital equipment on a global basis. As part of our long-term growth strategy, we continue to review complementary acquisitions as well as make organic capital expenditures to enhance our cash flows and increase our shareholders' returns. For additional discussion of our business strategy, please read Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Spin-Off of Accommodations Business

On May 30, 2014, we completed the spin-off of our accommodations business (the Spin-Off) into a stand-alone, publicly traded corporation, Civeo Corporation (Civeo). The objectives of the Spin-Off were to allow each respective management team to more effectively focus on the two distinct businesses, to allow the Company and Civeo the opportunity to pursue more tailored and aggressive growth strategies and the optimization of operating efficiencies for each of the Company and Civeo, among other objectives. In connection with the Spin-Off, we received a private letter ruling from the Internal Revenue Service to the effect that the Spin-Off qualifies as a tax-free transaction. On May 30, 2014 (the Distribution Date), the stockholders of record of Oil States common stock as of the close of business on May 21, 2014 (the Record Date) received two shares of Civeo common stock for each share of Oil States common stock held as of the Record Date. We refinanced all of our debt in connection with the Spin-Off. Following the Distribution Date, Oil States ceased to own any shares of Civeo common stock. Operating results for Civeo have been classified as discontinued operations for all periods presented.

Tubular Services Business Disposition

On September 6, 2013, the Company entered into a Stock Purchase Agreement with Marubeni-Itochu Tubulars America, Inc. (Marubeni-Itochu) for the sale of Sooner, Inc. and its subsidiaries (Sooner), which comprised the entirety of the Company’s tubular services segment. Total consideration received by the Company was $600.0 million. We recognized a net gain on disposal of $128.4 million ($84.0 million after-tax) during 2013. Operating results for the Company’s tubular services business have been classified as discontinued operations for all periods presented.

Capital Spending and Acquisitions

Capital spending over the last several years has included both growth and maintenance capital expenditures in each of our businesses. Capital spending for our continuing operations totaled $533 million over the three-year period 2012 to 2014.

In addition to capital spending, we have invested $145 million over the three-year period 2012 to 2014 for acquisitions of businesses in our continuing operations. Acquisitions of other oilfield service businesses have been an important aspect of our growth strategy and plan to increase shareholder value. Our acquisition strategy has allowed us to leverage our existing and acquired products and services into new geographic locations, and has expanded our technology and product offerings. We have made strategic acquisitions in each of our business segments in recent years.

On January 2, 2015, we acquired all of the equity of Montgomery Machine Company, Inc. (MMC). Headquartered in Houston, Texas, MMC combines machining and proprietary cladding technology and services to manufacture high-specification components for the offshore capital equipment industry on a global basis. We believe that the acquisition of MMC will strengthen our position in our offshore products segment as a supplier of subsea components with enhanced capabilities, proprietary technology and logistical advantages. Subject to customary post-closing adjustments, total transaction consideration was $34.0 million.

On December 2, 2013, we acquired all of the operating assets of Quality Connector Systems, LLC (QCS) for total cash consideration of $42.3 million. Headquartered in Houston, Texas, QCS designs, manufactures and markets a portfolio of proprietary deep and shallow water pipeline connectors for subsea pipeline construction, repair and expansion projects. The operations of QCS have been included in our offshore products segment since the acquisition date.

On December 14, 2012, we acquired all of the equity of Tempress Technologies, Inc. (Tempress) for purchase price consideration of $52.8 million. Headquartered in Kent, Washington, Tempress designs, develops and markets a suite of highly specialized, hydraulically-activated tools utilized during downhole completion activities. The operations of Tempress have been included in our well site services segment since the acquisition date.

On July 2, 2012, we acquired all of the operating assets of Piper Valve Systems, Ltd (Piper) for total cash consideration of $48.0 million. Headquartered in Oklahoma City, Oklahoma, Piper designs and manufactures high pressure valves and manifold components for oil and gas industry projects offshore (surface and subsea) and onshore. The operations of Piper have been included in our offshore products segment since the acquisition date.

The Company funded all of these acquisitions with cash on hand and/or amounts available under our credit facilities. See Note 11 to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information on our senior secured bank facilities.

Our Industry

We principally operate in the oilfield services industry and provide a broad range of products and services to our customers through each of our business segments. See Note 17 to the Consolidated Financial Statements included in "Part II, Item 8. Financial Statements and Supplementary Data" for financial information by segment and a geographical breakout of revenues and long-lived assets for each of the three years ended December 31, 2014, 2013 and 2012. Demand for our products and services is cyclical and substantially dependent upon activity levels in the oil and gas industry, particularly our customers' willingness to spend capital on the exploration for and development of oil and natural gas. Our customers' spending plans are generally based on their outlook for near-term and long-term commodity prices. As a result, the demand for our products and services is highly sensitive to current and expected commodity prices.

Our historical financial results reflect the cyclical nature of the oilfield services business. Since 2001, there have been periods of increasing and decreasing activity in each of our operating segments. For additional information about activities in each of our segments, please see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

We benefited from high oil prices during the majority of the last three years resulting in very active bidding and quoting activity for our offshore products segment. As a result of this strong activity coupled with contributions from our acquisitions, backlog in our offshore products segment increased from $561 million at December 31, 2012 to $580 million as of December 31, 2013, but decreased to $490 million as of December 31, 2014 due to award timing and contract negotiations during the second half of 2014, coupled with project delays resulting from the decline in commodity prices during the fourth quarter of 2014.

Beginning in the fourth quarter of 2014, crude oil prices began a precipitous fall, with WTI decreasing from a June peak price per barrel of $107.95 to $50.34 per barrel as of February 20, 2015. These materially lower commodity prices will negatively impact the cash flows of our customers forcing them to cut capital expenditures and control costs, which may adversely affect our results of operations, cash flows and financial condition. Global deepwater spending will likely be negatively impacted as a result which could lead to further backlog declines in our offshore products segment during 2015.

Our well site services business segment is also affected by drilling and completion activity primarily in the U.S., including the Gulf of Mexico, and, to a lesser extent, Canada and the rest of the world. As recently as 2008, overall North American drilling and completion activity was primarily driven by spending for natural gas exploration and development, particularly in the shale play regions of the U.S. using horizontal drilling and completion techniques. However, considering higher oil prices and lower natural gas prices, drilling and completion activity in North America shifted to a greater proportion of oil and liquids-rich drilling over the last few years. According to the most current rig count data published by Baker Hughes Incorporated, the U.S. oil rig count peaked in October 2014 at 1,609 rigs but has declined materially in recent months due to much lower crude oil prices, totaling 1,019 rigs as of February 20, 2015. Despite this decline, the February 20, 2015 oil rig count still comprises approximately 78% of total U.S. drilling activity. The remaining 22% of drilling activity is largely natural gas related. The U.S. natural gas-related working rig count has declined from more than 810 rigs at the beginning of 2012 to 289 rigs as of February 20, 2015, a nearly 22 year low.

See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Macroeconomic Environment."

Offshore Products

Overview

During the year ended December 31, 2014, we generated approximately 53% of our revenue and operating income, before corporate charges, from our offshore products segment. Through this segment, we design and manufacture a number of cost-effective, technologically advanced products for the offshore energy industry. In addition, we supply other lower margin products and services such as fabrication and inspection services. Our products and services are used primarily in deepwater producing regions and include flex-element technology, advanced connector systems, high-pressure riser systems, compact valves, deepwater mooring systems, cranes, subsea pipeline products, blow-out preventer stack integration, specialty welding, cladding and machining services, offshore installation services and repair services. We have facilities that support our offshore products segment in Arlington, Houston and Lampasas, Texas; Houma, Louisiana; Oklahoma City and Tulsa, Oklahoma; Scotland; Brazil; England; Singapore; Thailand; Vietnam; and India.

Offshore Products Market

The market for our offshore products and services depends primarily upon development of infrastructure for offshore production activities, drilling rig refurbishments and upgrades as well as new rig and vessel construction. Demand for oil and natural gas and related drilling and production in offshore areas throughout the world, particularly in deeper water, drive spending for these activities.

Products and Services

Celebrating over 70 years of operations in 2014, our offshore products segment provides a broad range of products and services for use in offshore drilling and development activities. To a lesser extent, this segment also provides onshore oil and natural gas, defense and general industrial products and services. Our offshore products segment is dependent in part on the industry's continuing innovation and creative applications of existing technologies. We own patents covering some of our technology, particularly in our connector and valve product lines.

Offshore Development and Drilling Activities. We design, manufacture, fabricate, inspect, assemble, repair, test and market subsea equipment and offshore vessel and rig equipment. Our products are components of equipment used for the drilling and production of oil and natural gas wells on offshore fixed platforms and mobile production units, including floating platforms, such as tension leg platforms, floating production, storage and offloading (FPSO) vessels, Spars, and on other marine vessels, floating rigs and jack-up rigs. Our products and services include:

- flexible bearings and advanced connection systems;
- casing and conductor connections and pipe;
- subsea pipeline products;
- compact ball valves, manifold system components and diverter valves;
- marine winches, mooring systems, cranes and other heavy-lift rig equipment;
- production, workover, completion and drilling riser systems and their related repair services;

blowout preventer (BOP) stack assembly, integration, testing and repair services; and

other products and services.

Flexible Bearings and Advanced Connection Systems. We are a significant supplier of flexible bearings, or FlexJoint®, to the offshore oil and gas industry as well as weld-on connectors and fittings that join lengths of large diameter conductor or casing used in offshore drilling and production operations. A FlexJoint® is a flexible bearing that permits the controlled movement of riser or tension leg platform tethers under high tension and pressure. A FlexJoint® or our flex element at the top, bottom and, in some cases, middle of a deepwater riser reduces the stress and tension on the riser compensating for the pitch and rotational forces on the riser as the production facility or drilling rig moves with ocean forces. They are used on drilling, production and export risers and are used increasingly as offshore production moves to deeper water areas. Drilling riser systems provide the vertical conduit between the floating drilling vessel and the subsea wellhead. Through the drilling riser, equipment is guided into the well and drilling fluids are returned to the surface. Production riser systems provide the vertical conduit for the hydrocarbons from the subsea wellhead to the floating production facility. Oil and natural gas flows to the surface for processing through the production riser. Export risers provide the vertical conduit from the floating production facility to the subsea export pipelines. Our FlexJoint® bearings are a critical element in the construction and operation of production and export risers on floating production systems in deepwater.

Floating production systems, including tension leg platforms, Spars and FPSO facilities, are a significant means of producing oil and natural gas, particularly in deepwater environments. We provide many important products for the construction of these facilities. A tension leg platform (TLP) is a floating platform that is moored by vertical pipes, or tethers, attached to both the platform and the sea floor. Our FlexJoint® tether bearings are used at the top and bottom connections of each of the tethers, and our Merlin™ connectors are used to efficiently assemble the tethers during offshore installation. An FPSO is a floating vessel, typically ship shaped, used to produce, and process oil and natural gas from subsea wells. A Spar is a floating vertical cylindrical structure which is approximately six to seven times longer than its diameter and is anchored in place. Our FlexJoint® bearings are also used to attach the steel catenary risers to an FPSO, tension leg platform or Spar, and for use on import or export risers.

Casing and Conductor Connections and Pipe. Our advanced connection systems provide connectors used in various drilling and production applications offshore. These connectors are welded onto pipe to provide more efficient joint to joint connections with enhanced tensile and burst capabilities that exceed those of connections that are cut into plain end pipe. Our connectors are reusable and pliable and in some cases provide metal-to-metal seals. We offer a suite of connectors offering differing specifications depending on the application. Our Merlin™ connectors are our premier connectors combining superior static strength and fatigue life with fast, non-rotational make-up and a slim profile. Merlin™ connectors have been used in sizes up to 60 inches (outside diameter) for applications including open-hole and tie-back casing, offshore conductor casing, pipeline risers and TLP tendons (which moor the TLP to the sea floor).

These flexible bearings and advanced connector systems are primarily manufactured through our Arlington, Texas, U.K. and Singapore locations.

Subsea Pipeline Products. We design and manufacture a variety of equipment used in the construction, maintenance, expansion and repair of offshore oil and natural gas pipelines. New construction equipment includes:

pipeline end manifolds and pipeline end terminals;

deep and shallow water pipeline connectors;

midline tie-in sleds;

forged steel Y-shaped connectors for joining two pipelines into one;

pressure-balanced safety joints for protecting pipelines and related equipment from anchor snags or a shifting sea-bottom;

electrical isolation joints; and

hot tap clamps that allow new pipelines to be joined into existing lines without interrupting the flow of petroleum product.

We provide diverless connection systems for subsea flowlines and pipelines. Our HydroTech® collet connectors provide a high-integrity, proprietary metal-to-metal sealing system for the final hook-up of deep offshore pipelines and production systems. They also are used in diverless pipeline repair systems and in future pipeline tie-in systems. Our lateral tie-in sled, which is installed with the original pipeline, allows a subsea tie-in to be made quickly and efficiently using proven HydroTech® connectors without costly offshore equipment mobilization and without shutting off product flow.

We provide pipeline repair hardware, including deepwater applications beyond the depth of diver intervention. Our products include:

- repair clamps used to seal leaks and restore the structural integrity of a pipeline;
- mechanical connectors used in repairing subsea pipelines without having to weld;
- misalignment and swivel ring flanges; and
- pipe recovery tools for recovering dropped or damaged pipelines.

Our subsea pipeline products are primarily designed and manufactured at three of our Houston, Texas manufacturing locations.

Compact Ball Valves, Manifold System Components and Diverter Valves. Our Piper division designs and manufactures compact high pressure valves and manifold system components for all environments of the oil and gas industry including onshore, offshore, drilling and subsea applications. Our valve and manifold bores are designed to closely match the inside diameter of the required pipe schedule for the system working pressure. The result is elimination of piping transition areas that minimize erosion and system friction pressure loss, resulting in a more efficient flow path. Our floating ball valve design with its large ball/seat interface has over 30 years of field service experience in upstream unprocessed produced liquids and gasses, assuring reliable service. Oil States Piper Valve Optimum Flow Technology is our way of helping end users maximize space, minimize weight and increase production. These products are designed and manufactured at our Oklahoma City, Oklahoma location.

Marine Winches, Mooring Systems, Cranes and other Heavy-Lift Rig Equipment. We design, engineer and manufacture marine winches, mooring systems, cranes and certain rig equipment. Our Skagit® winches are specifically designed for mooring floating and semi-submersible drilling rigs and positioning pipelay and derrick barges, anchor handling boats and jack-ups, while our Nautilus® marine cranes are used on production platforms throughout the world. We also design and fabricate rig equipment such as automatic pipe racking and blow-out preventer handling equipment. Our engineering teams, manufacturing capability and service technicians who install and service our products provide our customers with a broad range of equipment and services to support their operations. Aftermarket service and support of our installed base of equipment to our customers is also an important source of revenue to us. These products are designed at our Houma, Louisiana location and manufactured at our Houma, Louisiana; Navi Mumbai, India; and Rayong, Thailand locations.

Production, Workover, Completion and Drilling Riser Systems and their related repair services. Utilizing the expertise of our welding technology group, we have extended the boundaries of our Merlin™ connector technology with the design and manufacture of multiple riser systems. The unique Merlin™ connection has proven to be a robust solution for even the most demanding high-pressure (up to 10,000 psi) riser systems used in high-fatigue, deepwater applications. Our riser systems are designed to meet a range of static and fatigue stresses on a par with those of our Tension Leg Elements (TLE) connectors. The connector can be welded or machined directly onto upset riser pipe and provide sufficient material to perform "re-cuts" after extended service. Our marine riser offers superior tension capabilities together with one of the fastest run times in the industry. Auxiliary riser system components and running tools can be provided along with full service inspection and repair of these riser systems by our facilities worldwide.

BOP Stack Assembly, Integration, Testing and Repair Services. While we do not manufacture BOP stack assemblies, we design and fabricate lifting and protection frames and offer system integration of blow-out preventer stacks and subsea production trees. We can provide complete turnkey and design fabrication services. We also design and manufacture a variety of custom subsea equipment, such as riser flotation tank systems, guide bases, running tools and manifolds. In addition, we also offer blow-out preventer and drilling riser testing and repair services. These assembly and testing services are offered through our Houston, Texas, U.K., Singapore and Brazil locations.

Consumable Downhole Products. Shale gas exploration has expanded the need for more advanced completion tools. To reduce well completion cost, the time to drill out tools is very important. We have leveraged our knowledge of molded thermoset composites and elastomers to help meet this demand, and as a result, we have seen growth in casing and cementing products, valves, and combination plugs. One example, the molded frac ball market, has grown from a few thousand units in 2009 to over five hundred thousand units in 2014. Additional products include:

Swab Cups - used primarily in well servicing work;

Rod Guides/Centralizers - used in both drilling and production for pipe protection;

Gate Valve and Butterfly Valve Seats – we service many markets in the valve industry including well completion, refining, and distribution;

Casing and Cementing products – we are a leading custom manufacturer of cementing plugs, well bore wipers, valve assemblies, combination plugs, specialty seals and gaskets;

Service Tools – our products include frac balls, packer elements, zonal isolation tools, as well as many custom molded products used in the well servicing industry.

We have also had success in developing and producing composite drillable zonal isolation tools (i.e., bridge / frac plugs) utilizing design and production techniques to reduce cost while still delivering high quality products. Time to drill out has been reduced significantly in comparison to other filament wound products in the market.

