==

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

Form 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2000
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. 0-20310

SUPERIOR ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

75-2379388
(I.R.S. Employer Identification No.)

1105 Peters Road
Harvey, LA
(Address of principal executive offices)

70058
(Zip Code)

Registrant's telephone number: (504) 362-4321

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

NONE

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

Common Stock

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant at March 22, 2001 based on the closing price on Nasdaq National Market on that date was $ 556,903,000.

The number of shares of the Registrant's common stock outstanding on March 22, 2001 was 68,094,004.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2001 Annual Meeting of Stockholders have been incorporated by reference into Part IV of this Form 10-K.

==

SUPERIOR ENERGY SERVICES, INC.
Annual Report on Form 10-K for
the Fiscal Year Ended December 31, 2000

TABLE OF CONTENTS

Page

PART I

Items 1. & 2.	Business and Properties	1
Item 3.	Legal Proceedings	8
Item 4.	Submission of Matters to a Vote of Security Holders	8
Item 4A.	Executive Officers of Registrant	9

PART II

Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	10
Item 6.	Selected Financial Data	10
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	15
Item 8.	Financial Statements and Supplementary Data	16
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	34

PART III

Item 10.	Directors and Executive Officers of the Registrant	34
Item 11.	Executive Compensation	34
Item 12.	Security Ownership of Certain Beneficial Owners and Management	34
Item 13.	Certain Relationships and Related Transactions	34

PART IV

Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	34

PART I

Items 1. & 2. Business and Properties

General

We are a leading provider of specialized oilfield services and equipment focused on serving the production-related needs of oil and gas companies in the Gulf of Mexico. We believe that we are one of the few companies in the Gulf of Mexico capable of providing most of the post wellhead products and services necessary to maintain offshore producing wells as well as plug and abandonment services at the end of their life cycle. We believe our ability to provide our customers with multiple services and to coordinate and integrate their delivery allows us to maximize efficiency, reduce lead time and provide cost-effective services for our customers.

Over the past several years, we have significantly expanded our geographic scope of operations and the range of production-related services we provide through both internal growth and strategic acquisitions. Recent acquisitions have expanded our geographic focus to select international market areas and added complementary product and service offerings. We provide a full range of products and services for our customers, including rental tools, well services, wireline services, marine services, field management services, environmental services and other services.

Operations

Rental Tools. We are a leading provider of rental tools in the Gulf of Mexico. We manufacture, sell and rent specialized equipment for use with offshore and onshore oil and gas well drilling, completion, production and workover activities. Through internal growth and acquisitions, we have increased the size and breadth of our rental tool inventory and now have 21 locations in all major staging points for offshore oil and gas activities in the Gulf of Mexico. We also have a rental tool operation in Venezuela with a limited inventory of rental tools for this market area. Our rental tools include pressure control equipment, specialty tubular goods, connecting iron, handling tools, drill pipe and bolting equipment. We also provide on-site accommodations through our rental tools division.

Well Services. We provide well services to stimulate oil and gas production using platforms or liftboats rather than through the use of a drilling rig, which we believe provides a cost advantage. These services include coiled tubing, electric wireline, well pumping and stimulation and data acquisition services. During the third quarter of 2000, we added eight coiled tubing units to our fleet bringing our total number of units to 15. In the fourth quarter of 2000, we added 11 hydraulic workover and drilling units to expand our services to provide hydraulic workover drilling and well control services. We also perform both permanent and temporary plug and abandonment services.

Wireline Services. We are the leading provider of mechanical wireline services in the Gulf of Mexico with approximately 200 offshore wireline units, 20 land wireline units and 18 dedicated liftboats configured specifically for wireline services. A wireline unit is a spooled wire that can be unwound and lowered into a well carrying various types of tools for data acquisition, logging activities, fishing tool operations, pipe and tool recovery and remedial activities.

Marine Services. We own and operate the largest and most diverse liftboat fleet in the world. A liftboat is a self-propelled, self-elevating work platform with legs, cranes and living accommodations. We believe that liftboat services are highly complementary to our well services. Our fleet consists of 49 liftboats, including 18 liftboats configured specifically for wireline services, six liftboats acquired in May 2000 and one 200-foot leg length liftboat that was delivered to us in September 2000. All of these liftboats are currently operating in the Gulf of Mexico and represent approximately 24% of the liftboats in the Gulf of Mexico. We are also constructing one 230-foot leg length liftboat and two 245-foot leg length liftboats that we expect to place in service within the next 14 months. We intend to reposition some of our larger liftboats to international market areas under long-term contracts as opportunities arise.

Field Management Services. We provide a broad range of platform and field management services to the offshore and onshore oil and gas industry, including property management, engineering services, operating labor, transportation, tools and supplies, technical supervision, maintenance, supplemental personnel, and logistics services. We currently provide property management services to approximately 140 offshore facilities in the Gulf of Mexico.

Environmental and Other Services. We provide environmental cleaning services, including vessel pressure cleaning and safe vessel entry. We also sell oil spill containment inflatable boom and ancillary storage, deployment and retrieval equipment. We also provide other services, including the manufacture and sale of specialized drilling rig instrumentation, electronic torque and pressure control equipment.

For additional industry segment financial information, see note 13 to our consolidated financial statements.

Customers

Our customers have primarily been the major and independent oil and gas companies operating on the U.S. outer continental shelf. In 2000, one customer accounted for approximately 10.3% of our total revenue, primarily in the well services, field management, wireline and environmental segments. No single customer represented 10% or more of our total revenue in 1999 or 1998. We do not believe that the loss of any one customer would have a material adverse effect on our revenues.

Competition

We compete in highly competitive areas of the oilfield services industry. The products and services of each of our principal operating segments are sold in highly competitive markets, and our revenues and earnings can be affected by the following factors:

- changes in competitive prices,
- oil and gas prices and industry perceptions of future prices,
- fluctuations in the level of activity by oil and gas producers,
- changes in the number of liftboats on the U.S. outer continental shelf,
- the ability of the oil and gas industry to generate capital,
- general economic conditions, and
- governmental regulation.

We compete with the oil and gas industry's largest integrated oilfield service providers in the production-related services segments in which we operate, including well, wireline, field management and environmental services. The rental tools divisions of such companies as well as several smaller companies that are single source providers of rental tools, are our competitors in the rental tools market. In the marine services segment, we compete with smaller companies that provide liftboat services. We believe that the principal competitive factors in the market areas that we serve are price, product and service quality, safety record, equipment availability and technical proficiency.

Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than our products and services. Further, if additional liftboats are constructed for the Gulf of Mexico market area by our competitors, it will increase the competition for that service. Competitive pressures or other factors also may result in significant price competition that could reduce our operating cash flow and earnings. In addition, competition among oilfield service and equipment providers is affected by each provider's reputation for safety and quality. Although we believe that our reputation for safety and quality service is a key advantage, we cannot be assured that we will be able to maintain our competitive position.

Potential Liabilities and Insurance

Our operations involve a high degree of operational risk, particularly of personal injury and damage or loss of equipment. Failure or loss of our equipment could result in property damages, personal injury, environmental pollution and other damage for which we could be liable. Litigation arising from the sinking of a liftboat or a catastrophic occurrence at a location where our equipment and services are used may in the future result in large claims for damages. We maintain insurance against risks that we believe is consistent with industry standards and required by our customers. Although we believe that our insurance protection is adequate, and we have not experienced a loss in excess of our policy limits, we may not be able to maintain adequate insurance at rates that we consider commercially reasonable, or ensure that our coverage will be adequate to cover all claims that may arise.

Governmental Regulation

Our business is significantly affected by the following:

- state and federal laws and other regulations relating to the oil and gas industry,
- changes in such laws,
- changing administrative regulations, and
- the level of enforcement thereof.

We cannot predict the level of enforcement of existing laws and regulations or how such laws and regulations may be interpreted by enforcement agencies or court rulings in the future. We also can not predict whether additional laws and regulations will be adopted, or the effect such changes may have on us, our businesses or our financial condition.

Federal and state laws require owners of non-producing wells to plug the well and remove all exposed piping and rigging before the well is permanently abandoned. The timing and need for plug and abandonment services for wells situated on the federal outer continental shelf are regulated by the Minerals Management Service (United States Department of the Interior). State regulatory agencies similarly regulate plug and abandonment services within state coastal waters. A decrease in the level of industry compliance with or enforcement of these laws and regulations in the future may adversely affect the demand for our services. In addition, the demand for our services from the oil and gas industry is affected by changes in applicable laws and regulations. The adoption of new laws and regulations curtailing drilling for oil and gas in our operating areas for economic, environmental or other policy reasons could also adversely affect our operations by limiting demand for our services.

Certain of our employees who perform services on offshore platforms and liftboats 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 state workers' compensation laws inapplicable to these employees. Instead, these employees or their representatives are permitted to pursue actions against us for damages for job related injuries, with generally no limitations on our potential liability.

Our operations also subject us to compliance with certain federal and state pollution control and environmental protection laws and regulations. The technical requirements of these laws and regulations are becoming increasingly complex and stringent, and compliance is becoming increasingly difficult and expensive. We believe that our present operations substantially comply with these laws and regulations and that such compliance has had no material adverse effect upon our operations. Sanctions for noncompliance may include the following:

- revocation of permits,
- corrective action orders,
- administrative or civil penalties, and
- criminal prosecution.

Certain environmental laws provide for joint and several strict liabilities for remediation of spills and other releases of hazardous substances. Sanctions for non-compliance may include revocation of permits, corrective action orders, administrative penalties and criminal prosecution. In addition, companies may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Finally, some environmental statutes impose strict liability, which could render us liable for environmental damage without regard to our negligence or fault. It is possible that changes in environmental laws and enforcement policies, or claims for damages to persons, property, natural resources or the environment could result in substantial costs and liabilities to us. Our insurance policies provide liability coverage for sudden and accidental occurrences of pollution or clean-up and containment in amounts that we believe are comparable to policy limits carried by others in our industry.

Employees

As of February 28, 2001, we had approximately 2,600 employees. None of our employees is represented by a union or covered by a collective bargaining agreement. We believe that our relationship with our employees is good.

Facilities

Our principal operating facilities are located in Harvey, Louisiana on a 17-acre tract. We support the operations conducted by our liftboats from a 3.5-acre maintenance and office facility in New Iberia, Louisiana located on the intracoastal waterway that provides access to the Gulf. In 2001, we purchased a 17-acre tract in Broussard, Louisiana, which we plan to use to support our rental tools and well services operations. We also own certain facilities and lease other office, service and assembly facilities under various operating leases, including 21 facilities located in Texas and Louisiana (including the Broussard facility) to support our rental tool operations. We believe that all of our leases are at competitive or market rates and do not anticipate any difficulty in leasing suitable additional space when our current leases expire.