Other Products & Services. Our offshore products segment also produces a variety of products for use in applications other than in the offshore oil and gas industry. For example, we provide:

sound and vibration isolation equipment for the U.S. Navy submarine fleet;

metal-elastomeric FlexJoint® bearings used in a variety of naval and marine applications; and

drum-clutches and brakes for heavy-duty power transmission in the mining, paper, logging and marine industries.

Backlog. Backlog in our offshore products segment was $490 million at December 31, 2014, compared to $580 million at December 31, 2013 and $561 million at December 31, 2012. We expect approximately 90% of our backlog at December 31, 2014 to be recognized as revenue during 2015. Our offshore products backlog consists of firm customer purchase orders for which contractual commitments exist and delivery is scheduled. In some instances, these purchase orders are cancelable by the customer, subject to the payment of termination fees and/or the reimbursement of our costs incurred. While backlog cancellations have not been significant in the past, we incurred cancelations totaling $8.4 million during the fourth quarter of 2014, which we believe is attributable to lower commodity prices and the resultant decrease in capital spending by our clients, and additional cancelations may occur in the future further reducing our backlog. Our backlog is an important indicator of future offshore products shipments and revenues; however, backlog as of any particular date may not be indicative of our actual operating results for any future period. We believe that the offshore construction and development business is characterized by lengthy projects and a long "lead-time" order cycle. The change in backlog levels from one period to the next does not necessarily evidence a long-term trend.

Regions of Operations

Our offshore products segment provides products and services to customers in the major offshore oil and natural gas producing regions of the world, including the Gulf of Mexico, West Africa, Azerbaijan, the North Sea, Brazil, Southeast Asia, India and Australia.

Customers and Competitors

We market our products and services to a broad customer base, including direct end users, engineering and design companies, prime contractors, and at times, our competitors through outsourcing arrangements. Our largest customers in this segment in 2014 were Halliburton Company, Saipem and Technip. Our main competitors include Cameron International Corporation, National Oilwell Varco, Inc., GE Oil & Gas, Liebherr Cranes, Inc., FMC Technologies, Inc. and Dril-Quip, Inc.

Well Site Services

Overview

During the year ended December 31, 2014, we generated approximately 47% of our revenue and operating income, before corporate charges, from our well site services segment. Our well site services segment includes a broad range of products and services that are used to drill for, establish and maintain the flow of oil and natural gas from a well throughout its life cycle. In this segment, our operations primarily include completion-focused equipment and services as well as land drilling services. We use our fleet of completion tools and drilling rigs to serve our customers at well sites and project development locations. Our products and services are used both in onshore and offshore applications throughout the drilling, completion and production phases of a well's life cycle.

Well Site Services Market

Demand for our completion services and drilling services is predominantly tied to the level of oil and natural gas exploration and production activity on land in the United States. The primary driver for this activity is the price of crude oil and natural gas. Activity levels have been, and we expect will continue to be, highly correlated with hydrocarbon commodity prices.

Services

Completion Services. Our completion services business, which is primarily marketed through the brand names Oil States Energy Services, Tempress, Stinger Wellhead Protection and Quality International, provides a wide range of services for use in the onshore and offshore oil and gas industry, including:

wellhead isolation services;

wireline and coiled tubing support services;

frac valve and flowback services;

well testing, including separators and line heaters;

ball launching services;

pipe recovery systems;

thru-tubing milling and fishing services;

hydraulic chokes and manifolds;

blow out preventers;

downhole extended-reach technology; and

gravel pack and sand control operations on well bores.

Employees in our completion services business typically rig up and operate our equipment on the well site for our customers. Our completion services equipment is primarily used during the completion and production stages of a well. As of December 31, 2014, we provided completion services at approximately 50 distribution points throughout the United States, Canada, Mexico and Argentina. We continue to consolidate operations in areas where our product lines previously had separate facilities and have closed facilities in areas where operations are marginal in order to streamline operations and enhance our facilities to improve operational efficiency. We typically provide our services and equipment based on daily rates which vary depending on the type of equipment and the length of the job. Billings to our customers typically separate charges for our equipment from charges for our field technicians. We own patents or have patents pending covering some of our technology, particularly in our wellhead isolation equipment and downhole extended-reach technology product lines. Our customers in the completion services business include major, independent and private oil and gas companies and other large oilfield service companies. Our largest customers in this segment in 2014 were Anadarko Petroleum Corporation, Continental Resources and Noble Energy. Competition in the completion services business is widespread and includes many smaller companies, although we also compete with the larger oilfield service companies for certain products and services.

Drilling Services. Our drilling services business, which is marketed under the brand name Capstar Drilling, our wholly-owned subsidiary, is located in the United States and provides land drilling services for shallow to medium depth wells generally of less than 10,000 to 12,000 feet and, under more limited conditions, up to 15,000 feet. We serve two primary markets with our drilling services business: the Permian Basin in West Texas and the Rocky Mountain region. Drilling services are typically used during the exploration and development stages of a field. As of December 31, 2014, we had a total of thirty-four semi automatic drilling rigs with hydraulic pipe handling booms and lift capacities ranging from 150,000 to 500,000 pounds, fifteen of which were fabricated and/or assembled in our Odessa, Texas facility during the last ten years with components purchased from specialty vendors. Twenty-four of these drilling rigs are based in the Permian Basin and ten are based in the Rocky Mountain region. Utilization of our drilling rigs increased from an average of 75% in 2013 to an average of 87% in 2014. However, utilization declined during the fourth quarter of 2014 due to lower crude oil prices and, on December 31, 2014, only twenty-two of our rigs, or 65%, were working or under contract. We believe that we may experience additional reductions in the utilization of our drilling rigs if commodity prices do not improve or decline further.

We market our drilling services directly to a diverse customer base, consisting primarily of independent and private oil and gas companies. We contract on both a footage and a dayrate basis. Under a footage drilling contract, we assume responsibility for certain costs (such as bits and fuel) and assume more risk (such as time necessary to drill) than we would on a daywork contract. Depending on market conditions and availability of drilling rigs, we see changes in pricing, utilization and contract terms. Our largest drilling services customers in 2014 were Apache Corporation, Energen Resources Corporation and Juno Operating Company. The land drilling business is highly fragmented, and our competition consists of a small number of larger companies and many smaller companies. Our Permian Basin drilling activities target primarily oil reservoirs while our Rocky Mountain drilling activities target oil, liquids-rich and natural gas reservoirs.

*   *   *   *   *

Seasonality of Operations

Our operations are directly affected by seasonal differences in weather in the areas in which we operate, most notably in the Rocky Mountain region, the Gulf of Mexico and Canada. Severe winter weather conditions in the Rocky Mountain region can restrict access to work areas for our well site services segment operations. Our operations in the Gulf of Mexico are also affected by weather patterns. Weather conditions in the Gulf Coast region generally result in higher drilling activity in the spring, summer and fall months with the lowest activity in the winter months. In addition, summer and fall drilling activity can be interrupted by hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast. A portion of our completion services operations in Canada is conducted during the winter months when the winter freeze in remote regions is required for exploration and production activity to occur. The spring thaw in these regions restricts operations in the second quarter of our fiscal year and adversely affects our operations and our ability to provide services. As a result of these seasonal differences, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

Employees

As of December 31, 2014, the Company employed 5,290 full-time employees on a consolidated basis, 51% of whom are in our well site services segment, 47% of whom are in our offshore products segment and 2% of whom are in our corporate headquarters. We were party to collective bargaining agreements covering approximately 37 employees located in Argentina and the United Kingdom as of December 31, 2014. We believe we have healthy labor relations with our employees.

Government Regulation

Our business is significantly affected by foreign and domestic laws and regulations at the federal, provincial, state and local levels relating to the oil and natural gas industry, worker safety and environmental protection. To the extent that these laws and regulations impose more stringent requirements or increased costs or delays upon our customers in the performance of their operations, the resulting demand for our products and services by those customers may be adversely affected, which impact could be significant and long-lasting. Moreover, changes in these laws and regulations, including more restrictive standards and increased levels of enforcement, could significantly affect our business. We cannot predict changes in the level of enforcement of existing laws and regulations or how these laws and regulations may be interpreted or the effect changes in these laws and regulations may have on us or our future operations or earnings. We also are not able to predict the extent to which new laws and regulations will be adopted or whether such new laws and regulations may impose more stringent or costly restrictions on our operations.

We depend on the demand for our products and services from oil and natural gas exploration and production companies. This demand is affected by changing taxes, price controls and laws and regulations relating to the oil and natural gas industry generally, including those specifically directed to oilfield and offshore operations. The adoption of laws and regulations curtailing exploration and development drilling for oil and natural gas in areas where we operate could also adversely affect our operations by limiting demand for our products and services. We cannot determine the extent to which our future operations and earnings may be affected by new legislation or regulations, amendments of existing laws or regulations, or changes in enforcement policies.

Our operations and the operations of our customers for whom we provide our products and services are subject to numerous stringent and comprehensive foreign, federal, provincial, state and local environmental laws and regulations governing the release or discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental agencies have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions to achieve and maintain compliance. The violation of these laws and regulations may result in the denial or revocation of permits, issuance of corrective action orders, modification or cessation of operations, assessment of administrative and civil penalties, and even criminal prosecution. We believe that we are in substantial compliance with existing environmental laws and regulations and we do not anticipate that future compliance with existing environmental laws and regulations will have a material adverse effect on our Consolidated Financial Statements. However, there can be no assurance that substantial costs for compliance or penalties for non-compliance with these existing requirements will not be incurred in the future. Moreover, it is possible that other developments, such as the adoption of stricter environmental laws, regulations and enforcement policies or more stringent enforcement of existing environmental laws and regulations, could result in additional costs or liabilities upon us or our customers that we cannot currently quantify.

With regard to our operations in the United States, we generate wastes, including non-hazardous and hazardous wastes, which are subject to the federal Resource Conservation and Recovery Act, as amended, or RCRA, and comparable state statutes. With authority delegated from the United States Environmental Protection Agency, or “EPA,” most states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Federal and state regulatory agencies can seek to impose administrative, civil and criminal penalties for alleged non-compliance with RCRA and analogous state requirements. Drilling fluids, produced waters and other wastes associated with the exploration, development or exploration of oil or natural gas, if properly handled, are exempt from regulation as hazardous waste under RCRA. These wastes, instead, are regulated under RCRA’s less stringent non-hazardous waste provisions, state laws or other federal laws. However, it is possible that certain of these oil and natural gas exploration and production wastes now classified as non-hazardous could be re-classified as hazardous in the future. Any such re-classification of these currently exempt wastes to hazardous could subject our oil and natural gas exploration and production customers to more rigorous and costly operating and disposal requirements, which could reduce demand for the products and services we provide and result in a material adverse effect on our results of operations and financial position. In the course of our operations, we generate some amounts of ordinary industrial wastes that may be regulated as hazardous wastes.

Also in connection with our operations in the United States, the federal Comprehensive Environmental Response, Compensation, and Liability Act, as amended, or CERCLA, also known as the "Superfund" law, and comparable state statutes impose liability, without regard to fault or legality of the original conduct, on classes of persons that are considered to have contributed to the release of a hazardous substance into the environment. These persons include the owner or operator of the disposal site where the release occurred and companies that transported, disposed of, or arranged for the transport or disposal of the hazardous substances at the site where the release occurred. Under CERCLA, these persons may be subject to joint and several, strict liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third-parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We currently have operations in the United States on properties where activities involving the handling of hazardous substances or wastes have been conducted by previous owners or operators whose operations were not under our control. These properties may be subject to CERCLA, RCRA and analogous state laws. Under these laws and related regulations, we could be required to remove or remediate previously discarded hazardous substances and wastes or property contamination that was caused by these third parties.

In the course of our operations in the United States, some of our equipment may be exposed to naturally occurring radiation associated with oil and natural gas deposits, and this exposure may result in the generation of wastes containing naturally occurring radioactive materials or "NORM." NORM wastes exhibiting trace levels of naturally occurring radiation in excess of established state standards are subject to special handling and disposal requirements, and any storage vessels, piping, and work area affected by NORM may be subject to remediation or restoration requirements. Because many of the domestic properties upon which we operate have been used for oil and natural gas production operations for many years, it is possible that we may incur costs or liabilities associated with elevated levels of NORM.

Our operations in the United States are also subject to the Federal Water Pollution Control Act, as amended, and analogous state laws that impose restrictions and strict controls regarding the discharge of pollutants into state waters or waters of the United States. The discharge of pollutants into jurisdictional waters is prohibited unless the discharge is permitted by the EPA or applicable state agencies. Many of the domestic properties upon which we operate require permits for discharges of wastewater and/or storm water, and we have developed a system for securing and maintaining these permits, where required. In addition, the Oil Pollution Act of 1990, as amended, or OPA, imposes a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages, including natural resource damages, resulting from such spills in waters of the United States. A responsible party under OPA includes the owner or operator of an onshore facility or vessel, or the lessee or permittee of the area in which an offshore facility is located. The Federal Water Pollution Control Act and analogous state laws provide for administrative, civil and criminal penalties for unauthorized discharges and, together with the OPA, require the development and implementation of spill prevention and response plans and impose potential liability for the remedial costs and associated damages arising out of any unauthorized discharges.

A certain portion of our completion services business supports other contractors actually performing hydraulic fracturing to enhance the production of natural gas from formations with low permeability, such as shales. Due to concerns raised concerning potential impacts of hydraulic fracturing and fracturing fluids disposal on drinking water and groundwater quality, legislative and regulatory efforts at the federal level and in some states have been considered, some of which were adopted in the United States to render permitting, public disclosure and construction and operational compliance requirements for our oil and natural gas exploration, development and production customers more stringent for hydraulic fracturing. While hydraulic fracturing typically is regulated in the United States by state oil and natural gas commissions, several federal agencies have asserted regulatory authority over certain aspects of the process. For example, the EPA has issued final Clean Air Act regulations governing performance standards, including standards for the capture of air emissions released during hydraulic fracturing; announced its intent to propose in the first half of 2015 effluent limit guidelines that wastewater from shale gas extraction operations must meet before discharging to a treatment plant; and issued in May 2014 a prepublication of its Advance Notice of Proposed Rulemaking regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. Also, the federal Bureau of Land Management ("BLM") is analyzing public comments to a proposed rulemaking containing disclosure requirements and other mandates for hydraulic fracturing on federal lands and is expected to promulgate a final rule in the first half of 2015. In addition, from time to time, Congress has considered legislation to provide for federal regulation of hydraulic fracturing in the United States under the federal Safe Drinking Water Act, or SDWA, and to require disclosure of the chemicals used in the hydraulic fracturing process. At the state level, some states have adopted and other states are considering adopting legal requirements that could impose new or more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities. States could elect to prohibit hydraulic fracturing altogether, such as the State of New York announced in December 2014. Local government also may seek to adopt ordinances within their jurisdictions regulating the time, place or manner of drilling activities in general or hydraulic fracturing activities in particular. In the event that new or more stringent federal, state or local legal restrictions relating to use of the hydraulic fracturing process in the United States are adopted in areas where our oil and natural gas exploration and production customers operate, those customers could incur potentially significant added costs to comply with requirements relating to permitting, construction, financial assurance, monitoring, recordkeeping, and/or plugging and abandonment, as well as could experience delays or curtailment in the pursuit of production or development activities, any or all of which could reduce demand for our completion services business.

In addition, certain governmental reviews in the United States are underway that focus on environmental aspects of hydraulic fracturing practices. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices and the EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with a draft report drawing conclusions about the potential impacts of hydraulic fracturing on drinking water resources expected to be available for public comment and peer review in the first half of 2015. These ongoing or any future studies, depending on the results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory mechanisms, which events could delay or curtail production of oil and natural gas by exploration and production operations, some of which are performed by our customers, and thus reduce demand for our North American completion products and services.

In response to the Deepwater Horizon drilling rig explosive incident and resulting oil spill in the United States Gulf of Mexico in 2010, the Bureau of Ocean Energy Management, or BOEM, and the Bureau of Safety and Environmental Enforcement, or BSEE, each agencies of the U.S. Department of the Interior, or DOI, have imposed new and more stringent permitting procedures and regulatory safety and performance requirements for new wells to be drilled in federal waters. These governmental agencies have implemented and enforced new rules, Notices to Lessees and Operators and temporary drilling moratoria that imposed safety and operational performance measures on exploration, development and production operators in the Gulf of Mexico or otherwise resulted in a temporary cessation of drilling activities. Compliance with these added and more stringent regulatory restrictions by offshore exploration, development and production operators, some of whom are our customers, in addition to any uncertainties or inconsistencies in current decisions and rulings by governmental agencies and delays in the processing and approval of drilling permits and exploration, development and oil spill-response plans could adversely affect or delay new drilling and ongoing development efforts, which could have a material adverse impact on our and our customers' businesses. Moreover, these governmental agencies are continuing to evaluate aspects of safety and operational performance in the Gulf of Mexico and, as a result, developing and implementing new, more restrictive requirements. One example is the 2013 amendments to the federal Workplace Safety Rule regarding the utilization of a more comprehensive safety and environmental management system, or SEMS, which, amended, is sometimes referred to as SEMS II. A second, and more recent, example is the August 2014 Advanced Notice of Proposed Rulemaking that ultimately seeks to bolster the offshore financial assurance and bonding program. Among other adverse impacts, these additional measures could delay or disrupt our and our customers' operations, increase the risk of expired leases due to the time required to develop new technology, result in increased supplemental bonding requirements and incurrence of associated added costs, limit operational activities in certain areas, or cause us or our customers to incur penalties, fines, or shut-in production. If similar material spill incidents were to occur in the future, the United States or other countries could elect to again issue directives to temporarily cease drilling activities and, in any event, may from time to time issue further safety and environmental laws and regulations regarding offshore oil and natural gas exploration and development, any of which developments could have a material adverse effect on our business.