Intellectual Property

We use several patented items in our operations that we believe are important but are not indispensable to our operations. Although we anticipate seeking patent protection when possible, we rely to a greater extent on the technical expertise and know-how of our personnel to maintain our competitive position.

Cautionary Statements

Certain statements made in this Annual Report that are not historical facts are "forward-looking statements." Such forward-looking statements may include, without limitation, statements that relate to:

- our business strategy, plans and objectives,
- our beliefs and expectations regarding future demand for our products and services and other events and conditions that may influence the oilfield services market and our performance in the future, and
- our future expansion plans, including our anticipated level of capital expenditures for, and the nature and scheduling of, purchases or manufacture of rental tools, equipment and liftboats.

Also, you can generally identify forward-looking statements by such terminology as "may," "will," "expect," "believe," "anticipate," "project," "estimate" or similar expressions. Such statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. We caution you that such statements are only predictions and not guarantees of future performance and that actual results, developments and business decisions may differ from those envisioned by the forward-looking statements.

All phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are beyond our control. Any one of such influences, or a combination, could materially affect the accuracy of the forward-looking statements and the projections on which the statements are based. Some important factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements include the following:

We are subject to the cyclical nature of the oil and gas industry.

Our business depends primarily on the level of activity by the oil and gas companies in the Gulf of Mexico and along the Gulf Coast. This level of activity has traditionally been volatile as a result of fluctuations in oil and natural gas prices and their uncertainty in the future. The purchases of the products and services we provide are, to a substantial extent, deferrable in the event oil and gas companies reduce capital expenditures. Therefore, the willingness of our customers to make expenditures is critical to our operations. The levels of such capital expenditures are influenced by:

- oil and gas prices and industry perceptions of future prices;
- the cost of exploring for, producing and delivering oil and gas;
- the ability of oil and gas companies to generate capital;
- the sale and expiration dates of offshore leases;
- the discovery rate of new oil and gas reserves; and
- local and international political and economic conditions.

Although activity levels in production and development sectors of the oil and gas industry are less immediately affected by changing prices, and, as a result, less volatile than the exploration sector, producers generally react to declining oil and gas prices by reducing expenditures. This has, in the past, and may, in the future, adversely affect our business. We are unable to predict future oil and gas prices or the level of oil and gas industry activity. A prolonged low level of activity in the oil and gas industry will adversely affect the demand for our products and services and our financial condition and results of operations.

We are vulnerable to the potential difficulties associated with rapid expansion.

We have grown rapidly over the last several years through internal growth and acquisitions of other companies. We believe that our future success depends on our ability to manage the rapid growth that we have experienced and the demands from increased responsibility on our management personnel. The following factors could present difficulties to us:

- lack of sufficient executive-level personnel;
- increased administrative burden; and
- increased logistical problems common to large, expansive operations.

If we do not manage these potential difficulties successfully, our operating results could be adversely affected. The historical financial information

herein is not necessarily indicative of the results that would have been achieved had we been operated on a fully integrated basis or the results that may be realized in the future.

Our inability to control the inherent risks of acquiring businesses could adversely affect our operations.

Acquisitions have been and we believe will continue to be a key element of our business strategy. We cannot assure you that we will be able to identify and acquire acceptable acquisition candidates on terms favorable to us 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 may impose a significant burden on our results of operations and financial condition. The issuance of additional equity securities could result in significant dilution to our stockholders. We cannot assure you that we will be able to successfully consolidate the operations and assets of any acquired business with our own business. Acquisitions may not perform as expected when the acquisition was made and may be dilutive to our overall operating results. In addition, our management may not be able to effectively manage our increased size or operate a new line of business.

We are susceptible to adverse weather conditions in the Gulf of Mexico.

Our operations are directly affected by the seasonal differences in weather patterns in the Gulf of Mexico. These differences may result in increased operations in the spring, summer and fall periods and a decrease in the winter months. The seasonality of oil and gas industry activity as a whole in the Gulf Coast region also affects our operations and sales of equipment. Weather conditions generally result in higher drilling activity in the spring, summer and fall months with the lowest activity in winter months. The rainy weather, hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast throughout the year may also affect our operations. Accordingly, our operating results may vary from quarter to quarter, depending on factors outside of our control. As a result, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

We depend on key personnel.

Our success depends to a great degree on the abilities of our key management personnel, particularly our Chief Executive Officer and other high-ranking executives. The loss of the services of one or more of these key employees could adversely affect us.

We depend on significant customers.

We derive a significant amount of our revenue from a small number of major and independent oil and gas companies. Our inability to continue to perform services for a number of our large existing customers, if not offset by sales to new or other existing customers, could have a material adverse effect on our business and operations.

Our industry is highly competitive.

We compete in highly competitive areas of the oil field services industry. The products and services of each of our principal industry segments are sold in highly competitive markets, and our revenues and earnings may be affected by the following factors:

- changes in competitive prices;
- fluctuations in the level of activity in major markets;
- an increased number of liftboats in the Gulf of Mexico;
- general economic conditions; and
- governmental regulation.

We compete with the oil and gas industry's largest integrated oil field service providers. We believe that the principal competitive factors in the market areas that we serve are price, product and service quality, availability and technical proficiency.

Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than our products and services. Further, additional liftboat capacity in the Gulf of Mexico would increase competition for that service. Competitive pressures or other factors also may result in significant price competition that could have a material adverse effect on our results of operations and financial condition. Finally, competition among oil field service and equipment providers is also affected by each provider's reputation for safety and quality. Although we believe that our reputation for safety and quality service is good, we cannot guarantee that we will be able to maintain our competitive position.

The dangers inherent in our operations and the limits on insurance coverage could expose us to potentially significant liability costs.

Our operations involve the use of liftboats, heavy equipment and exposure to inherent risks, including equipment failure, blowouts, explosions and fire. In addition, our liftboats are subject to operating risks such as catastrophic marine disaster, adverse weather conditions, mechanical failure, collisions, oil and hazardous substance spills and navigation errors. The occurrence of any of these events could result in our liability for personal injury and property damage, pollution or other environmental hazards, loss of production or loss of equipment. In addition, certain of our employees who perform services on offshore platforms and vessels are covered by provisions of the Jones Act, the Death on the High Seas Act and general maritime law. These laws make the liability limits established by state workers' compensation laws inapplicable to these employees and instead permit them or their representatives to pursue actions against us for damages for job-related injuries. In such actions, there is generally no limitation on our potential liability.

Any litigation arising from a catastrophic occurrence involving our services or equipment could result in large claims for damages. The frequency and severity of such incidents affect our operating costs, insurability and relationships with customers, employees and regulators. Any increase in the frequency or severity of such incidents, or the general level of compensation awards with respect to such incidents, could affect our ability to obtain projects from oil and gas companies or insurance. We maintain what we believe is prudent insurance protection. However, we cannot guarantee that we will be able to maintain adequate insurance in the future at rates we consider reasonable or that our insurance coverage will be adequate to cover future claims that may arise. Successful claims for which we are not fully insured may adversely affect our working capital and profitability.

The nature of our industry subjects us to compliance with regulatory and environmental laws.

Our business is significantly affected by state and federal laws and other regulations relating to the oil and gas industry and by changes in such laws and the level of enforcement of such laws. We are unable to predict the level of enforcement of existing laws and regulations, how such laws and regulations may be interpreted by enforcement agencies or court rulings, or whether additional laws and regulations will be adopted. We are also unable to predict the effect that any such events may have on us, our business, or our financial condition.

Federal and state laws that require owners of non-producing wells to plug the well and remove all exposed piping and rigging before the well is permanently abandoned significantly affect the demand for our plug and abandonment services. A decrease in the level of enforcement of such laws and regulations in the future would adversely affect the demand for our services and products. In addition, demand for our services is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry generally. The adoption of laws and regulations curtailing exploration and development drilling for oil and gas in our areas of operations for economic, environmental or other policy reasons could also adversely affect our operations by limiting demand for our services.

We also have potential environmental liabilities with respect to our offshore and onshore operations, including our environmental cleaning services. Certain environmental laws provide for joint and several liabilities for remediation of spills and releases of hazardous substances. These environmental statutes may impose liability without regard to negligence or fault. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. We believe that our present operations substantially comply with applicable federal and state pollution control and environmental protection laws and regulations. We also believe that compliance with such laws has had no material adverse effect on our operations. However, such environmental laws are changed frequently. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. We are unable to predict whether environmental laws will materially adversely affect our future operations and financial results.

As we expand our international operations, we will be subject to additional political, economic and other uncertainties.

A key element of our business strategy is to expand our operations into international oil and gas producing areas. These international operations are subject to a number of risks inherent in any business operating in foreign countries including, but not limited to:

- political, social and economic instability;
- potential seizure or nationalization of assets;
- increased operating costs;
- modification or renegotiating of contracts;
- import-export quotas;
- currency fluctuations; and
- other forms of government regulation which are beyond our control.

Our operations have not yet been affected materially by such conditions or events, but, as our international operations expand, the exposure to these risks will increase. As a result, we could, at any one time, have a significant amount of our revenues generated by operating activity in a particular country. Therefore, our results of operations could be susceptible to adverse events beyond our control that could occur in the particular country in which we are conducting such operations. We anticipate that our contracts to provide services internationally will generally provide for payment in U. S. dollars and that we will not make significant investments in foreign assets. To the extent we make investments in foreign assets or receive revenues in currencies other than U. S. dollars, the value of our assets and our income could be adversely affected by fluctuations in the value of local currencies.

Additionally, our competitiveness in international market areas may be adversely affected by regulations, including but not limited to regulations requiring:

- the awarding of contracts to local contractors;
- the employment of local citizens; and
- the establishment of foreign subsidiaries with significant ownership positions reserved by the foreign government for local citizens.

We cannot predict what types of the above events may occur.

Our principal stockholders have substantial control.

Certain investment funds managed by First Reserve Corporation beneficially own approximately 26% of our outstanding common stock. As a result, they exercise substantial influence over the outcome of most matters requiring a stockholder vote. In addition, in connection with our acquisition of Cardinal, we entered into a stockholders' agreement that provides that our board of directors will consist of six members, consisting in part of two designees of the First Reserve funds and two independent directors designated by the board. The First Reserve funds will continue to be entitled to designate these directors until the stockholders' agreement terminates on July 15, 2009 or in the event of certain substantial reductions of their ownership interest.

We might be unable to employ a sufficient number of skilled workers.

The delivery of our products and services require personnel with specialized skills and experience. As a result, our ability to remain productive and profitable will depend upon our ability to employ and retain skilled workers. In addition, our ability to expand our operations depends in part on our ability to increase the size of our skilled labor force. The demand for skilled workers in the Gulf Coast region is high, and the supply is limited. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the wage rates that we must pay or both. If either of these events were to occur, our capacity and profitability could be diminished and our growth potential could be impaired.