In addition to the imposition of more stringent regulatory safety and performance requirements issued following the Deepwater Horizon incident that generally apply to exploration, development and production operators in the Gulf of Mexico, the BSEE has announced a clarification of its enforcement policies under the federal Outer Continental Shelf Lands Act (“OCSLA”), releasing an “Interim Policy Document” in August 2012, pursuant to which the agency broadened its sphere of enforcement to include contractors performing activities for operators who have a lease issued under OCSLA. Consequently, based on review of the facts surrounding an alleged violation upon the lease, BSEE may elect to hold contractors, including contractors such as us who are involved in well completion operations, potentially liable for alleged violations of law arising in the BSEE’s jurisdictional area. Implementation of this 2012 clarification in enforcement policy by the BSEE could subject us to added liabilities, including sanctions and penalties, and such uncertainties could result in increased future operating costs, including insurance costs, which we may not be able to pass through to our customers.

Some of our operations as well as those of our oil and natural gas customers in the U.S. also result in emissions of regulated air pollutants. The federal Clean Air Act, as amended, or CAA, and analogous state laws require permits for facilities in the United States that have the potential to emit substances into the atmosphere that could adversely affect environmental quality. Failure to obtain a permit or to comply with permit requirements could result in the imposition of substantial administrative, civil and even criminal penalties. In addition, amendment of the CAA or comparable state laws may cause our oil and natural gas exploration and production customers to incur capital expenditures for installation of air pollution control equipment and to encounter construction delays while applying for and receiving new or amended permits, which could have an adverse effect on demand for our products and services. For example, in December 2014, the EPA published proposed regulations to revise the National Ambient Air Quality Standard for ozone, recommending a standard between 65 to 70 parts per billion, or ppb, for both the 8-hour primary and secondary standards protective of public health and public welfare. EPA requested public comments on whether the standard should be set as low as 60 ppb or whether the existing 75 ppb standard should be retained. EPA anticipates issuing a final rule by October 1, 2015. If EPA lowers the ozone standard, states could be required to implement new more stringent regulations, which could apply to our and our exploration, development and production customers’ operations. Compliance with these or other new regulations could, among other things, require installation of new emission controls on some of our equipment, result in longer permitting timelines, and significantly increase our capital expenditures and operating costs, which could adversely impact our and our customers’ businesses..

Past scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases, or GHG, and including carbon dioxide and methane, may be contributing to warming of the Earth's atmosphere and other climatic changes. In 2010, Canada affirmed its desire to be associated with the Copenhagen Accord that was negotiated in December 2009 as part of the international meetings on climate change regulation in Copenhagen. The Copenhagen Accord, which is not legally binding, allows countries to commit to specific efforts to reduce GHG emissions, although how and when the commitments may be converted into binding emission reduction obligations is currently uncertain. Pursuant to the Copenhagen Accord process, Canada has indicated an economy-wide GHG emissions target that equates to a 17 per cent reduction from 2005 levels by 2020, and the Canadian federal government has also indicated an objective of reducing overall Canadian GHG emissions by 60% to 70% from 2006 levels by 2050. One measure the government of Canada has undertaken in pursuit of this objective is to regulate GHG emissions on a sector by sector basis. The oil and gas sector has yet to be subject to specific emission targets but when and if such specific emission targets are established, the costs of complying with such emission targets may adversely affect our and our clients' levels of activity in the energy sector and our respective financial results.

Additionally, GHG regulation can take place at the provincial and municipal level. For example, Alberta introduced the Climate Change and Emissions Management Act, which provides a framework for managing GHG emissions by reducing specified gas emissions, relative to gross domestic product, to an amount that is equal to or less than 50% of 1990 levels by December 31, 2020. The accompanying regulation, the Specified Gas Emitters Regulation, effective July 1, 2007, requires mandatory emissions reductions through the use of emissions intensity targets, and a company can meet the applicable emissions limits by making emissions intensity improvements at facilities, offsetting GHG emissions by purchasing offset credits or emission performance credits in the open market, or acquiring “fund credits” by making payments of $15 per ton of carbon-dioxide equivalent emissions to the Alberta Climate Change and Management Fund. The Specified Gas Reporting Regulation imposes GHG emissions reporting requirements if certain established facilities have GHG emissions of 100,000 tons or more of carbon dioxide equivalent in a calendar year. In addition, Alberta facilities must currently report emissions of industrial air pollutants and comply with obligations in permits and under other environmental regulations. The Canadian federal government currently proposes to enter into equivalency agreements with provinces to establish a consistent regulatory regime for GHGs, but the success of any such plan is uncertain, possibly leaving overlapping levels of regulation. The direct and indirect costs of overlapping regulations may adversely affect our operations and financial results as well as those of our customers with whom we conduct business.

In the United States, the EPA determined in 2009 that emissions of GHGs present an endangerment to public health and the environment and, based on those findings, adopted regulations under existing provisions of the CAA that, among other things, establish Prevention of Significant Deterioration, or PSD, construction and Title V operating permit reviews for GHG emissions from certain large stationary sources that already are potential major sources of certain principal, or criteria, pollutant emissions. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet “best available control technology” standards that typically will be established by the states. These EPA rulemakings could adversely affect our and our exploration, development and production customers’ operations and restrict or delay or ability to obtain air permits for new or modified sources that are major sources of GHG emissions. The EPA has also adopted rules requiring the monitoring and annual reporting of GHG emissions from specified large GHG emission sources in the United States, including, among others, offshore and onshore oil and natural gas production facilities.

While the U.S. Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. In the absence of federal climate legislation in the U.S., a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, to acquire and surrender emission allowances in return for emitting those GHGs. If Congress undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which could impose additional direct costs on operations and reduce demand for refined products. The adoption of legislation or regulatory programs to reduce emissions of GHGs could require us or our customers to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil and natural gas, which could reduce the demand for our products and services. Consequently, legislation and regulatory programs to reduce emissions of GHGs could have an adverse effect on our business, financial condition and results of operations. For example, pursuant to President Obama’s Strategy to Reduce Methane Emissions, the Obama Administration announced on January 14, 2015, that EPA is expected to propose in the summer of 2015 and finalize in 2016 new regulations that will set methane emission standards for new and modified oil and gas production and natural gas processing and transmission facilities as part of the Administration’s efforts to reduce methane emissions from the oil and gas sector by up to 45 percent from 2012 levels by 2025. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our financial condition and results of operations.

The federal Endangered Species Act, as amended, or the ESA, restricts activities in the United States that may affect endangered or threatened species or their habitats. If endangered species are located in areas of the United States where our oil and natural gas exploration and production customers operate, such operations could be prohibited or delayed or expensive mitigation may be required. Moreover, as a result of a settlement approved by the U.S. District Court for the District of Columbia in 2011, the U.S. Fish and Wildlife Service, or FWS, is required to make a determination on listing of numerous species as endangered or threatened under the ESA before the end of the agency’s 2017 fiscal year. For example, in March 2014, the FWS announced the listing of the lesser prairie chicken, whose habitat is over a five-state region, including Texas, New Mexico, Colorado and Oklahoma, as a threatened species under the ESA. However, the FWS also announced a final rule that will limit regulatory impacts on landowners and businesses from the listing if those landowners and businesses have entered into certain range-wide conservation planning agreements, such as those developed by the Western Association of Fish and Wildlife Agencies, or WAFWA, pursuant to which such parties agreed to take steps to protect the lesser prairie chicken's habitat and to pay a mitigation fee if its actions harm the lesser prairie chicken's habitat. The designation of previously unprotected species as threatened or endangered in areas of the United States where our customers' oil and natural gas exploration and production operations are conducted could cause them to incur increased costs arising from species protection measures or could result in limitations on their exploration and production activities, which could have an adverse impact on demand for our products and services.

We are subject to the requirements of the federal Occupational Safety and Health Act, as amended, or OSHA, and comparable state statutes whose purpose is to protect the health and safety of workers. In addition, the OSHA hazard communication standard, the Emergency Planning and Community Right-to-Know Act and comparable state statutes and any implementing regulations require that we organize and/or disclose information about hazardous materials used or produced in our operations and that this information be provided to employees, state and local governmental authorities and citizens. We believe that we are in substantial compliance with all applicable laws and regulations relating to worker health and safety.

Our operations outside of the United States are potentially subject to similar foreign governmental controls relating to protection of the environment. We believe that, to date, our operations outside of the United States have been in substantial compliance with existing requirements of these foreign governmental bodies and that such compliance has not had a material adverse effect on our operations. However, this trend of compliance with existing requirements may not continue in the future or the cost of such compliance may become material. For instance, any future restrictions on emissions of GHGs that are imposed in foreign countries in which we operate, could adversely affect demand for our services.

In addition, some of our employees who perform services on offshore platforms and vessels are covered by the provisions of the Jones Act, the Death on the High Seas Act and general maritime law. These laws operate to make the liability limits established under states' workers' compensation laws inapplicable to these employees and permit them or their representatives generally to pursue actions against us for damages or job-related injuries with no limitations on our potential liability.

Item 1A. ***Risk Factors***

The risks described in this Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Demand for most of our products and services is substantially dependent on the levels of expenditures by companies in the oil and natural gas industry. We believe our customers' capital expenditures will decline in 2015 and beyond if the current depressed oil and natural gas price environment continues or worsens. This could have a

material adverse effect on our financial condition and results of operations.

Demand for most of our products and services depends substantially on the level of expenditures by companies in the oil and natural gas industry. The significant decline in oil and natural gas prices during the fourth quarter of 2014 is expected to cause a reduction in many of our customers' drilling, completion and other production activities and related spending on our products and services in 2015. If oil and natural gas prices remain at their current levels or further decline, this reduction in our customers' activity levels and spending could continue and accelerate through 2015 and beyond. It is difficult to predict how long the current commodity price environment will continue, or to what extent this will affect our business. Additionally, significant new regulatory requirements, including climate change legislation, could have an impact on the supply of and demand for and the cost of producing oil and natural gas. Many factors affect the supply of and demand for oil and natural gas and, therefore, influence product prices, including:

the level of drilling activity;

the level of production;

the levels of oil and natural gas inventories;

depletion rates;

worldwide demand for oil and natural gas;

the expected cost of finding, developing and producing new reserves;

delays in major offshore and onshore oil and natural gas field development timetables;

the availability of attractive oil and natural gas field prospects, which may be affected by governmental actions or environmental activists which may restrict development;

the availability of transportation infrastructure for oil and natural gas, refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;

global weather conditions and natural disasters;

worldwide economic activity including growth in developing countries;

national government political requirements, including the ability of the Organization of Petroleum Exporting Companies (OPEC) to set and maintain production levels and prices for oil and government policies which could nationalize or expropriate oil and natural gas exploration, production, refining or transportation assets;

the level of oil and natural gas production by non-OPEC countries;

the impact of armed hostilities involving one or more oil producing nations;

rapid technological change and the timing and extent of development of energy sources, including LNG or alternative fuels;

environmental laws and regulations; and

domestic and foreign tax policies.

The current oversupply of oil and natural gas relative to demand has resulted in significantly lower oil and natural gas prices. As a result, many of our customers have announced or are expected to announce reductions or delays in their capital spending in 2015, which consequently would reduce the demand for our products and services and exert downward pressure on the prices of our products and services. If the current pricing environment for oil and natural gas continues for a prolonged period, it will likely result in further reductions of capital expenditures by our customers, causing further declines in the demand for, and prices of, our products and services. Any prolonged reduction in the overall level of exploration and production activities, whether resulting from changes in oil and natural gas prices or otherwise, could adversely impact us in many ways by negatively affecting:

our utilization, revenues, cash flows and profitability;

our ability to obtain additional capital to finance our business and the cost of that capital; and

our ability to attract and retain skilled personnel.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays in the completion of oil and natural gas wells, which could adversely affect our products and services.

Although we do not directly engage in hydraulic fracturing, a certain portion of our completion services business supports many of our oil and natural gas exploration and production customers in such activities. Hydraulic fracturing is an important and commonly used process for the completion of oil and natural gas wells in formations with low permeabilities, such as shale formations, and involves the pressurized injection of water, sand and chemicals into rock formations to stimulate production. Due to concerns raised regarding potential impacts of hydraulic fracturing and fracturing fluids disposal on drinking water and groundwater quality, legislative and regulatory efforts at the federal level and in some states have been initiated in the United States to render permitting, public disclosure and construction and operational compliance requirements for our customers more stringent for hydraulic fracturing. While hydraulic fracturing typically is regulated in the United States by state oil and natural gas commissions, several federal agencies have asserted regulatory authority over certain aspects of the process. For example, the EPA has issued final Clean Air Act regulations governing performance standards, including standards for the capture of air emissions released during hydraulic fracturing; announced its intent to propose in the first half of 2015 effluent limit guidelines that wastewater from shale gas extraction operations must meet before discharging to a treatment plant; and issued in May 2014 a prepublication of its Advance Notice of Proposed Rulemaking regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. Also, the BLM is analyzing public comments to a proposed rulemaking containing disclosure requirements and other mandates for hydraulic fracturing on federal lands and is expected to promulgate a final rule in the first half of 2015. In addition, from time to time, Congress has considered legislation to provide for federal regulation of hydraulic fracturing in the United States under the SDWA and to require disclosure of the chemicals used in the hydraulic fracturing process. At the state level, some states have adopted and other states are considering adopting legal requirements that could impose new or more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities. Local governments also may seek to adopt ordinances within their jurisdictions regulating the time, place or manner of drilling activities in general or hydraulic fracturing activities in particular.

In addition, certain governmental reviews in the United States are underway that focus on environmental aspects of hydraulic fracturing practices. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater and a draft final report drawing conclusions about the potential impacts of hydraulic fracturing on drinking water resources is expected to be available for public comment and peer review in the first half of 2015. These ongoing proposed or any future studies, depending on the results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory mechanisms, which events could delay or curtail production of oil and natural gas by exploration and production operators, some of which are performed by our customers, and thus reduce demand for our North American completion products and services. In the event that new or more stringent federal, state or local legal restrictions relating to use of the hydraulic fracturing process in the United States are adopted in areas where our oil and natural gas exploration and production customers operate, those customers could incur potentially significant added costs to comply with requirements relating to permitting, construction, financial assurance, monitoring, recordkeeping, and/or plugging and abandonment, as well as could experience delays or curtailment in the pursuit of production or development activities, any of which could reduce demand for the products and services of each of our business segments.

Additional deepwater drilling laws and regulations, delays in the processing and approval of drilling permits and exploration and oil spill-response plans, and other related restrictions arising after the Deepwater Horizon incident in the Gulf of Mexico may have a material adverse effect on our business, financial condition, or results of operations.

In response to the Deepwater Horizon explosive incident and resulting oil spill in the United States Gulf of Mexico in 2010, the BOEM and the BSEE, each agencies of the DOI, have imposed new and more stringent permitting procedures and regulatory safety and performance requirements for new wells to be drilled in federal waters. These governmental agencies have implemented and enforced new rules, Notices to Lessees and Operators and temporary drilling moratoria that imposed safety and operational performance measures on exploration and production operators in the Gulf of Mexico or otherwise resulted in a temporary cessation of drilling activities. Compliance with these added and more stringent regulatory restrictions in addition to any uncertainties or inconsistencies in current decisions and rulings by governmental agencies and delays in the processing and approval of drilling permits and exploration, development and oil spill-response plans could adversely affect or delay new drilling and ongoing development efforts. Moreover, these governmental agencies are continuing to evaluate aspects of safety and operational performance in the Gulf of Mexico and, as a result, developing and implementing new, more restrictive requirements. One example is the 2013 amendments to the federal Workplace Safety Rule regarding the utilization of a more comprehensive SEMS, which amended rule is sometimes referred to as SEMS II. A second, and more recent, example is the August 2014 Advanced Notice of Proposed Rulemaking that ultimately seeks to bolster the offshore financial assurance and bonding program.

Among other adverse impacts, these additional measures could delay or disrupt our and our customers’ operations, increase the risk of expired leases due to the time required to develop new technology, result in increased supplemental bonding requirements and incurrence of associated added costs, limit operational activities in certain areas, or cause us or out customers to incur penalties, fines, or shut-in production. If similar material spill incidents were to occur in the future, the United States or other countries could elect to again issue directives to temporarily cease drilling activities and, in any event, may from time to time issue further safety and environmental laws and regulations regarding offshore oil and natural gas exploration and production. We cannot predict with any certainty the full impact of any new laws or regulations on our customers' drilling operations or on the cost or availability of insurance to cover some or all of the risks associated with such operations. The occurrence of any of these developments has the potential to adversely impact our business as well as our financial position, results of operation and liquidity.

In addition to the imposition of more stringent regulatory safety and performance requirements issued following the Deepwater Horizon incident that generally apply to exploration, development and production operators in the Gulf of Mexico, the BSEE has announced a clarification of its enforcement policies under the federal Outer Continental Shelf Lands Act ("OCSLA"), releasing an "Interim Policy Document" in August 2012, pursuant to which the agency broadened its sphere of enforcement to include contractors performing activities for operators who have a lease issued under OCSLA. Consequently, based on review of the facts surrounding an alleged violation upon the lease, BSEE may elect to hold contractors, including contractors such as us who are involved in well completion operations, potentially liable for alleged violations of law arising in the BSEE's jurisdictional area. Implementation of this 2012 clarification in enforcement policy by the BSEE could subject us to added liabilities, including sanctions and penalties, and such uncertainties could result in increased future operating costs, including insurance costs, which we may not be able to pass through to our customers.

The cyclical nature of our business and a severe prolonged downturn could negatively affect the value of our goodwill.

As of December 31, 2014, goodwill represented approximately 14% of our total assets. We have recorded goodwill because we paid more for some of our businesses that we acquired than the fair market value of the tangible and separately measurable intangible net assets of those businesses. We are required to periodically review the goodwill for each of our reporting units (completion services, drilling services and offshore products) for impairment in value and a non-cash charge against earnings with a corresponding decrease in stockholders' equity if circumstances, some of which are beyond our control, indicate that the carrying amount will not be recoverable. It is possible that we could recognize goodwill impairment losses in the future if, among other factors:

- global economic conditions deteriorate;
- the outlook for future profits and cash flow for any of our reporting units deteriorate further as the result of many possible factors, including, but not limited to, increased or unanticipated competition, technology becoming obsolete, further reductions in customer capital spending plans, loss of key personnel, adverse legal or regulatory judgment(s), future operating losses at a reporting unit, downward forecast revisions, or restructuring plans;
- costs of equity or debt capital increase; or
- valuations for comparable public companies or comparable acquisition valuations deteriorate.

We do business in international jurisdictions which exposes us to unique risks.

A portion of our revenue is attributable to operations in foreign countries. These activities accounted for approximately 19% (8% excluding the UK and Canada) of our consolidated revenue in the year ended December 31, 2014. Risks associated with our operations in foreign areas include, but are not limited to:

- expropriation, confiscation or nationalization of assets;
- renegotiation or nullification of existing contracts;
- foreign exchange limitations;

- foreign currency fluctuations;
- foreign taxation;
- the inability to repatriate earnings or capital in a tax efficient manner;
- changing political conditions;
- changing foreign and domestic monetary policies;
- social, political, military and economic situations in foreign areas where we do business and the possibilities of war, other armed conflict or terrorist attacks; and
- regional economic downturns.

Additionally, in some jurisdictions we are subject to foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These regulations may adversely affect our ability to compete in such jurisdictions.

The U.S. Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery laws in other jurisdictions, including the United Kingdom Bribery Act 2010, generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices and impact our business. Any failure to comply with the FCPA or other anti-bribery legislation could subject us to civil and criminal penalties or other sanctions, which could have a material adverse impact on our business, financial condition and results of operations. We could also face fines, sanctions and other penalties from authorities in the relevant foreign jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of assets. Additionally, we may have competitors who are not subject to the same ethics-related laws and regulations which provides them with a competitive advantage over us by securing business awards, licenses or other preferential treatment in those jurisdictions using methods that certain ethics-related laws and regulations prohibit us from using.

The regulatory regimes in some foreign countries may be substantially different than those in the United States, and may be unfamiliar to U.S. investors. Violations of foreign laws could result in monetary and criminal penalties against us or our subsidiaries and could damage our reputation and, therefore, our ability to do business.

Exchange rate fluctuations could adversely affect our U.S. reported results of operations and financial position.

In the ordinary course of our business, we enter into purchase and sales commitments that are denominated in currencies that differ from the functional currency used by our operating subsidiaries. Currency exchange rate fluctuations can create volatility in our consolidated financial position, results of operations and/or cash flows. Although we may enter into foreign exchange agreements with financial institutions in order to reduce our exposure to fluctuations in currency exchange rates, these transactions, if entered into, will not eliminate that risk entirely. To the extent that we are unable to match revenues received in foreign currencies with expenses paid in the same currency, exchange rate fluctuations could have a negative impact on our consolidated financial position, results of operations and/or cash flows. Additionally, because our consolidated financial results are reported in U.S. dollars, if we generate net revenues or earnings in countries whose currency is not the U.S. dollar, the translation of such amounts into U.S. dollars can result in an increase or decrease in the amount of our net revenues and earnings depending upon exchange rate movements. With respect to our potential exposure to foreign currency fluctuations and devaluations, for the year ended December 31, 2014, approximately 19% of our revenues originated from subsidiaries outside of the U.S. and were denominated in currencies including, among others, the pound sterling. As a result, a material decrease in the value of these currencies relative to the U.S. dollar may have a negative impact on our reported revenues, net income and cash flows. Any currency controls implemented by local monetary authorities in countries where we currently operate could also adversely affect our business, financial condition and results of operations.

We are subject to extensive and costly environmental laws and regulations that may require us to take actions that will adversely affect our results of operations.

Our operations are significantly affected by stringent foreign, federal, provincial, state and local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. We could be exposed to liabilities for cleanup costs, natural resource damages and other damages under these laws and regulations, with certain of these legal requirements imposing strict liability for such damages and costs, even though our conduct was lawful at the time it occurred or the conduct resulting in such damage and costs were caused by, prior operators or other third-parties. Environmental laws and regulations are subject to change in the future, possibly resulting in more stringent legal requirements. If existing regulatory requirements or enforcement policies change, we may be required to make significant unanticipated capital and operating expenditures.

Any failure by us to comply with applicable environmental laws and regulations may result in governmental authorities taking actions against our business that could adversely impact our operations and financial condition, including the:

issuance of administrative, civil and criminal penalties;

denial or revocation of permits or other authorizations;

reduction or cessation in operations; and

performance of site investigatory, remedial or other corrective actions.

An accidental release of pollutants into the environment may cause us to incur significant costs and liabilities.

There is inherent risk of environmental costs and liabilities in our business as a result of our handling of petroleum hydrocarbons, because of air emissions and waste water discharges related to our operations, and due to historical industry operations and waste disposal practices. Certain environmental statutes impose joint and several, strict liability for these costs. For example, an accidental release by us in the performance of services at one of our or our customers’ sites could subject us to substantial liabilities arising from environmental cleanup, restoration costs and natural resource damages, claims made by neighboring landowners and other third parties for personal injury and property damage and fines or penalties for related violations of environmental laws or regulations. We may not be able to recover some or any of these costs from insurance.

We may be exposed to certain regulatory and financial risks related to climate change.

Climate change has received increasing attention from the general public, the scientific community and governments, both in the United States and in foreign countries. The debate is ongoing as to the extent to which our climate is changing, the potential causes of any change and its potential impacts. Some attribute global warming to increased levels of GHGs, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit GHG emissions. Among other regulatory efforts, significant focus is being made on companies that are active producers of depleting natural resources.

There are a number of legislative and regulatory proposals to address GHG emissions, which are in various phases of discussion or implementation. The outcome of foreign and domestic federal, regional, provincial and state actions to address global climate change could result in a variety of regulatory programs including potential new regulations, additional charges to fund energy efficiency activities, or other regulatory actions. Among other things, these actions could:

- result in increased costs associated with our operations and our customers' operations;
- adversely impact overall drilling activity in the areas in which we operate;
- reduce the demand for carbon-based fuels; and
- reduce the demand for our products and services.

Any adoption of these or similar proposals by foreign or domestic federal, regional or state governments mandating a substantial reduction in GHG emissions or imposing a carbon tax on emission of GHGs could have far-reaching and significant impacts on the energy industry. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact our business, any such future laws and regulations could result in increased compliance costs or additional operating restrictions, and could have a material adverse effect on our business or demand for our products and services. See "Part I, Item 1. “Business - Government Regulation" for a more detailed description of our climate-change related risks.

Currently proposed legislative changes, including changes to tax laws and regulations, could materially, negatively impact the Company by increasing the costs of doing business and decreasing the demand for our products.

The current U.S. administration and Congress have proposed several new articles of legislation or legislative and administrative changes, including changes to tax laws and regulations, which could have a material negative effect on our Company. Some of the proposed changes that could negatively impact us are:

cap and trade system for emissions;

increased environmental limits on exploration and production activities;

repeal of expensing of intangible drilling costs and exploration and development costs;

- increase of the amortization period for geological and geophysical costs to seven years;
- repeal of percentage depletion;
- limits on hydraulic fracturing or disposal of hydraulic fracturing fluids;
- repeal of the domestic manufacturing deduction for oil and natural gas production;
- repeal of the passive loss exception for working interests in oil and natural gas properties;
- repeal of the credits for enhanced oil recovery projects and production from marginal wells;
- repeal of the deduction for tertiary injectants;
- changes to the tax treatment of Master Limited Partnerships (MLPs);
- changes to the foreign tax credit limitation calculation; and
- changes to healthcare rules and regulations.

We are susceptible to seasonal earnings volatility due to adverse weather conditions in our regions of operations.

Our operations are directly affected by seasonal differences in weather in the areas in which we operate, most notably in the Rocky Mountain region of the United States, the Gulf of Mexico and Canada. Severe winter weather conditions in the Rocky Mountain region of the United States can restrict access to work areas for our well site services segment customers. Our operations in and near the Gulf of Mexico are also affected by weather patterns. Weather conditions in the Gulf Coast region generally result in higher drilling activity in the spring, summer and fall months with the lowest activity in the winter months. In addition, summer and fall drilling activity can be restricted due to hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast. A portion of our completion services operations in Canada are conducted during the winter months when the winter freeze in remote regions is required for exploration and production activity to occur. The spring thaw in these frontier regions restricts operations in the spring months and, as a result, adversely affects our operations and our ability to provide products and services in the second and, to a lesser extent, third quarters of our fiscal year. As a result of these seasonal differences, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

We are exposed to risks relating to subcontractors' performance in some of our projects.

In many cases, we subcontract the performance of portions of our operations to subcontractors. While we seek to obtain appropriate indemnities and guarantees from these subcontractors, we remain ultimately responsible for the performance of our subcontractors. Industrial disputes, natural disasters, financial failure or default or inadequate performance in the provision of services, or the inability to provide services by such subcontractors has the potential to materially adversely affect us.

Our inability to control the inherent risks of identifying, acquiring and integrating businesses that we may acquire, including any related increases in debt or issuances of equity securities, could adversely affect our operations.

Acquisitions have been, and our management believes will continue to be, a key element of our growth strategy. However, we may not be able to identify and acquire acceptable acquisition candidates on favorable terms in the future. We may be required to incur substantial indebtedness to finance future acquisitions and also may issue equity securities in connection with such acquisitions. Such additional debt service requirements could impose a significant burden on our results of operations and financial condition. The issuance of additional equity securities could result in significant dilution to stockholders.

We expect to gain certain business, financial and strategic advantages as a result of business combinations we undertake, including synergies and operating efficiencies. Our forward-looking statements assume that we will successfully integrate our business acquisitions and realize these intended benefits. An inability to realize expected financial performance and strategic advantages as a result of the acquisition would negatively affect the anticipated benefits of the acquisition. Additional risks we could face in connection with acquisitions include:

- retaining key employees of acquired businesses;
- retaining and attracting new customers of acquired businesses;
- retaining supply and distribution relationships key to the supply chain;
- increased administrative burden;
- developing our sales and marketing capabilities;
- managing our growth effectively;
- potential goodwill impairment resulting from the overpayment for an acquisition;
- integrating operations;
- managing tax and foreign exchange exposure;
- operating a new line of business;
- increased logistical problems common to large, expansive operations;
- inability to pursue and protect patents covering acquired technology; and
- becoming subject to unanticipated liabilities of the acquired business.

Additionally, an acquisition may bring us into businesses we have not previously conducted and expose us to additional business risks that are different from those we have previously experienced. If we fail to manage any of these risks successfully, our business could be harmed. Our capitalization and results of operations may change significantly following an acquisition, and shareholders of the Company may not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in evaluating future acquisitions.

We may not have adequate insurance for potential liabilities and our insurance may not cover certain liabilities, including litigation risks.

The products that we manufacture and the services that we provide are complex, and the failure of our equipment to operate properly or to meet specifications may greatly increase our customers' costs. In addition, many of these products are used in inherently hazardous applications where an accident or product failure can cause personal injury or loss of life, damages to property, equipment, or the environment, regulatory investigations and penalties and the suspension of the end-user's operations. If our products or services fail to meet specifications or are involved in accidents or failures, we could face warranty, contract, or other litigation claims for which we may be held responsible and our reputation for providing quality products may suffer. In the ordinary course of business, we become the subject of various claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, products, employees and other matters, including occasional claims by individuals alleging exposure to hazardous materials as a result of our products or operations. Some of these claims relate to the activities of businesses that we have sold, and some relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of such businesses.

We maintain insurance to cover many of our potential losses, and we are subject to various self-retentions and deductibles under our insurance policies. It is possible, however, that a judgment could be rendered against us in cases in which we could be uninsured and beyond the amounts that we currently have reserved or anticipate incurring for such matters. Even a partially uninsured or underinsured claim, if successful and of significant size, could have a material adverse effect on our results of operations or consolidated financial position. We also face the following other risks related to our insurance coverage:

- we may not be able to continue to obtain insurance on commercially reasonable terms;
- we may be faced with types of liabilities that will not be covered by our insurance, such as damages from environmental contamination or terrorist attacks;
- the counterparties to our insurance contracts may pose credit risks; and
- we may incur losses from interruption of our business that exceed our insurance coverage.

Our business could be negatively impacted by security threats, including cybersecurity threats, and other disruptions.

We face various security threats, including cybersecurity threats to gain unauthorized access to sensitive information or to render data or systems unusable; threats to the safety of our employees; threats to the security of our facilities and infrastructure or third-party facilities and infrastructure, such as processing plants and pipelines; and threats from terrorist acts. Although we utilize various procedures and controls to monitor these threats and mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. If any of these events were to materialize, they could lead to losses of sensitive information, critical infrastructure, personnel or capabilities, essential to our operations and could have a material adverse effect on our reputation, financial position, results of operations, or cash flows. Cybersecurity attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data.

We depend on several significant customers in each of our business segments, and the loss of one or more such customers or the inability of one or more such customers to meet their obligations to us could adversely affect our results of operations.

We depend on several significant customers in each of our business segments. For a more detailed explanation of our customers for each of our business segments, see “Item 1. Business.” The loss of any one of our largest customers in any of our business segments or a sustained decrease in demand by any of such customers could result in a substantial loss of revenues and could have a material adverse effect on our results of operations. In addition, the concentration of customers in one industry may impact our overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economic and industry conditions. While we perform ongoing credit evaluations of our customers, we do not generally require collateral in support of our trade receivables.

As a result of our customer concentration, risks of nonpayment and nonperformance by our counterparties are a concern in our business. We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. Many of our customers finance their activities through cash flow from operations, the incurrence of debt or the issuance of equity. In an economic downturn, commodity prices typically decline, and the credit markets and availability of credit could be constrained. Additionally, many of our customers’ equity values could decline. The combination of lower cash flow due to commodity prices, a reduction in borrowing bases under reserve-based credit facilities and the lack of available debt or equity financing may result in a significant reduction in our customers’ liquidity and ability to pay or otherwise perform on their obligations to us. Furthermore, some of our customers may be highly leveraged and subject to their own operating and regulatory risks, which increases the risk that they may default on their obligations to us. The inability or failure of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results.

Our common stock price has been volatile, and we expect it to continue to remain volatile in the future.

The market price of common stock of companies engaged in the oil and natural gas services industry has been highly volatile. Likewise, the market price of our common stock has varied significantly in the past, and we expect it to continue to remain highly volatile given the cyclical nature of our industry.

We may assume contractual risks in developing, manufacturing and delivering products in our offshore products business segment.

Many of our products from our offshore products segment are ordered by customers under frame agreements or project specific contracts. In some cases these contracts stipulate a fixed price for the delivery of our products and impose liquidated damages or late delivery fees if we do not meet specific customer deadlines. In addition, some customer contracts stipulate consequential damages payable, generally as a result of our gross negligence or willful misconduct. The final delivered products may also include customer and third-party supplied equipment, the delay of which can negatively impact our ability to deliver our products on time at our anticipated profitability.

In certain cases these orders include new technology or unspecified design elements. In some cases we may not be fully or properly compensated for the cost to develop and design the final products, negatively impacting our profitability on the projects. In addition, our customers, in many cases, request changes to the original design or bid specifications for which we may not be fully or properly compensated.

As is customary for our offshore products segment, we agree to provide products under fixed-price contracts, typically assuming responsibility for cost overruns. Our actual costs and any gross profit realized on these fixed-price contracts may vary from the initially expected contract economics. There is inherent risk in the estimation process including significant unforeseen technical and logistical challenges or longer than expected lead times. A fixed-price contract may prohibit our ability to mitigate the impact of unanticipated increases in raw material prices (including the price of steel) through increased pricing.

In fulfilling some contracts, we provide limited warranties for our products. Although we estimate and record a provision for potential warranty claims, repair or replacement costs under warranty provisions in our contracts could exceed the estimated cost to cure the claim which could be material to our financial results. We utilize percentage-of-completion accounting, depending on the size and length of a project, and variations from estimated contract performance could have a significant impact on our reported operating results as we progress toward completion of major jobs.

Backlog in our offshore products segment is subject to unexpected adjustments and cancellations and is, therefore, an imperfect indicator of our future revenues and earnings.