Item 3. Legal Proceedings

We are involved in various legal and other proceedings that are incidental to the conduct of our business. We do not believe that any of these proceedings, if adversely determined, would have a material adverse affect on our financial condition, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 4A. Executive Officers of Registrant

The following table sets forth certain information about our executive officers.

Name and Age	Position
Terence E. Hall, 55...........	Chairman of the Board, Chief Executive Officer and President
Kenneth Blanchard, 51..........	Vice President
Robert S. Taylor, 46..........	Vice President, Treasurer and Chief Financial Officer
James A. Holleman, 43.......	Vice President

Terence E. Hall has served as our Chairman of the Board, Chief Executive Officer, President and Director since December 1995. Since 1989 he also served as the President and Chief Executive Officer of Superior Energy Services, L.L.C., Connection Technology, L.L.C., two of our wholly-owned subsidiaries, and their predecessor companies.

Kenneth Blanchard has served as one of our Vice Presidents since December 1995. Prior to this, he served as Vice President of the predecessor to Connection Technology, L.L.C.

Robert S. Taylor has served as our Chief Financial Officer since January 1996 and as one of our Vice Presidents since July 1999. From May 1994 to January 1996, he served as Chief Financial Officer of Kenneth Gordon (New Orleans), Ltd., an apparel manufacturer.

James A. Holleman has served as a Vice President since July 1999. From 1994 until July 1999, he served as Chief Operating Officer of Cardinal Services, Inc., which we acquired in July 1999, and has been active in Cardinal's business since 1981.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on the Nasdaq National Market under the symbol "SESI." The following table sets forth the high and low bid prices per share of the Common Stock as reported by the Nasdaq National Market for each fiscal quarter during the past two fiscal years.

	High	Low
1999		
First Quarter	$ 3.97	$ 2.00
Second Quarter	5.75	2.75
Third Quarter	7.50	4.88
Fourth Quarter	7.06	5.25
2000		
First Quarter	$ 9.88	$ 6.00
Second Quarter	12.50	7.38
Third Quarter	11.44	8.25
Fourth Quarter	11.56	7.69
2001		
First Quarter (through March 22, 2001)	$ 12.75	$ 9.75

As of March 22, 2001, there were 68,094,004 shares of Common Stock outstanding, which were held by 116 record holders.

We do not plan to pay cash dividends on our common stock. We intend to retain all of the cash our business generates to meet our working capital requirements and fund future growth. In addition, our credit facility prevents us from paying dividends or making other distributions to our stockholders.

Item 6. Selected Financial Data

We present below our selected consolidated financial data for the periods indicated. We derived the historical data from our audited consolidated financial statements, which for the years ended December 31, 2000 and 1999 have been audited by KPMG LLP, independent auditors, and for the years ended December 31, 1998, 1997 and 1996 have been audited by Ernst & Young LLP, independent auditors.

When we acquired Cardinal on July 15, 1999, the transaction was treated for accounting purposes as if Cardinal acquired us. Because we were the company being "acquired" for accounting purposes, financial information for periods prior to the merger represents the results of Cardinal's operations, and financial information for periods following the merger represents the results of the combined companies. Cardinal's historical operating results were substantially different than ours for the same periods and reflected substantial non-cash and extraordinary charges associated with a recapitalization and refinancing. Consequently, analyzing prior period results to determine or estimate our future operating potential would not provide meaningful information.

The data presented below should be read together with, and are qualified in their entirety by reference to, "Management's Discussion and Analysis

of Financial Condition and Results of Operation" and our consolidated financial statements included elsewhere in this Annual Report.

	Years Ended December 31,				
	2000	1999	1998	1997	1996
	(Financial data in thousands, except per share amounts)				
Revenues	$257,502(1)	$113,076(2)	$ 82,223(3)	$ 63,412	$ 48,128
Income from operations	43,359	10,016	15,558	15,285	8,348
Income (loss) before extraordinary losses	19,881	(2,034)	1,203	4,321	2,894
Extraordinary losses, net	(1,557)(4)	(4,514)(5)	(10,885)(6)	-	-
Net income (loss)	18,324	(6,548)	(9,682)	4,321	2,894
Net income (loss) before extraordinary losses per share:					
Basic	0.30	(0.11)	0.06	0.21	0.14
Diluted	0.30	(0.11)	0.06	0.20	0.13
Net income (loss) per share:					
Basic	0.28	(0.25)	(1.27)	0.21	0.14
Diluted	0.28	(0.25)	(1.27)	0.20	0.13
Total assets	430,676	282,255	107,961	62,387	43,928
Long-term debt, less current portion	146,393	117,459	120,210	31,297	26,200
Stockholders' equity (deficit)	206,247(7)	121,487	(39,940)(6)	5,646	4,197

1. In the year ended December 31, 2000, we made several acquisitions for $42.5 million in initial cash consideration plus additional contingent consideration of up to $22.1 million. Additional consideration, if any, payable as a result of these acquisitions will be based upon the respective company's average EBITDA (earnings before interest, income taxes, depreciation and amortization expense) less certain adjustments. These acquisitions have been accounted for as purchases, and the results of operations have been included from the respective company's acquisition date.

2. On July 15, 1999, we acquired Cardinal through a stock for stock merger. The merger was accounted for as a reverse acquisition which has resulted in the adjustment of our net assets existing at the time of the merger to their estimated fair value as required by the rules of purchase accounting. Our operating results have been included from July 15, 1999. We made another acquisition in November 1999 for approximately $2.9 million in cash and 597,000 shares of our common stock that was accounted for as a purchase.