The revenues projected in our offshore products segment backlog may not be realized or, if realized, may not result in profits. Because of potential changes in the scope or schedule of our customers' projects, we cannot predict with certainty when or if backlog will be realized. In addition, even where a project proceeds as scheduled, it is possible that contracted parties may default and fail to pay amounts owed to us. Material delays, cancellations or payment defaults could materially affect our financial condition, results of operations and cash flows.

Reductions in our backlog due to cancellations by customers or for other reasons would adversely affect, potentially to a material extent, the revenues and earnings we actually receive from contracts included in our backlog. Some of the contracts in our backlog are cancelable by the customer, subject to the payment of termination fees and/or the reimbursement of our costs incurred. We typically have no contractual right to the total revenues reflected in our backlog once a project is cancelled. While backlog cancelations have not been significant in the past, we incurred cancelations totaling $8.4 million during the fourth quarter of 2014, which we believe is attributable to lower commodity prices and the resultant decrease in capital spending by our clients, and additional cancelations may occur in the future further reducing our backlog. If we experience significant project terminations, suspensions or scope adjustments to contracts included in our backlog, our financial condition, results of operations and cash flows may be adversely impacted.

We might be unable to employ a sufficient number of technical personnel.

Many of the products that we sell, especially in our offshore products segment, are complex and highly engineered and often must perform in harsh conditions. We believe that our success depends upon our ability to employ and retain technical personnel with the ability to design, utilize and enhance these products. In addition, our ability to expand our operations depends in part on our ability to increase our skilled labor force. During periods of increased activity, the demand for skilled workers is high, and the supply is limited. When these events occur, our cost structure increases and our growth potential could be impaired.

We might be unable to compete successfully with other companies in our industry.

The markets in which we operate are highly competitive and certain of them have relatively few barriers to entry. The principal competitive factors in our markets are product, equipment and service quality, availability, responsiveness, experience, technology, safety performance and price. In some of our business segments, we compete with the oil and natural gas industry's largest oilfield service providers. These large national and multi-national companies have longer operating histories, greater financial, technical and other resources and greater name recognition than we do. Several of our competitors provide a broader array of services and have a stronger presence in more geographic markets. In addition, we compete with several smaller companies capable of competing effectively on a regional or local basis. Our competitors may be able to respond more quickly to new or emerging technologies and services and changes in customer requirements. Some contracts are awarded on a bid basis, which further increases competition based on price. As a result of competition, we may lose market share or be unable to maintain or increase prices for our present services or to acquire additional business opportunities, which could have a material adverse effect on our business, financial condition and results of operations.

If we do not develop new competitive technologies and products, our business and revenues may be adversely affected.

The market for our offshore products is characterized by continual technological developments to provide better performance in increasingly greater water depths, higher pressure levels and harsher conditions. If we are unable to design, develop and produce commercially competitive products in a timely manner in response to changes in technology, our business and revenues will be adversely affected. In addition, competitors or customers may develop new technologies, which address similar or improved solutions to our existing technology. Additionally, the development and commercialization of new products and services requires substantial capital expenditures and we may not have access to needed capital at attractive rates or at all due to our financial condition, disruptions of the bank or capital markets or other reasons beyond our control to continue these activities. Should our technologies, particularly in offshore products or in our completion services business, become the less attractive solution, our operations and profitability would be negatively impacted.

We may be subject to litigation if another party claims that we have infringed upon its intellectual property rights.

The tools, techniques, methodologies, programs and components we use to provide our products and services may infringe or be alleged to infringe upon the intellectual property rights of others. Infringement claims generally result in significant legal and other costs and may distract management from running our core business. Royalty payments under a license from third parties, if available, would increase our costs. If a license were not available, we might not be able to continue providing a particular service or product. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

During periods of strong demand, we may be unable to obtain critical project materials on a timely basis.

Our operations depend on our ability to procure, on a timely basis, certain project materials, such as forgings, to complete projects in an efficient manner. Our inability to procure critical materials, in particular during times of strong demand, or an increase in the cost of such materials, could have a material adverse effect on our business and operations.

Our oilfield operations involve a variety of operating hazards and risks that could cause losses.

Our operations are subject to the hazards inherent in the oilfield business. These include, but are not limited to, equipment defects, blowouts, explosions, fires, collisions, capsizing and severe weather conditions. These hazards could result in personal injury and loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage and suspension of operations. We may incur substantial liabilities or losses as a result of these hazards as part of our ongoing business operations. We may agree to indemnify our customers against specific risks and liabilities. While we maintain insurance protection against some of these risks, and seek to obtain indemnity agreements from our customers requiring the customers to hold us harmless from some of these risks, our insurance and contractual indemnity protection may not be sufficient or effective enough to protect us under all circumstances or against all risks. The occurrence of a significant event not fully insured or indemnified against or the failure of a customer to meet its indemnification obligations to us could materially and adversely affect our results of operations and financial condition.

Our operations may suffer due to increased industry-wide capacity of certain types of equipment or assets.

The demand for and pricing of certain types of our assets and equipment, particularly our drilling rigs and completion services assets, is subject to the overall availability of such assets in the marketplace. If demand for our assets were to decrease, or to the extent that we and our competitors increase our capacity in excess of current demand, we may encounter decreased pricing for or utilization of our assets and services, which could adversely impact our operations and profits.

We might be unable to protect our intellectual property rights.

We rely on a variety of intellectual property rights that we use in our offshore products and completion services businesses, particularly our patents relating to our FlexJoint® and Merlin™ technology and intervention and downhole extended-reach tools utilized in the completion or workover of oil and natural gas wells. The market success of our technologies will depend, in part, on our ability to obtain and enforce our proprietary rights in these technologies, to preserve rights in our trade secret and non-public information, and to operate without infringing the proprietary rights of others. We may not be able to successfully preserve these intellectual property rights in the future and these rights could be invalidated, circumvented or challenged. If any of our patents or other intellectual property rights are determined to be invalid or unenforceable, or if a court limits the scope of claims in a patent or fails to recognize our trade secret rights, our competitive advantages could be significantly reduced in the relevant technology, allowing competition for our customer base to increase. In addition, the laws of some foreign countries in which our products and services may be sold do not protect intellectual property rights to the same extent as the laws of the United States. The failure of our company to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could adversely affect our competitive position.

Loss of key members of our management could adversely affect our business.

We depend on the continued employment and performance of key members of our management. If any of our key managers resign or become unable to continue in their present roles and are not adequately replaced, our business operations could be materially adversely affected. We do not maintain "key man" life insurance for any of our officers.

Employee and customer labor problems could adversely affect us.

As of December 31, 2014, we are party to collective bargaining agreements covering 21 employees in Argentina and 16 employees in the United Kingdom. We have not experienced strikes, work stoppages or other slowdowns in the past, but we cannot guarantee that we will not experience such events in the future. A prolonged strike, work stoppage or other slowdown by our employees or by the employees of our customers could cause us to experience a disruption of our operations, which could adversely affect our business, financial condition and results of operations.

Provisions contained in our certificate of incorporation and bylaws could discourage a takeover attempt, which may reduce or eliminate the likelihood of a change of control transaction and, therefore, the ability of our stockholders to sell their shares for a premium.

Provisions contained in our certificate of incorporation and bylaws provide limitations on the removal of directors, on stockholder proposals at meetings of stockholders, on stockholder action by written consent and on the ability of stockholders to call special meetings, which could make it more difficult for a third-party to acquire control of our company. Our certificate of incorporation also authorizes our Board of Directors to issue preferred stock without stockholder approval. If our Board of Directors elects to issue preferred stock, it could increase the difficulty for a third-party to acquire us, which may reduce or eliminate our stockholders' ability to sell their shares of our common stock at a premium.

Our business could be negatively affected as a result of the actions of activist shareholders.

Publicly traded companies have increasingly become subject to campaigns by investors seeking to increase shareholder value by advocating corporate actions such as financial restructuring, increased borrowing, special dividends, stock repurchases, sales of assets or even sale of the entire company. Given our shareholder composition and other factors, it is possible such shareholders or future activist shareholders may attempt to effect such changes or acquire control over us. Responding to proxy contests and other actions by such activist shareholders or others in the future would be costly and time-consuming, disrupt our operations and divert the attention of our Board of Directors and senior management from the pursuit of business strategies, which could adversely affect our results of operations and financial condition. Additionally, perceived uncertainties as to our future direction as a result of shareholder activism or changes to the composition of the Board of Directors may lead to the perception of a change in the direction of our business, instability or lack of continuity which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce transactions with us or transact with our competitors instead of us because of any such issues, then our revenue, earnings and operating cash flows could be adversely affected.

The Spin-Off of Civeo may subject us to future liabilities.

Pursuant to agreements we entered into with Civeo in connection with the Spin-Off, we and Civeo are each generally responsible for the obligations and liabilities related to our respective businesses. Pursuant to those agreements, we and Civeo each agreed to cross-indemnities principally designed to allocate financial responsibility for the obligations and liabilities of our business to us and those of Civeo’s business to it. However, third parties, including governmental agencies, could seek to hold us responsible for obligations and liabilities that Civeo agreed to retain or assume, and there can be no assurance that the indemnification from Civeo will be sufficient to protect us against the full amount of such obligations and liabilities, or that Civeo will be able to fully satisfy its indemnification obligations. Additionally, if a court were to determine that the Spin-Off or related transactions, including the payment of the dividend we received from Civeo, were consummated with the actual intent to hinder, delay or defraud current or future creditors or resulted in Civeo receiving less than reasonably equivalent value when it was insolvent, or that it was rendered insolvent, inadequately capitalized or unable to pay its debts as they become due, then it is possible that the court could disregard the allocation of obligations and liabilities agreed to between us and Civeo and impose substantial obligations and liabilities on us, void some or all of the Spin-Off transactions or require us to repay some or all of the dividend we received in connection with the Spin-Off. Any of the foregoing could adversely affect our financial condition and our results of operations.

If the Spin-Off, or certain internal transactions undertaken in anticipation of the Spin-Off, were determined to be taxable for U.S. federal income tax purposes, then we and our stockholders could be subject to significant tax liability.

In connection with the Spin-Off, we received a private letter ruling from the IRS regarding certain aspects of the Spin-Off. The private letter ruling, and an opinion we received from our tax advisor, each rely on certain facts, assumptions, representations and undertakings from us and Civeo regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations, or undertakings are, or become, incorrect or not otherwise satisfied, we may not be able to rely on the private letter ruling or the opinion of our tax advisor and could be subject to significant tax liabilities. In addition, an opinion of counsel is not binding upon the IRS, so, notwithstanding the opinion of our tax advisor, the IRS could conclude upon audit that the Spin-Off is taxable in full or in part if it disagrees with the conclusions in the opinion, or for other reasons, including as a result of certain significant changes in our or Civeo's stock ownership. If the Spin-Off is determined to be taxable for U.S. federal income tax purposes for any reason, we and/or our stockholders could incur significant income tax liabilities.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

The following table presents information about our principal properties and facilities. For a discussion about how each of our business segments utilizes its respective properties, please see "Part I, Item 1. Business." Except as indicated below, we own all of these properties or facilities.

Location	**Approximate Square Footage/ Acreage**	**Description**
United States:		
Houston, Texas (lease)	30,931	Principal executive offices
Arlington, Texas (own and lease)	41 acres	Various contiguous offices, manufacturing and warehouse facilities located in thirteen buildings
Houston, Texas	25 acres	Offshore products office, manufacturing facility and yard
Houston, Texas	22 acres	Offshore products manufacturing facility and yard
Houston, Texas (lease)	112,312	Offshore products

		service facility and office
Houston, Texas (lease)	50,750	Offshore products service facility and office
Houma, Louisiana	40 acres	Offshore products manufacturing facility and yard
Tulsa, Oklahoma	74,600	Offshore products molding facility
Tulsa, Oklahoma (lease)	68,100	Offshore products molding facility
Oklahoma City, Oklahoma	123,000	Offshore products service facility and office
Lampasas, Texas	48,500	Offshore products molding facility
Lampasas, Texas (lease)	20,000	Offshore products warehouse
Houston, Texas (lease)	23,441	Completion services office
Alice, Texas	27 acres	Completion services office and warehouse
New Iberia, Louisiana	10 acres	Completion services shop
Houma, Louisiana	10 acres	Completion services office and warehouse
Rock Springs, Wyoming	10 acres	Completion services shop
Williston, North Dakota	10 acres	Completion services shop
Renton, Washington (lease)	12,750	Completion services office and shop
Kent, Washington (lease)	6,150	Completion services office and shop
Odessa, Texas	21 acres	

		Drilling services office, shop, warehouse and yard
Casper, Wyoming	7 acres	Drilling services office, shop and yard
International:		
Rio de Janeiro, Brazil	31 acres	Offshore products manufacturing facility and yard
Macaé, Brazil	17 acres	Offshore products manufacturing facility and yard
Macaé, Brazil (lease)	6 acres	Offshore products manufacturing facility and yard
West Lothian, Scotland	27 acres	Offshore products manufacturing facility and yard
Aberdeen, Scotland (lease)	15 acres	Offshore products manufacturing facility and yard
Bathgate, Scotland	3 acres	Offshore products manufacturing facility and yard
Rayong Province, Thailand	11 acres	Offshore products manufacturing and service facility
Singapore (lease)	155,398	Offshore products manufacturing facility
Barrow-in-Furness, England (own and lease)	63,300	Offshore products service facility

		and yard
District Raigad, Maharashtra, India	3 acres	Offshore products manufacturing facility
Red Deer, Alberta, Canada	4 acres	Completion services office and shop
Grand Prairie, Alberta, Canada (lease)	4 acres	Completion services office and shop
Medicine Hat, Alberta, Canada (lease)	1 acre	Completion services office and shop
Villahermosa, Mexico (lease)	34,400	Completion services shop and yard
Reynosa, Mexico (lease)	33,000	Completion services shop and yard
Neuquén, Argentina (lease)	14,262	Completion services shop and yard
Cutral Có, Argentina (lease)	5,380	Completion services shop and yard

We have a total of 50 completion services locations throughout the United States and in Canada, Mexico and Argentina. Most of these office locations are leased and provide sales, technical support and personnel services to our customers. We also have various offices supporting our business segments which are both owned and leased. We believe that our leases are at competitive or market rates and do not anticipate any difficulty in leasing additional suitable space upon expiration of our current lease terms.

Item 3. *Legal Proceedings*

We are a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, products, employees and other matters, including occasional claims by individuals alleging exposure to hazardous materials as a result of our products or operations. Some of these claims relate to matters occurring prior to our acquisition of businesses, and some relate to businesses we have sold. In certain cases, we are entitled to indemnification from the sellers of businesses, and in other cases, we have indemnified the buyers of businesses from us. Although we can give no assurance about the outcome of pending legal and administrative proceedings and the effect such outcomes may have on us, we believe that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by indemnity or insurance, will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Common Stock Information

Our authorized common stock consists of 200,000,000 shares of common stock. There were 51,358,276 shares of common stock outstanding as of February 20, 2015. The approximate number of record holders of our common stock as of February 20, 2015 was 21. Our common stock is traded on the New York Stock Exchange under the ticker symbol OIS. The closing price of our common stock on February 20, 2015 was $41.30 per share.

The following table sets forth the range of high and low quarterly sales prices of our common stock:

	Sales Price	
	High	**Low**
<u>Pre-Spin-Off</u>		
2013		
First Quarter	$82.70	$71.28
Second Quarter	103.50	71.36
Third Quarter	106.84	88.21
Fourth Quarter	113.64	97.83
2014		
First Quarter	$104.91	$90.62
Second Quarter	108.05	94.06
<u>Post-Spin-Off</u>		
2014		
Second Quarter(1)	$65.77	$60.80
Third Quarter	65.05	59.66
Fourth Quarter	62.34	41.51

(1) On May 30, 2014, we completed the spin-off of our accommodations business. The May 30, 2014, closing price of our common stock on the NYSE was $107.58. On June 2, 2014, the first trading day following such spin-off, the opening price of our common stock on the NYSE was $60.88.

We have not declared or paid any cash dividends on our common stock since our initial public offering in 2001 and our existing credit facility limits the payment of dividends. For additional discussion of such restrictions, please see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation." Any future determination as to the declaration and payment of dividends will be at the discretion of our Board of Directors and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our Board of Directors considers relevant.

PERFORMANCE GRAPH

The following performance graph and chart compare the cumulative 5-year total stockholder return on the Company's common stock relative to the cumulative total returns of the Standard & Poor's 500 Stock Index, the Philadelphia OSX Index, an index of oil and gas related companies that represent an industry composite of the Company's peer group, and a customized peer group of fourteen companies, respectively, whose individual companies are listed in footnotes (1) below for the period from December 31, 2009 to December 31, 2014. The graph and chart show the value at the dates indicated of $100 invested at December 31, 2009 and assume the reinvestment of all dividends.

The fourteen companies included in the Company's customized peer group are: Carbo Ceramics Inc., Core Laboratories, Dresser-Rand Group Inc., Dril-Quip Inc., Exterran Holdings Inc., Forum Energy Technologies Inc., Helix Energy Solutions Group Inc., Helmerich & Payne Inc., Key Energy Services Inc., McDermott International Inc., Oceaneering International Inc., RPC Inc., Superior Energy Services Inc. and Tidewater Inc.

Oil States International – NYSE

	Cumulative Total Return					
	12/09	**12/10**	**12/11**	**12/12**	**12/13**	**12/14**
OIL STATES INTERNATIONAL, INC.	$100.00	$163.12	$194.38	$182.08	$258.90	$217.85
S & P 500	100.00	115.06	117.49	136.30	180.44	205.14
PHLX OIL SERVICE SECTOR (OSX)	100.00	124.14	105.83	107.34	139.75	119.32
PEER GROUP	100.00	142.01	145.29	143.55	198.53	149.16

*$100 invested on December 31, 2009 in stock or index, including reinvestment of dividends. Fiscal year ending December 31st.

(1) This graph is not "soliciting material," is not deemed filed with the Commission and is not to be incorporated by reference in any filing by us under the Securities Act, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

(2) The stock price performance shown on the graph is not necessarily indicative of future price performance. Information used in the graph was obtained from Research Data Group, Inc., a source believed to be reliable, but we are not responsible for any errors or omissions in such information.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased	Approximate Dollar Value of Shares That May Yet Be

Period			**as Part of Publicly Announced Plans or Programs**	**Purchased Under the Plans or Programs** [1]
October 1, 2014 – October 31, 2014	860,384 (2)	$ 59.29 (3)	843,478	$ 163,385,121
November 1, 2014 – November 30, 2014	50,176 (4)	$ 50.42 (5)	50,000	$ 160,865,416
December 1, 2014 - December 31, 2014	246,981 (6)	$ 44.61 (7)	245,537	$ 149,916,461
Total	1,157,541	$ 55.77	1,139,015	$ 149,916,461

(1) On August 23, 2012, we announced a share repurchase program of up to $200,000,000 to replace the prior share repurchase authorization, which was set to expire on September 1, 2012. On September 6, 2013, we announced an increase in the program from $200,000,000 to $500,000,000. The current share repurchase program expires on September 1, 2015.

(2) Includes 16,906 shares surrendered to us by participants in our 2001 Equity Participation Plan to settle the participants' personal tax liabilities that resulted from the lapsing of restrictions on shares awarded to the participants under the plan.

(3) The price paid per share was based on the closing price of our Company's common stock on October 1, 2014, October 4, 2014, October 5, 2014 and October 31, 2014 which represents the dates the restrictions lapsed on such shares, and on the weighted average closing price of our Company's common stock on the dates in which we repurchased shares under our common stock repurchase program.

(4) Includes 176 shares surrendered to us by participants in our 2001 Equity Participation Plan to settle the participants' personal tax liabilities that resulted from the lapsing of restrictions on shares awarded to the participants under the plan.

(5) The price paid per share was based on the closing price of our Company's common stock on November 3, 2014 which represents the date the restrictions lapsed on such shares, and on the weighted average closing price of our Company's common stock on the date in which we repurchased shares under our common stock repurchase program.

(6) Includes 1,444 shares surrendered to us by participants in our 2001 Equity Participation Plan to settle the participants' personal tax liabilities that resulted from the lapsing of restrictions on shares awarded to the participants under the plan.

(7) The price paid per share was based on the closing price of our Company's common stock onDecember 6, 2014, December 14, 2014 and December 15, 2014 which represents the dates the restrictions lapsed on such shares, and on the weighted average closing price of our Company's common stock on the dates in which we repurchased shares under our common stock repurchase program.

Item 6. ***Selected Financial Data***

The selected financial data on the following pages include selected historical financial information of our company as of and for each of the five years ended December 31, 2014. The following data should be read in conjunction with “Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations” and the Company's Consolidated Financial Statements and related notes included in “Part II, Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K. In May 2014, we completed the spin-off of our accommodations segment and, in September 2013, we sold our tubular services segment. Accordingly, all periods presented below have been reclassified to reflect the presentation of our accommodations and tubular services as discontinued operations.

Selected Financial Data

(In thousands, except per share amounts)

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Statement of Income Data:					
Revenues	$1,819,609	$1,629,134	$1,517,720	$1,239,662	$905,130
Costs and Expenses:					
Product costs, service and other costs	1,205,884	1,113,168	1,053,646	851,070	642,073
Selling, general and administrative expenses	169,432	150,967	125,290	114,006	108,310
Depreciation and amortization expense	124,776	109,231	88,745	75,684	77,207
Other operating expense, net	9,262	8,491	2,394	709	343
	1,509,354	1,381,857	1,270,075	1,041,469	827,933
Operating income	310,255	247,277	247,645	198,193	77,197
Interest expense, net of capitalized interest	(17,173)	(38,830)	(40,373)	(37,768)	(14,954)
Interest income	560	628	405	305	317
Loss on extinguishment of debt[1]	(100,380)	(6,168)	-	-	-
Equity in earnings (losses) of unconsolidated affiliates	378	(355)	(417)	(847)	-
Other income	2,704	1,575	5,832	695	621
Income from continuing operations before income taxes	196,344	204,127	213,092	160,578	63,181
Income tax provision	(69,117)	(75,068)	(71,947)	(56,753)	(18,340)
Net income from continuing operations	127,227	129,059	141,145	103,825	44,841
Net income from discontinued operations, net of tax (including a net gain on disposal of $84,043 in 2013)	51,776	292,217	307,482	218,671	123,187
Net income	179,003	421,276	448,627	322,496	168,028
	-	18	18	43	10

Less: Net income attributable to noncontrolling interest					
Net income attributable to Oil States International, Inc.	$179,003	$421,258	$448,609	$322,453	$168,018
Net income attributable to Oil States International, Inc.:					
Continuing operations	$127,227	$129,041	$141,127	$103,782	$44,831
Discontinued operations	51,776	292,217	307,482	218,671	123,187
Net income attributable to Oil States International, Inc.	$179,003	$421,258	$448,609	$322,453	$168,018
Basic net income per share attributable to Oil States International, Inc. common stockholders from:					
Continuing operations	$2.37	$2.32	$2.66	$2.03	$0.89
Discontinued operations	0.96	5.26	5.81	4.27	2.45
Net income	$3.33	$7.58	$8.47	$6.30	$3.34
Diluted net income per share attributable to Oil States International, Inc. common stockholders from:					
Continuing operations	$2.35	$2.31	$2.55	$1.89	$0.85
Discontinued operations	0.96	5.22	5.55	3.98	2.34
Net income	$3.31	$7.53	$8.10	$5.86	$3.19
Weighted average number of common shares outstanding:					
Basic	52,862	54,969	52,959	51,163	50,238
Diluted	53,151	55,327	55,384	55,007	52,700

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Other Data:					
EBITDA, as defined[(2)]	$438,113	$357,710	$341,787	$273,682	$155,015
Capital expenditures related to continuing operations, including capitalized interest	199,256	164,895	168,863	130,849	66,971
Acquisitions of businesses related to continuing operations, net of cash acquired	157	44,260	80,449	212	28,649
Net cash provided by continuing operating activities	302,644	235,086	150,960	95,258	106,001
Net cash (used in) provided by continuing investing activities, including capital expenditures[(3)]	(198,504)	393,509	(266,250)	(134,119)	(94,573)
Net cash (used in) provided by continuing financing activities	(378,912)	(299,928)	134,309	303,163	547,691

	At December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Balance Sheet Data:					
Cash and cash equivalents	$53,263	$599,306	$253,172	$71,721	$96,350
Current assets held for sale[(3)]	-	-	632,496	617,167	437,481
Total current assets	826,666	1,525,907	1,826,092	1,489,659	1,100,004
Property, plant and equipment, net	649,846	1,902,789	1,827,242	1,534,987	1,237,008
Noncurrent assets held for sale[(3)]	-	-	31,605	28,232	21,178
Total assets	1,809,612	4,131,261	4,439,962	3,703,641	3,015,999
Long-term debt and capital leases, excluding current portion and 2 3/8% Notes	146,835	972,692	1,279,805	971,621	731,732
2 3/8% contingent convertible senior subordinated notes	-	-	-	170,884	163,108
Total stockholders' equity	1,340,657	2,625,294	2,465,800	1,963,272	1,628,933

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(1) During 2014, we recognized losses on the extinguishment of debt totaling $100.4 million primarily due to the repurchase of our remaining 6 1/2% Notes and 5 1/8% Notes, resulting in a loss of $96.7 million consisting of the premium paid over book value for such notes and the write-off of unamortized deferred financing costs associated with the Notes. We paid a premium to repurchase the 6 1/2% Notes and 5 1/8% Notes due to their fair market value exceeding their book value at the date tendered. In addition, as a result of the refinancing of our bank debt in the second quarter of 2014, we recognized a loss of $3.7 million (net of $1.8 million allocated to discontinued operations for the Canadian portion of the revolving credit facility) from the write-off of unamortized deferred financing costs on our revolving credit facility. During 2013, we recognized a loss on the extinguishment of debt totaling $6.2 million from the repurchase of a portion of our 5 1/8% Notes in the fourth quarter of 2013, resulting in a loss of $4.1 million, including the write-off of $0.4 million of unamortized deferred financing costs. Additionally, we wrote off $2.1 million of unamortized deferred financing costs associated with the full repayment of our U.S. term loan.

(2) The term EBITDA as defined consists of net income attributable to continuing operations plus interest expense, net, loss on extinguishment of debt, income taxes, depreciation and amortization. EBITDA as defined is not a measure of financial performance under generally accepted accounting principles. You should not consider it in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity. Additionally, EBITDA as defined may not be comparable to other similarly titled measures of other companies. The Company has included EBITDA as defined as a supplemental disclosure because its management believes that EBITDA as defined provides useful information regarding its ability to service debt and to fund capital expenditures and provides investors a helpful measure for comparing its operating performance with the performance of other companies that have different financing and capital structures or tax rates. The Company uses EBITDA as defined to compare and to monitor the performance of its business segments to other comparable public companies and as one of the primary measures to benchmark for the award of incentive compensation under its annual incentive compensation plan.

(3) A total of $600 million of cash proceeds was received from the sale of our tubular services business in September 2013. The applicable assets and liabilities of this business have been classified as held for sale in the Consolidated Balance Sheets prior to December 31, 2013.

We believe that net income attributable to continuing operations is the financial measure calculated and presented in accordance with generally accepted accounting principles that is most directly comparable to EBITDA as defined. The following table reconciles EBITDA as defined with our net income attributable to continuing operations, as derived from our financial information (in thousands):

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Net income attributable to Oil States International, Inc. - continuing operations	$127,227	$129,041	$141,127	$103,782	$44,831
Depreciation and amortization expense	124,776	109,231	88,745	75,684	77,207
Interest expense, net	16,613	38,202	39,968	37,463	14,637
Loss on extinguishment of debt[1]	100,380	6,168	-	-	-
Income tax provision	69,117	75,068	71,947	56,753	18,340
EBITDA, as defined[2]	$438,113	$357,710	$341,787	$273,682	$155,015

ITEM 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that are based on management's current expectations, estimates and projections about our business operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of numerous factors, including the known material factors set forth in "Part I, Item 1A. Risk Factors." You should read the following discussion and analysis together with our Consolidated Financial Statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K.

Due to the spin-off of our accommodations business on May 30, 2014, and the sale of our tubular services business on September 6, 2013, both of which are reported as discontinued operations, our management believes that income from continuing operations is more representative of the Company's current business environment and focus. The terms "earnings" and "loss" as used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" refer to income (loss) from continuing operations.

Spin-Off of Accommodations Business

On May 30, 2014, we completed the spin-off of our accommodations business into a stand-alone, publicly traded corporation (Civeo Corporation, or Civeo) through a tax-free distribution of the accommodations business to the Company's shareholders. Results of operations for Civeo have been classified as discontinued operations in all periods presented in this Annual Report on Form 10-K. For additional information, see Note 2 to the Consolidated Financial

Statements included in this Annual Report on Form 10-K.

Macroeconomic Environment

With the completion of the Spin-Off, we are now a technology-focused, pure-play energy services company. We provide a broad range of products and services to the oil and gas industry through our offshore products and well site services business segments. Demand for our products and services is cyclical and substantially dependent upon activity levels in the oil and gas industry, particularly our customers' willingness to invest capital in the exploration for and development of oil and natural gas. Our customers' capital spending programs are generally based on their outlook for near-term and long-term commodity prices, economic growth, commodity demand and estimates of resource production. As a result, demand for our products and services is largely sensitive to expected commodity prices, principally related to crude oil and natural gas.

In the past few years, crude oil prices have been volatile due to global economic uncertainties as well as inadequate regional well site transportation constraints. Although this price volatility moderated in 2013 and for the first several months of 2014, crude oil prices began to decrease in the beginning of the fourth quarter of 2014 and continued to drop precipitously throughout the remainder of the year. The material decrease in crude oil prices in the fourth quarter of 2014 can primarily be attributed to significant production growth in the U.S. shale plays, strengthening of the U.S. dollar, the Organization of Petroleum Exporting Companies' (OPEC's) hesitancy to cut production in the near-term and modestly lower global oil demand. During 2014, U.S. crude oil production grew to its highest level since 1986 reaching 9.1 million barrels per day of production. Compounding the supply issue were negative demand factors including moderating demand in China, a slowdown in emerging market economies, automobile efficiencies and fuel switching. These factors caused a global supply and demand imbalance resulting in materially lower crude oil prices in the fourth quarter of 2014. The average price of West Texas Intermediate (WTI) crude oil decreased from an average price of $98 per barrel in the fourth quarter of 2013 to $53 per barrel at the end of 2014. The average price of Intercontinental Exchange Brent (Brent) crude decreased from an average price of $109 per barrel in the fourth quarter of 2013 to $55 per barrel at the end of 2014. As of February 20, 2015, WTI crude traded at approximately $50 per barrel while Brent crude traded at approximately $60 per barrel, both prices being near six year lows. The price for WTI influences our customers' spending in U.S. shale play developments, such as the Bakken, Niobrara, Permian and Eagle Ford basins and a number of companies have recently announced reductions in capital spending, including in these plays. Spending in these regions will influence the overall drilling and completion activity in the area and, therefore, the activity of our well site services segment. The price for Brent crude will influence our customers' spending related to offshore drilling and development and, thus, will influence the activity of our offshore products segment.

Given the historical volatility of crude prices, there remains a risk that prices could deteriorate further due to increased domestic crude oil production, slowing growth rates in various global regions and/or the potential for ongoing supply/demand imbalances. Conversely, if the global supply of oil and global inventory levels were to decrease due to reduced capital investment by our customers or government instability in a major oil-producing nation and energy demand continues to increase in the U.S. and countries such as China and India, we could see a recovery in WTI and Brent crude prices. In any event, crude oil price improvements will depend upon a rebalancing of global supply and demand, the timing of which is difficult to predict. If commodity prices do not improve or decline further, demand for our products and services could further decline.

Prices for natural gas in the U.S. averaged $4.37 per mmBtu in 2014 compared to $3.73 per mmBtu in 2013. Natural gas prices improved during 2014, largely due to strong demand in the beginning of 2014. During 2014, natural gas spot prices ranged from a low of $2.74 per mmBtu in late December 2014 to a temporary high of $8.15 per mmBtu in early February 2014 due to the extremely cold winter. More recently, however, natural gas inventories have risen, once again exerting downward pressure on natural gas prices in the U.S. Natural gas prices traded at approximately $2.95 per mmBtu as of February 20, 2015. Growing production coming from U.S. shale play developments resulted in significant increases in natural gas inventories in the U.S. during 2014, from 9% below the 5-year average as of the end of 2013 to 2% below the 5-year average as of the end of 2014. Customer spending in the natural gas shale plays has been limited due to associated gas being produced from unconventional oil wells in North America, specifically onshore shale production resulting from the broad application of horizontal drilling and hydraulic fracturing techniques which remained high during the first nine months of the year. As a result of natural gas production growth outpacing demand in the U.S., natural gas prices continue to be weak relative to prices experienced in 2006 through 2008 and are expected to remain below levels considered economical for new investments in numerous natural gas fields. If natural gas production growth continues to surpass demand in the U.S. and/or the supply of natural gas were to increase, whether the supply comes from conventional or unconventional production or associated natural gas production from oil wells, prices for natural gas could remain depressed for an extended period and result in fewer rigs drilling for natural gas in the near-term.

Recent WTI crude, Brent crude and natural gas pricing trends are as follows:

	Average Price (1)		
	WTI	**Brent**	**Henry Hub**
Quarter	**Crude**	**Crude**	**Natural Gas**
Ended	**(per bbl)**	**(per bbl)**	**(per mmBtu)**
12/31/2014(2)	$73.21	$76.43	$ 3.78
9/30/2014	97.87	101.90	3.96
6/30/2014	103.35	109.69	4.61
3/31/2014	98.68	108.14	5.18
12/31/2013	97.50	109.23	3.85
9/30/2013	105.83	110.23	3.55

6/30/2013	94.05	102.56	4.02
3/31/2013	94.33	112.47	3.49
12/31/2012	88.01	110.15	3.40
9/30/2012	92.17	109.63	2.88

(1) Source: U.S. Energy Information Administration (EIA). As of February 20, 2015, WTI crude, Brent crude and natural gas traded at approximately $50 per barrel, $60 per barrel and $2.95 mmBtu.

(2) As of December 31, 2014, the price of WTI and Brent crude oil had fallen to $53.45 per barrel and $55.27 per barrel, respectively.