3. In 1998, Cardinal acquired three companies for an aggregate purchase price of $24.1 million in cash and stock. Each of these acquisitions was accounted for using the purchase method and the operating results of the acquired companies were included from their respective acquisition dates.

4. We refinanced our indebtedness in October 2000 resulting in an extraordinary loss of $1.6 million, net of a $1.0 million income tax benefit, which included the write-off of unamortized debt acquisition costs.

5. In July 1999, in connection with the Cardinal acquisition, we refinanced our combined debt resulting in an extraordinary loss of $4.5 million, net of a $2.1 million income tax benefit.

6. In 1998, Cardinal completed a recapitalization and refinancing which was funded through debt and equity investments resulting in an extraordinary loss of $10.9 million, net of a $214,000 income tax benefit.

7. In May 2000, we sold 7.3 million shares of common stock that generated net proceeds of approximately $63.2 million.

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements included elsewhere in this Annual Report. The following information contains forward-looking statements, which are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, our actual results may differ from those expressed or implied by the forward-looking statements. See "Cautionary Statements."

Acquisition of Cardinal Holding Corp.

On July 15, 1999, we acquired Cardinal Holding Corp. through its merger with one of our wholly-owned subsidiaries. The merger was treated for accounting purposes as if we were acquired by Cardinal in a purchase business transaction. The purchase method of accounting required that we carry forward Cardinal's net assets at their historical book value and reflect our net assets at their estimated fair value at the date of the merger. Accordingly, all historical financial information presented in the consolidated financial statements included in this Annual Report for periods prior to July 15, 1999 reflects only Cardinal's historical financial and operating data. Financial and operating data relating to our business are included on and after July 15, 1999. Cardinal's historical operating results were substantially different than ours for the same periods. Consequently, analyzing prior period results to determine or estimate our future operating potential would not provide meaningful information.

Overview

We are a leading provider of specialized oilfield services and equipment focused on serving the production-related needs of oil and gas companies in the Gulf of Mexico. We believe that we are one of the few companies capable of providing most post wellhead products and services necessary to maintain offshore operating wells as well as plug and abandonment services at the end of their life cycle. We believe our ability to provide our customers with multiple services and to coordinate and integrate their delivery allows us to maximize efficiency, reduce lead time and provide cost-effective services for our customers.

Over the past several years, we have significantly expanded our geographic scope of operations and the range of production-related services we provide through both internal growth and strategic acquisitions. Recent acquisitions have expanded our geographic focus to select international market areas and added complementary product and service offerings. We provide a full range of products and services for our customers, including rental tools, well services, wireline services, marine services, field management services, environmental services and other services.

Our financial performance is impacted by the broader economic trends affecting our customers. The demand for our services and equipment is cyclical due to the nature of the energy industry. Our operating results are directly tied to industry demand for our services, most of which are performed on the outer continental shelf in the Gulf of Mexico. While we have focused on providing production-related services where, historically, demand has not been as volatile as for exploration-related services, we expect our operating results to be highly correlated to industry activity levels in the Gulf of Mexico. For additional industry segment financial information, see note 13 to our consolidated financial statements.

Comparison of the Results of Operations for the Years Ended December 31, 2000 and 1999

Our 2000 revenues were $257.5 million compared to $113.1 million for 1999. This increase is the result of an increased demand for our services in all of our operating segments, as well as the Cardinal merger and the impact of our acquisitions.

As demand for our services increased in 2000 compared to 1999, our gross margin percentage increased to 42.7% in 2000 from 40.4% in 1999. We experienced an increase in the gross margin percentages of our core business segments of marine and well services due to increased pricing and asset utilization, improved operating cost efficiency and the contribution of assets and acquisitions made during the year 2000. Our overall gross margin increased to $109.9 million in 2000 from $45.7 million in 1999. The rental tools segment contributed our highest gross margin percentage in 2000 and the field management segment contributed our lowest.

Depreciation and amortization increased to $22.3 million in 2000 from $12.6 million in 1999. Most of the increase resulted from our larger asset base as a result of the Cardinal merger and our acquisitions. Depreciation also increased as a result of our $58.3 million of capital expenditures in 2000 and our 1999 capital expenditures of $9.2 million.

General and administrative expenses increased to $44.3 million in 2000 from $23.1 million in 1999. The increase is primarily the result of the Cardinal merger and our acquisitions. General and administrative expenses as a percentage of revenue have decreased from 20.4% in 1999 to 17.2% in 2000.

In October 2000, we refinanced our debt, which resulted in an extraordinary loss of $1.6 million, net of income taxes of $1.0 million. The majority of the extraordinary loss was non-cash in nature. In July 1999, in connection with the Cardinal merger, we refinanced our combined debt, which resulted in an extraordinary loss of $4.5 million, net of income taxes of $2.1 million. This loss was also mostly of a non-cash nature.

In 2000, we recorded net income before extraordinary loss of $19.9 million, or $0.30 earnings per diluted share compared to a net loss before extraordinary loss of $2.0 million, or a loss of $0.11 per diluted share, in 1999. After extraordinary losses, we recorded net income in 2000 of $18.3 million, or $0.28 earnings per diluted share, as compared to a net loss of $6.5 million, or $0.25 loss per diluted share, in 1999.