Overview

Demand for our offshore products segment is tied primarily to the long-term outlook for commodity prices. Demand for our well site services segment responds to shorter-term movements in oil and natural gas prices and, specifically, changes in North American drilling and completion activity. Other factors that can affect our business and financial results include the general global economic environment and regulatory changes in the U.S., and international markets.

Our offshore products segment provides highly engineered products and services for offshore oil and natural gas production systems and facilities, as well as certain products and services to the offshore drilling market. Sales of our offshore products and services depend primarily upon capital spending for offshore production systems and subsea pipelines, repairs and upgrades of existing offshore drilling rigs and construction of new offshore drilling rigs and vessels. In this segment, we are particularly influenced by global deepwater drilling and production spending, which are driven largely by our customers' longer-term outlook for crude oil and natural gas prices. These deepwater projects are considered to be less susceptible to short-term fluctuations in the price of crude oil and natural gas although it is possible that the recent decline in crude oil prices may cause exploration and production companies to reevaluate their future capital expenditures in regards to these deepwater projects.

In our well site services business segment, we predominantly provide completion services and, to a lesser extent, land drilling services. Our completion services business provides equipment and service personnel utilized in the completion and initial production of new and recompleted wells. Activity for the completion services business is dependent primarily upon the level and complexity of drilling, completion and workover activity throughout North America. Well complexity has increased with the continuing transition to multi-well pads and the drilling of longer laterals along with the increased number of frac stages completed in horizontal wells. Demand for our drilling services is driven by land drilling activity in our primary drilling markets of the Permian Basin in West Texas, where we primarily drill oil wells, and the Rocky Mountain area in the U.S., where we drill both liquids-rich and natural gas wells.

Demand for our land drilling and completion services businesses is correlated to changes in the drilling rig count in North America, as well as changes in the total number of wells expected to be drilled along with changes in total footage drilled over the next two to three years. The table below sets forth a summary of North American rig activity, as measured by Baker Hughes Incorporated, for the periods indicated.

	As Of February 20,	Average Rig Count for Year Ended December 31,				
	2015	2014	2013	2012	2011	2010
U.S. Land – Oil	979	1,486	1,334	1,335	966	573

U.S. Land - Natural gas and other	277	319	371	537	877	937
U.S. Offshore	54	57	56	47	32	31
Total U.S.	1,310	1,862	1,761	1,919	1,875	1,541
Canada	360	380	355	365	423	351
Total North America	1,670	2,242	2,116	2,284	2,298	1,892

The average North American rig count has risen over the past four to five years primarily due to an increase in oil-related drilling, partially offset by a decline in natural gas drilling. The average North American rig count for the year ended December 31, 2014 increased by 126 rigs, or 6.0%, compared to the average for the year ended December 31, 2013 largely due to an increase in oil-related drilling in the Permian Basin of West Texas. However, beginning in early December 2014, the North American rig count has fallen precipitously to 1,670 rigs as of February 20, 2015 in response to much lower crude oil prices from the levels experienced in the first half of 2014.

We continue to monitor the global economy, the demand for crude oil and natural gas and the resultant impact on the capital spending plans and operations of our customers in order to plan our business. Our capital expenditures for our continuing operations in 2014 totaled $199 million compared to 2013 capital expenditures for continuing operations of $165 million. Our 2014 capital expenditures for continuing operations included funding for completion services equipment deployed to service the active U.S. shale plays, to upgrade our drilling services equipment, to expand and upgrade our offshore products facilities in the U.K. and Brazil, and to fund various other capital spending projects. We currently expect to spend a total of approximately $175 million to $225 million for capital expenditures during 2015, including approximately $100 million of carry-over from 2014, to upgrade and maintain our completion services and drilling services equipment, to expand and upgrade our offshore products facilities, and to fund various other capital spending projects. Whether planned expenditures will actually be spent in 2015 depends on industry conditions, project approvals and schedules and vendor delivery timing. We plan to fund these capital expenditures with available cash, internally generated funds and borrowings under our revolving credit facility. In our well site services segment, we continue to monitor industry capacity additions and will make future capital expenditure decisions based on an evaluation of both the market outlook and industry fundamentals.

Strategic Actions

On May 30, 2014, we completed the spin-off of our accommodations business into a stand-alone, publicly traded corporation, Civeo Corporation (the Spin-Off). The objectives of the Spin-Off were to allow each respective management team to more effectively focus on the two distinct businesses, to allow the Company and Civeo the opportunity to pursue more tailored and aggressive growth strategies and the optimization of operating efficiencies for each of the Company and Civeo, among other objectives. In connection with the Spin-Off, we received a private letter ruling from the Internal Revenue Service to the effect that the Spin-Off qualifies as a tax-free transaction. On May 30, 2014 (the Distribution Date), the stockholders of record of Oil States common stock as of the close of business on May 21, 2014 (the Record Date) received two shares of Civeo common stock for each share of Oil States common stock held as of the Record Date. We refinanced all of our debt in connection with the Spin-Off. Following the Distribution Date, Oil States ceased to own any shares of Civeo common stock. Operating results for the Company's accommodations business have been classified as discontinued operations for all periods presented.

On September 6, 2013, the Company entered into a Stock Purchase Agreement with Marubeni-Itochu for the sale of Sooner, which comprised the entirety of the Company's tubular services segment. Total consideration received by the Company was $600.0 million. We recognized a net gain on disposal of $128.4 million ($84.0 million after-tax) during 2013. Operating results for the Company's tubular services business have been classified as discontinued operations for all periods presented.

Recent Acquisitions

In addition to capital spending, we have invested in acquisitions of businesses complementary to our growth strategy. Our acquisition strategy has allowed us to leverage our existing and acquired products and services into new geographic locations and has expanded our technology and product offerings. We have made strategic acquisitions in each of our business segments in recent years.

On January 2, 2015, we acquired all of the equity of Montgomery Machine Company, Inc. (MMC). Headquartered in Houston, Texas, MMC combines machining and proprietary cladding technology and services to manufacture high-specification components for the offshore capital equipment industry on a global basis. We believe that the acquisition of MMC will strengthen our position in our offshore products segment as a supplier of subsea components with enhanced capabilities, proprietary technology and logistical advantages. Subject to customary post-closing adjustments, total transaction consideration was $34.0 million.

On December 2, 2013, we acquired all of the operating assets of QCS for total cash consideration of $42.3 million. Headquartered in Houston, Texas, QCS designs, manufactures and markets a portfolio of proprietary deep and shallow water pipeline connectors for subsea pipeline construction, repair and expansion projects. The operations of QCS have been included in our offshore products segment since the acquisition date.

On December 14, 2012, we acquired all of the equity of Tempress for purchase price consideration of $52.8 million. Headquartered in Kent, Washington, Tempress designs, develops and markets a suite of highly specialized, hydraulically-activated tools utilized during downhole completion activities. The operations of Tempress have been included in our well site services segment since the acquisition date.

On July 2, 2012, we acquired all of the operating assets of Piper Valve Systems, Ltd (Piper) for total cash consideration of $48.0 million. Headquartered in Oklahoma City, Oklahoma, Piper designs and manufactures high pressure valves and manifold components for oil and gas industry projects offshore (surface and subsea) and onshore. The operations of Piper have been included in our offshore products segment since the acquisition date.

We funded all of these acquisitions with cash on hand and/or amounts available under our credit facilities. See Note 11 to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information on our senior secured bank facilities.

Consolidated Results of Operations (in millions)

	YEARS ENDED December 31,		**Variance 2014 vs. 2013**			**Variance 2013 vs. 2012**	
	2014	**2013**	**$**	**%**	**2012**	**$**	**%**
Revenues							
Well site services -							
Completion services	$ 656.9	$ 576.0	$ 80.9	14%	$ 522.6	$ 53.4	10%
Drilling services	201.1	170.5	30.6	18%	191.0	(20.5)	(11%)
Total well site services	858.0	746.5	111.5	15%	713.6	32.9	5%
Offshore products	961.6	882.6	79.0	9%	804.1	78.5	10%
Total	$ 1,819.6	$ 1,629.1	$ 190.5	12%	$ 1,517.7	$ 111.4	7%
Product costs; service and other costs (“Cost of sales and service”)							
Well site services -							
Completion services	$ 402.9	$ 353.0	$ 49.9	14%	$ 324.6	$ 28.4	9%
Drilling services	141.4	119.5	21.9	18%	133.2	(13.7)	(10%)
Total well site services	544.3	472.5	71.8	15%	457.8	14.7	3%
Offshore products	661.6	640.7	20.9	3%	595.9	44.8	8%
Total	$ 1,205.9	$ 1,113.2	$ 92.7	8%	$ 1,053.7	$ 59.5	6%
Gross margin							
Well site services -							
Completion services	$ 254.0	$ 223.0	$ 31.0	14%	$ 198.0	$ 25.0	13%
Drilling services	59.7	51.0	8.7	17%	57.8	(6.8)	(12%)
Total well site services	313.7	274.0	39.7	14%	255.8	18.2	7%
Offshore products	300.0	241.9	58.1	24%	208.2	33.7	16%
Total	$ 613.7	$ 515.9	$ 97.8	19%	$ 464.0	$ 51.9	11%
Gross margin as a percentage of revenues							
Well site services -							
Completion services	39 %	39 %			38 %		
Drilling services	30 %	30 %			30 %		
Total well site services	37 %	37 %			36 %		
Offshore products	31 %	27 %			26 %		
Total	34 %	32 %			31 %		

YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

We reported net income from continuing operations attributable to the Company for the year ended December 31, 2014 of $127.2 million, or $2.35 per diluted share, including a loss on extinguishment of debt of $100.4 million, or $1.21 per diluted share after-tax, and $11.2 million, or $0.14 per diluted share after-tax, of transaction costs included in “Other operating expense” and SG&A expenses primarily related to the Spin-Off. These results compare to net income from continuing operations attributable to the Company of $129.0 million, or $2.31 per diluted share, reported for the year ended December 31, 2013, including $5.7 million, or $0.07 per diluted share after-tax, of transaction costs included in “other operating (income) expense” primarily related to the Spin-Off, a pre-tax loss on the extinguishment of debt of $6.2 million, or $0.07 per diluted share after-tax, and a charge of $3.0 million, or $0.04 per diluted share, from an increase in contingent acquisition consideration in our completion services business. Excluding these debt extinguishment and transaction costs, net income from continuing operations increased $63.0 million, or $1.25 per diluted share, year-over-year.

Revenues. Consolidated revenues increased $190.5 million, or 12%, in 2014 compared to 2013.

Our well site services segment revenues increased $111.5 million, or 15%, in 2014 compared to 2013 due to increases in both completion services and drilling services revenues. Our completion services revenues increased $80.9 million, or 14%, in 2014 compared to 2013, primarily due to a 5% increase in the number of service tickets completed and a 9% increase in our revenue per completion services job as a result of increased service intensity in the active shale basins and the Gulf of Mexico. Our drilling services revenues increased $30.6 million, or 18%, in 2014 compared to 2013 primarily as a result of increased utilization of our drilling rigs from an average of 75% during 2013 to an average of 87% in 2014. However, utilization declined beginning in the fourth quarter of 2014 due to lower crude oil prices and, on February 20, 2015, the utilization of our drilling rigs had decreased to 50%.

Our offshore products segment revenues increased $79.0 million, or 9%, in 2014 compared to 2013. This increase was primarily the result of increased deepwater production facility and subsea product sales, greater elastomer consumable downhole product sales, contributions from the acquisition of QCS, which was acquired in December 2013, and an increase in demand for our services worldwide.

Cost of Sales and Service. Our consolidated cost of sales increased $92.7 million, or 8%, in 2014 compared to 2013 as a result of increased cost of sales at our wellsite services and offshore products segments of $71.8 million, or 15%, and $20.9 million, or 3%, respectively. With cost of sales and service increasing at a slower rate than our revenues, consolidated gross margin as a percentage of revenues increased from 32% in 2013 to 34% in 2014 primarily due to higher margins realized in our offshore products segment in 2014.

Our well site services segment cost of sales increased $71.8 million, or 15%, in 2014 compared to 2013 as a result of a $49.9 million, or 14%, increase in completion services cost of sales and a $21.9 million, or 18%, increase in drilling services cost of sales. These increases in cost of sales are directly correlated to the revenue increases in these businesses. In our well site services segment, completion services and drilling services gross margins as a percentage of revenues were 39% and 30%, respectively, in both 2014 and 2013.

Our offshore products segment cost of sales increased $20.9 million, or 3%, in 2014 compared to 2013 and gross margin as a percentage of revenues increased from 27% to 31% primarily due to increased margins realized on our elastomer consumable sales, deepwater production facility and subsea pipeline product sales, as well as improved cost absorption and utilization associated with increased revenue.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expense increased $18.5 million, or 12%, in 2014 compared to 2013. The increase was largely due to increased employee-related costs primarily associated with a 5% increase in total headcount, a portion of which was added in offshore products in connection with the QCS acquisition in December 2013, coupled with increased bad debt expense.

Depreciation and Amortization. Depreciation and amortization expense increased $15.5 million, or 14%, in 2014 compared to 2013 primarily due to capital expenditures made during the previous twelve months across all segments of our Company along with increased depreciation and amortization expense related to the QCS acquisition.

Operating Income. Consolidated operating income increased $63.0 million, or 25%, in 2014 compared to 2013 primarily as a result of increases in operating income from our offshore products segment and completion services business of $43.2 million, or 28%, and $21.5 million, or 17%, respectively. These increases in operating income were partially offset by an increase of $5.5 million in transaction costs primarily related to the Spin-Off.

Interest Expense and Interest Income. Net interest expense decreased $21.6 million, or 57%, in 2014 compared to 2013 primarily due to the Company's repurchase of $34.0 million aggregate principal amount of our 5 1/8% Notes in the fourth quarter of 2013, the repurchase of the remaining $966.0 million aggregate principal amount of our 6 1/2% and 5 1/8% Notes in the second quarter of 2014 and the full repayment of our U.S. term loan in the third quarter of 2013, partially offset by amounts outstanding under our current revolving credit facility coupled with unused commitment fees paid to our lenders. The weighted average interest rate on the Company's total outstanding debt was 6.0% in 2014 compared to 6.4% in 2013.

Loss on Extinguishment of Debt. During 2014, we recognized losses on the extinguishment of debt totaling $100.4 million primarily due to the repurchase of our remaining 6 1/2% Notes and 5 1/8% Notes, resulting in a loss of $96.7 million consisting of the premium paid over book value for the Notes and the write-off of unamortized deferred financing costs associated with such notes. We paid a premium to repurchase the 6 1/2% Notes and 5 1/8% Notes due to their fair market value exceeding their book value at the date tendered. In addition, as a result of the refinancing of our bank debt in the second quarter of 2014, we recognized a loss of $3.7 million (net of $1.8 million allocated to discontinued operations for the Canadian portion of the revolving credit facility) from the write-off of unamortized deferred financing costs on our revolving credit facility. During 2013, we recognized a loss on the extinguishment of debt totaling $6.2 million from the repurchase of a portion of our 5 1/8% Notes in the fourth quarter of 2013, resulting in a loss of $4.1 million, including the write-off of $0.4 million of unamortized deferred financing costs. Additionally, during 2013 we wrote off $2.1 million of unamortized deferred financing costs associated with the full repayment of our U.S. term loan.

Income Tax Expense. The Company's income tax provision for 2014 totaled $69.1 million, or 35.2% of pretax income, compared to income tax expense of $75.1 million, or 36.8% of pretax income, for 2013. The decrease in the effective tax rate from the prior year was largely the result of the mix and levels of pre-tax earnings between the Company's domestic and foreign operations and the loss incurred on extinguishment of debt associated with the debt refinancings completed in connection with the Spin-Off.

Discontinued Operations. Net income from discontinued operations for 2014 was $51.8 million compared to $208.2 million for 2013 (exclusive of a $128.6 million pre-tax gain, $84.0 million after-tax, recorded on the disposal of our tubular services business in 2013.) Revenues reported within discontinued operations were $404.2 million for 2014 compared to $2.1 billion for 2013. Operating income included within discontinued operations was $81.1 million and $305.1 million for 2014 and 2013, respectively. The decreases in revenue and operating income year-over-year primarily relate to the absence of tubular services operations in 2014 compared to 2013 due to this segment's disposal on September 6, 2013, and the absence of accommodations operations for the months of June through September 2014 compared to a full twelve months in 2013 due to the Spin-Off on May 30, 2014.

Other Comprehensive Income (Loss). Other comprehensive income (loss) increased from a loss of $192.8 million in 2013 to income of less than $1.0 million in 2014 primarily as a result of foreign currency translation adjustments attributable to the accommodations discontinued operations which were spun-off.

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

We reported net income from continuing operations attributable to the Company for the year ended December 31, 2013 of $129.0 million, or $2.31 per diluted share, including $5.7 million, or $0.07 per diluted share after-tax, of transaction costs included in "other operating (income) expense" primarily related to the Spin-Off, a pre-tax loss on the extinguishment of debt of $6.2 million, or $0.07 per diluted share after-tax, and a charge of $3.0 million, or $0.04 per diluted share, from an increase in contingent acquisition consideration in our completion services business. These results compare to net income from continuing operations attributable to the Company of $141.1 million, or $2.55 per diluted share, reported for the year ended December 31, 2012, including a gain of $2.5 million, or $0.03 per diluted share after-tax, related to insurance proceeds received for a land drilling rig lost in a fire that occurred in the first quarter of 2012.

Revenues. Consolidated revenues increased $111.4 million, or 7%, in 2013 compared to 2012.

Our well site services segment revenues increased $32.9 million, or 5%, in 2013 compared to 2012 due to an increase in completion services revenues, partially offset by a decrease in drilling services revenues. Our completion services revenues increased $53.4 million, or 10%, in 2013 compared to 2012, in spite of an 8% decrease in the North

American land rig count, as a result of increased service intensity in the active shale basins along with contributions from the Tempress acquisition completed in the fourth quarter of 2012. Our revenue per ticket increased 8% year-over-year (excluding the contribution from the acquisition of Tempress) as the industry favored our higher specification equipment. The number of service tickets issued in 2013 decreased 1% compared to 2012 (also excluding the contribution from the acquisition of Tempress) due primarily to reduced activity, particularly in the Haynesville and Barnett shale regions, resulting from reduced customer spending in dry gas markets, partially offset by increased activity in the Bakken region. Our drilling services revenues decreased $20.5 million, or 11%, in 2013 compared to 2012 primarily as a result of decreased utilization of our rigs from an average of approximately 88% for 2012 to an average of approximately 75% for 2013.

Our offshore products segment revenues increased $78.5 million, or 10%, in 2013 compared to 2012. This increase was primarily the result of increased drilling and subsea product sales along with contributions from the acquisition of Piper, which was acquired in July 2012.

Cost of Sales and Service. Our consolidated cost of sales increased $59.5 million, or 6%, in 2013 compared to 2012 as a result of increased cost of sales at our offshore products and well site services segments of $44.8 million, or 8%, and $14.7 million, or 3%, respectively, due to increased activity and revenues in these segments. Our consolidated gross margin as a percentage of revenues increased slightly from 31% in 2012 to 32% in 2013 primarily due to modest increases in both our offshore products and well site services segments.

Our well site services segment cost of sales increased $14.7 million, or 3%, in 2013 compared to 2012 as a result of a $28.4 million, or 9%, increase in completion services cost of sales, partially offset by a $13.7 million, or 10%, decrease in drilling services cost of sales. Our completion services segment gross margin as a percentage of revenues was 39% in 2013 compared to 38% in 2012. Our drilling services gross margin as a percentage of revenues was 30% in both 2013 and 2012 as the decrease in drilling revenues was mostly offset by a reduction in operating costs.

Our offshore products segment cost of sales increased $44.8 million, or 8%, in 2013 compared to 2012 primarily due to increased revenues. Our offshore products segment gross margin as a percentage of revenues increased modestly from 26% in 2012 to 27% in 2013.

Selling, General and Administrative Expenses (SG&A). SG&A expense increased $25.7 million, or 20%, in 2013 compared to 2012 primarily due to increased employee-related costs and SG&A expense associated with the inclusion of Piper and Tempress, which were acquired in July and December of 2012, respectively.

Depreciation and Amortization. Depreciation and amortization expense increased $20.5 million, or 23%, in 2013 compared to 2012 primarily due to capital expenditures made during the previous twelve months largely related to investments in our well site services segment.

Other Operating Expense. Other operating expense increased $6.1 million, or 255%, in 2013 compared to 2012 primarily due to $5.7 million in transaction costs, primarily related to the Spin-Off.

Operating Income. Consolidated operating income decreased $0.4 million, or less than 1%, in 2013 compared to 2012 primarily as a result of an increase in corporate SG&A expense of $11.3 million, or 26%, primarily related to increased stock compensation, and $5.7 million in transaction-related costs. These decreases in operating income were partially offset by an increase in operating income from our offshore products segment of $22.9 million, or 17%, due to increased revenues.

Interest Expense and Interest Income. Net interest expense decreased by $1.8 million, or 4%, in 2013 compared to 2012 primarily due to decreased interest expense on our 2 3/8% Notes due 2025 (2 3/8% Notes) due to their conversion in July 2012, partially offset by interest expense on our 5 1/8% Notes, issued on December 21, 2012. The weighted average annual interest rate on the Company's total outstanding debt was 6.4% in 2013 compared to 6.1% in 2012.

Loss on Extinguishment of Debt. During 2013, we wrote off $2.1 million of unamortized deferred financing costs associated with the full repayment of our U.S. term loan. Additionally, in the fourth quarter of 2013, we repurchased a portion of our 5 1/8% Notes, resulting in a loss of $4.1 million, including the write-off of $0.4 million of unamortized deferred financing costs.

Income Tax Expense. Our income tax provision for 2013 totaled $75.1 million, or 36.8% of pretax income, compared to income tax expense of $71.9 million, or 33.8% of pretax income, for 2012. The increase in the effective tax rate from the prior year was largely the result of the mix and levels of pre-tax earnings between the Company's domestic and foreign operations.

Discontinued Operations. Exclusive of a $128.4 million pre-tax gain ($84.0 million after-tax) recorded on the disposal of our tubular services business, net income from discontinued operations for 2013 was $208.2 million compared to $307.5 million for 2012. Revenues reported within discontinued operations were $2.1 billion and $2.9 billion during 2013 and 2012, respectively. The decrease in revenue primarily relates to the disposal of our tubular services business on September 6, 2013. The operating income included within discontinued operations was $305.1 million and $436.1 million for 2013 and 2012, respectively. The decrease in operating income primarily relates to a decrease in operating income from our accommodations business due to a favorable contract settlement reported in 2012, lower contracted rates in Canada, lower occupancy levels in Australia, increased depreciation expense on accommodations assets and lower utilization for U.S. accommodations assets, partially offset by an increase in average available rooms in 2013 compared to 2012. In addition, operating income decreased in 2013 compared to 2012 due to the disposal of our tubular services business on September 6, 2013.

Other Comprehensive Income (Loss). Other comprehensive income decreased from $32.7 million in 2012 to an other comprehensive loss of $192.8 million in 2013 primarily as a result of foreign currency translation adjustments in our accommodations discontinued operations due to decreases in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar exchange rate compared to the U.S. dollar decreased 6% in 2013 compared to a 2% increase in 2012. The Australian dollar exchange rate compared to the U.S. dollar decreased 14% in 2013 compared to a 1% increase in 2012.

Liquidity, Capital Resources and Other Matters

Our primary liquidity needs are to fund operating and capital expenditures, which in the past have included expanding and upgrading our offshore products manufacturing facilities and equipment, replacing and increasing completion services assets, funding new product development and general working capital needs. In addition, capital has been used to repay debt, fund our stock repurchase program and fund strategic business acquisitions. Our primary sources of funds have been cash flow from operations, proceeds from borrowings under our credit facilities and capital market transactions. In 2014 and 2013, respectively, we also received a $750 million special cash dividend paid to us by Civeo in connection with the Spin-Off which was used to refinance debt in connection with the Spin-Off and in 2013 we received $600 million from the sale of our tubular services segment. The $750 million dividend received from Civeo was partially offset by $299 million of cash transferred to Civeo in connection with the Spin-Off. See Note 11 to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information on our revolving credit facility and debt offerings.

Operating Activities

Cash totaling $302.6 million was provided by continuing operations during the year ended December 31, 2014 compared to cash totaling $235.1 million provided by continuing operations during the year ended December 31, 2013. During 2014, $59.3 million was used to fund working capital, primarily due to increases in receivables in our offshore products segment and completion services business. During 2013, $23.8 million was used to fund net working capital, primarily due to increased investments in working capital in our offshore products segment.

Investing Activities

Cash was used in continuing investing activities during the year ended December 31, 2014 in the amount of $198.5 million and cash was provided by continuing investing activities during the year ended December 31, 2013 in the amount of $393.5 million. A total of $600 million of cash proceeds was received from the sale of our tubular services business in September 2013. Capital expenditures for continuing operations totaled $199.3 million and $164.9 million during the years ended December 31, 2014 and 2013, respectively. Capital expenditures in both years consisted principally of purchases of completion services equipment, upgrading and maintenance of our drilling services equipment, expansion and upgrading of our offshore products segment facilities and various other capital spending initiatives.

During the year ended December 31, 2013, we spent cash of $42.3 million to acquire all of the operating assets of QCS. We funded the QCS acquisition using available cash on hand.

We currently expect to spend a total of approximately $175 million to $225 million for capital expenditures during 2015, including approximately $100 million of carry-over from 2014, to upgrade and maintain our completion services and drilling services equipment, to expand and upgrade our offshore products facilities, and to fund various other capital spending initiatives. Whether planned expenditures will actually be spent in 2015 depends on industry conditions, project approvals and schedules and vendor delivery timing. We plan to fund these capital expenditures with available cash, internally generated funds and borrowings under our revolving credit facility. The foregoing capital expenditure forecast does not include any funds for strategic acquisitions, which the Company could pursue depending on the economic environment in our industry and the availability of transactions at prices deemed to be attractive to the Company.

At December 31, 2014, we had cash totaling $52.0 million held by foreign subsidiaries, primarily in the United Kingdom and Singapore. Our intent is to utilize these cash balances for future investment outside the United States.

Financing Activities

Net cash of $378.9 million was used in continuing financing activities during the year ended December 31, 2014, primarily as a result of the repayment of our 6 1/2% and 5 1/8% Notes and repurchases of our common stock, partially offset by net cash received from the Spin-Off (the $750 million special cash dividend received from Civeo) and borrowings under our new revolving credit facility. Net cash of $299.9 million was used in continuing financing activities during the year ended December 31, 2013, primarily as a result of the repayment of all amounts outstanding under our former U.S. term loan and repurchases of our common stock. We incurred $3.9 million of costs in connection with financings in 2014 compared to $0.2 million in 2013. See Note 11 to the Consolidated Financial

Statements included in this Annual Report on Form 10K for additional information on our revolving credit facility and debt offerings.

We believe that cash on hand, cash flow from operations and available borrowings under our revolving credit facility will be sufficient to meet our liquidity needs in the coming twelve months. If our plans or assumptions change, or are inaccurate, or if we make further acquisitions, we may need to raise additional capital. Acquisitions have been, and our management believes acquisitions will continue to be, a key element of our business strategy. The timing, size or success of any acquisition effort and the associated potential capital commitments are unpredictable and uncertain. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Our ability to obtain capital for additional projects to implement our growth strategy over the longer term will depend upon our future operating performance, financial condition and, more broadly, on the availability of equity and debt financing. Capital availability will be affected by prevailing conditions in our industry, the global economy, the global financial markets and other factors, many of which are beyond our control. Although we expect to be subject to lower weighted average interest rates in the foreseeable future, additional debt service requirements could be based on higher interest rates and shorter maturities and could adversely affect our results of operations and dedicate more of our cash flow to debt service, and the issuance of additional equity securities could result in significant dilution to stockholders.

Stock Repurchase Program. On September 6, 2013, the Company announced an increase in its Board-authorized Company stock repurchase program from $200 million to $500 million providing for the repurchase of the Company's common stock, par value $.01 per share. The Board of Directors' authorization was limited in duration and was set to expire on September 1, 2014. On August 20, 2014, the Board of Directors authorized an extension of the authorized Company stock repurchase program, which is now set to expire on September 1, 2015. Subject to applicable securities laws, such purchases will be at such times and in such amounts as the Company deems appropriate. As of December 31, 2014, a total of $350.1 million of our stock (4,228,530 shares) had been repurchased under this program. Subsequent to the end of the year and through February 20, 2015, we repurchased an additional $70.0 million of our stock (1,619,832 shares) in open market transactions leaving approximately $79.9 million available under the authorization.

Credit Facilities. In connection with the Spin-Off, the Company terminated its then existing bank credit facility on May 28, 2014 and entered into a new $600 million senior secured revolving credit facility (the "revolving credit facility"). The Company has an option to increase the maximum borrowings under the new facility to $750 million contingent upon additional lender commitments prior to its maturity. The facility matures on May 28, 2019. The credit facility is governed by a Credit Agreement dated as of May 28, 2014 (Credit Agreement) by and among the Company, the Lenders party thereto, Wells Fargo Bank, N.A., as administrative agent, the Swing Line Lender and an Issuing Bank, and Royal Bank of Canada, as Syndication agent, and Compass Bank, as Documentation agent. Amounts outstanding under the revolving credit facility bear interest at LIBOR plus a margin of 1.50% to 2.50%, or at a base rate plus a margin of 0.50% to 1.50%, in each case based on a ratio of the Company's total leverage to EBITDA (as defined in the Credit Agreement). From May 28, 2014 through December 31, 2014, our applicable margin over LIBOR was 1.50%. We must also pay a quarterly commitment fee, based on our leverage ratio, on the unused commitments under the Credit Agreement. The unused commitment fee was 0.375% for the period May 28, 2014 through December 31, 2014. The commitment fee represented 9.3% of our 2014 consolidated interest expense.

The Credit Agreement contains customary financial covenants and restrictions. Specifically, we must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA, to consolidated interest expense of at least 3.0 to 1.0 and maximum leverage ratio, defined as the ratio of total debt to consolidated EBITDA, of no greater than 3.25 to 1.0. Each of the factors considered in the calculations of these ratios are defined in the Credit Agreement. EBITDA and consolidated interest as defined, exclude goodwill impairments, debt discount amortization and other non-cash charges. As of December 31, 2014, we were in compliance with our debt covenants and expect to continue to be in compliance during the remainder of 2015. Borrowings under the Credit Agreement are secured by a pledge of substantially all of our assets and the assets of our domestic subsidiaries. Our obligations under the Credit Agreement are guaranteed by our significant domestic subsidiaries.

As of December 31, 2014, we had $140.7 million in borrowings outstanding under the Credit Agreement and $35.5 million of outstanding letters of credit, leaving $423.8 million available to be drawn under the revolving credit facility.

5 1/8% Notes. On December 21, 2012, the Company sold $400 million aggregate principal amount of 5 1/8% Senior Notes due 2023 (5 1/8% Notes) through a private placement to qualified institutional buyers.

In the fourth quarter of 2013, the Company repurchased $34.0 million aggregate principal amount of the 5 1/8% Notes and, in connection with the Spin-Off, repurchased the remaining $366.0 million aggregate principal amount in the second quarter of 2014 primarily through a tender offer. This tender offer was funded with the proceeds of the $750 million special cash dividend paid to us by Civeo in connection with the Spin-Off, borrowings under our new Credit Agreement and available cash on hand.

6 1/2% Notes. On June 1, 2011, the Company sold $600 million aggregate principal amount of 6 1/2% Senior Notes due 2019 (6 1/2% Notes) through a private placement to qualified institutional buyers. In connection with the Spin-Off, the Company repurchased the $600.0 million aggregate principal amount of the 6 1/2% Notes in the second quarter of 2014 primarily through a tender offer. This tender offer was funded with the proceeds of the $750 million special cash dividend paid to us by Civeo in connection with the Spin-Off, borrowings under our new Credit Agreement and available cash on hand.

During 2014, we recognized losses on the extinguishment of debt totaling $100.4 million primarily due to the repurchase of our remaining 6 1/2% Notes and 5 1/8% Notes, resulting in a loss of $96.7 million consisting of the premium paid over book value for the Notes and the write-off of unamortized deferred financing costs associated with such notes. The premium paid to repurchase the 6 1/2% Notes and 5 1/8% Notes was due to their fair market value exceeding their book value at the date tendered. In addition, as a result of the refinancing of our bank debt in the second quarter 2014, we recognized a loss on extinguishment of $3.7 million (net of $1.8 million allocated to discontinued operations for the Canadian portion of the revolving credit facility) from the write-off of unamortized deferred financing costs on our revolving credit facility. During 2013, we recognized a loss on the extinguishment of debt totaling $6.2 million from the repurchase of a portion of our 5 1/8% Notes in the fourth quarter of 2013, resulting in a loss of $4.1 million, including the write-off of $0.4 million of unamortized deferred financing costs. Additionally, we wrote off $2.1 million of unamortized deferred financing costs associated with the full repayment of our U.S. term loan.

Our total debt represented 9.9% of our combined total debt and stockholders' equity at December 31, 2014 compared to 27.0% at December 31, 2013.

Contractual Obligations. The following summarizes our contractual obligations at December 31, 2014, and the effect such obligations are expected to have on our liquidity and cash flow over the next five years (in thousands):

	Payments due by period				
	Total	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Contractual obligations					
Total debt, including capital leases[(1)]	$147,365	$530	$1,028	$141,449	$4,358
Purchase obligations[(2)]	181,399	172,686	8,713	-	-
Non-cancelable operating lease obligations[(3)]	24,562	10,162	8,611	4,127	1,662
Total contractual cash obligations	$353,326	$183,378	$18,352	$145,576	$6,020

(1) Excludes interest on variable-rate debt. Since we cannot predict with any certainty the amount of interest due on our revolving debt due to the expected variability of interest rates and principal amounts outstanding, we do not include this in our obligations. If we assume interest payment amounts are calculated using the outstanding principal balances and interest rates as of December 31, 2014 and include applicable commitment fees, estimated interest payments on our variable-rate debt would be $4.8 million "due in less than one year", $9.5 million "due in one to three years" and $6.7 million "due in three to five years." See Note 11 to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional for additional information on our revolving credit facility.

(2) The purchase obligations of the Company primarily relate to open purchase orders in our offshore products segment.

(3) See Note 15 to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information.

Our debt obligations at December 31, 2014 are included in our consolidated balance sheet, which is a part of our Consolidated Financial Statements included in this Annual Report on Form 10-K. We have not entered into any material leases subsequent to December 31, 2014.

Effects of Inflation