Comparison of Results of Operations for the Years Ended December 31, 1999 and 1998

Our 1999 revenues were $113.1 million compared to $82.2 million for 1998. Due to the accounting treatment required for the Cardinal acquisition, our 1999 operating results reflected twelve months of Cardinal's operations, five and one-half months of our operations after the merger and two months of operations of Production Management. 1998 reflects only Cardinal's operations on a stand-alone basis. Even though we had increased revenues in 1999, we experienced decreased demand in 1999 in all of our operating segments as a result of low industry activity levels.

As demand for our services decreased in 1999 compared to 1998, our gross margins decreased to 40.4% in 1999 from 46.6% in 1998. Our decreased gross margin percentage is primarily due to our marine segment. Since our marine segment's cost of services are primarily fixed in nature, our gross margin percentage may vary substantially due to changes in day rates and utilization of our liftboats. Our rental tools segment contributed our highest gross margin percentage in 1999 and partially offset the decrease on a comparative basis since Cardinal did not have a rental tools segment. Our wireline segment also experienced a decline in gross margin percentage in 1999 compared to 1998. Our field management segment, which was acquired, contributed our lowest gross margin percentage. Of all of our production-related services, the field management segment is expected to produce the lowest gross margin percentage since its largest cost of sales component is providing contract labor.

Depreciation and amortization increased to $12.6 million in 1999 from $6.5 million in 1998. Most of the increase resulted from the larger asset base following the merger and the acquisition. Depreciation also increased as a result of our $9.2 million and $19.0 million of capital expenditures in 1999 and 1998, respectively, and Cardinal's 1998 acquisitions.

General and administrative expenses increased to $23.1 million in 1999 from $16.2 million in 1998. The increase is the result of Cardinal's expenses for twelve months, our expenses for five and one-half months and Production Management's expenses for two months.

In July 1999, in connection with the Cardinal acquisition, we refinanced our combined debt, which resulted in an extraordinary loss of $4.5 million, net of income taxes of $2.1 million. The majority of the extraordinary loss was non-cash in nature. During 1998, Cardinal incurred an extraordinary loss of $10.9 million, net of income taxes of $0.2 million, in connection with a recapitalization and refinancing. This extraordinary loss was also mostly of a non-cash nature.

We recorded a 1999 net loss before extraordinary charges of $2.0 million, or $0.11 loss per diluted share. After extraordinary charges, we recorded a net loss of $6.5 million, or $0.25 loss per diluted share, as compared to a net loss of $9.7 million, or $1.27 loss per diluted share, for 1998.

Liquidity and Capital Resources

Our primary liquidity needs are for working capital, acquisitions, capital expenditures and debt service. Our primary sources of liquidity are cash flows from operations and borrowings under our revolving credit facility. We had cash and cash equivalents of $4.3 million at December 31, 2000 compared to $8.0 million at December 31, 1999. Included in the $8.0 million balance at December 31, 1999 was a $6.6 million insurance settlement, which was received in late December 1999, for the damages associated with one of our 200-foot class liftboats.

In 2000, we generated net cash from operating activities of $30.6 million. We supplemented our cash flow with an equity offering and our new credit facility that expanded our borrowing availability from $162 million to $190 million. The equity offering consisted of the sale of 7.3 million shares of common stock that generated net proceeds of approximately $63.2 million.

We used the cash generated by our operating activities and the proceeds from our equity offering and borrowings to increase our asset base and enhance our earning potential. We acquired seven companies for a total of $33 million. Additional consideration, if any, will be based upon the respective company's average EBITDA (earnings before interest, income taxes, depreciation and amortization expense) less certain adjustments and will not exceed $22.1 million. These acquisitions expanded our business to include the rental of onshore and offshore accommodations and rig-based well services, including workover, completion, snubbing, well control, sidetracking, re-entry and drilling services and international markets. We also acquired a division of a company for $9.5 million, which provided us with an additional eight coiled tubing units and expanded our pumping and stimulation services. We acquired six liftboats ranging in size from 130 feet in leg length to 170 feet in leg length for $14.0 million, and we made a $10.3 million investment in an oilfield services company.

We also made capital expenditures (excluding the acquisition of the six liftboats) of $44.3 million. These capital expenditures included the purchase of a new 200 foot class liftboat for $5.8 million, of which $1.0 million will be payable in 2001, and approximately $18.6 million to further expand our rental tool equipment. Other capital expenditures included capital improvements to our liftboats and expansion of our operating facilities.

We have a term loan and revolving credit facility that was implemented in October 2000 to provide a $110 million term loan to refinance our long-term debt and a $60 million revolving credit facility. We amended the credit facility in December 2000 to increase the term loan to $130 million. Under the amended credit facility, the term loan requires quarterly principal installments that commenced December 31, 2000 in the amount of $2.5 million a quarter and then increasing up to an aggregate of approximately $10 million a quarter for the last year until the facility matures on October 31, 2005. The credit facility bears interest at a LIBOR rate plus margins that depend on our leverage ratio. As of March 22, 2001, the amounts outstanding under the term loan and revolving credit facility were $127.5 million and $36.0 million, respectively. At December 31, 2000, the weighted average interest rate on the credit facility was 8.62% per annum. Indebtedness under the credit facility is secured by substantially all of our assets, including the pledge of the stock of our subsidiaries. The credit facility contains customary events of default and requires that we satisfy various financial covenants. It also limits our ability to make capital expenditures, pay dividends or make other distributions, make acquisitions, make changes to our capital structure, create liens or incur additional indebtedness.

We have identified capital improvement projects that will require up to $35 million in 2001, exclusive of any acquisitions. We have also entered into contracts to build three new liftboats for a total contract price of $32.5 million, of which $20.2 million is expected to be payable in 2001. We believe that our current working capital, cash generated from our operations and availability under our revolving credit facility will provide sufficient funds for our identified capital projects.

Most of our acquisitions have involved additional contingent consideration based upon the acquired companies' respective average EBITDA after the acquisition. In 2000, we capitalized additional consideration of $21.7 million related to three of our 1997 acquisitions, of which $18.4 million was paid in January 2001 from borrowings under our revolving credit facility. Additional consideration for all of our other acquisitions will not exceed $53.5 million, but will be materially less than this amount if current performance levels continue for certain of these companies.

We intend to continue implementing our growth strategy of increasing our scope of services through both internal growth and strategic acquisitions. Depending on the size of any future acquisitions, we may require additional equity or debt financing in excess of our current working capital, cash generated from our operations and amounts available under our revolving credit facility.

New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (FAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. FAS No. 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 and establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. FAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are to be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

We adopted FAS 133 effective January 1, 2001. Our interest rate swaps qualify for cash flow hedge accounting treatment under FAS 133, whereby changes in fair value are recognized in other comprehensive income (a component of stockholders' equity) until settled, when the resulting gains and losses will be recorded in earnings. Any hedge ineffectiveness is charged currently to earnings; however, this is immaterial. The effect on our earnings and other comprehensive income as the result of the adoption of FAS 133 will vary from period to period and will be dependent upon prevailing interest rates. If we had adopted FAS 133, our transition adjustment at December 31, 2000 resulting from the new accounting treatment would have been a receivable of approximately $62,000 and a corresponding credit of approximately $36,000, net of income tax, in other comprehensive income.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks associated with foreign currency fluctuations and interest rates. We do not hold any foreign currency exchange forward contracts and/or currency options. We make limited use of derivative financial instruments to manage risks associated with existing or anticipated transactions. We do not hold derivatives for trading purposes or use derivatives with leveraged or complex features. Derivative instruments are traded with creditworthy major financial institutions.

At December 31, 2000, we were a party to interest rate swaps with approximate amounts totaling $44 million that were designed to convert a

similar amount of variable-rate debt to fixed rates. The swaps mature in March 2001 and October 2002, and the weighted average fixed interest rate is 5.82%. At December 31, 2000, the interest rate to be received by us averaged 6.4%. We consider these swaps to be a hedge against potentially higher future interest rates. As described in Note 10 to the consolidated financial statements, we would have recognized a gain of an estimated $62,000 had we terminated these agreements at December 31, 2000.

At December 31, 2000, $100 million of our long-term debt had variable interest rates. Based on debt outstanding at December 31, 2000, a 10% increase in variable interest rates would increase our interest expense inclusive of swaps in the year 2000 by approximately $600,000, while a 10% decrease would decrease our interest expense by approximately $1.3 million.

Item 8. Financial Statements and Supplementary Data

Independent Auditors' Report

The Board of Directors and Stockholders
Superior Energy Services, Inc.:

We have audited the consolidated balance sheets of Superior Energy Services, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended. In connection with our audit of the consolidated financial statements, we also have audited the accompanying financial statement schedule, "Valuation and Qualifying Accounts," for the years ended December 31, 2000 and 1999. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Superior Energy Services, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

New Orleans, Louisiana
February 23, 2001

Independent Auditors' Report

The Board of Directors and Stockholders
Superior Energy Services, Inc.:

We have audited the accompanying consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows of Superior Energy Services, Inc. and subsidiaries (formerly Cardinal Holding Corp.) for the year ended December 31, 1998. Our audit also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Superior Energy Services, Inc. and subsidiaries for the year ended December 31, 1998 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Ernst & Young LLP

New Orleans, Louisiana
March 2, 1999

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2000 and 1999

(in thousands, except share data)

	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,254	$ 8,018
Accounts receivable - net of allowance for doubtful accounts of $2,292 in 2000 and $2,892 in 1999	74,010	41,878
Deferred income taxes	3,506	1,437
Prepaid insurance and other	7,000	4,789
Total current assets	88,770	56,122
Property, plant and equipment - net	202,498	134,723
Goodwill - net of accumulated amortization of $4,758 in 2000 and $1,706 in 1999	114,650	78,641
Notes receivable	19,213	8,898
Other assets - net of accumulated amortization of $1,221 in 2000 and $675 in 1999	5,545	3,871
Total assets	$ 430,676	$ 282,255
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 22,670	$ 9,196
Accrued expenses	14,660	15,473
Current maturities of long-term debt	16,402	2,579
Notes payable	-	3,669
Total current liabilities	53,732	30,917
Deferred income taxes	24,304	12,392
Long-term debt	146,393	117,459
Stockholders' equity:		
Preferred stock of $.01 par value. Authorized, 5,000,000 shares; none issued	-	-
Common stock of $.001 par value. Authorized, 125,000,000 shares; issued and outstanding 67,803,304 and 59,810,789 at December 31, 2000 and 1999, respectively	68	60
Additional paid-in capital	315,304	248,934
Accumulated other comprehensive income	58	-
Accumulated deficit	(109,183)	(127,507)
Total stockholders' equity	206,247	121,487
Total liabilities and stockholders' equity	$ 430,676	$ 282,255

See accompanying notes to consolidated financial statements.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31, 2000, 1999 and 1998
(in thousands, except per share data)

	2000	1999	1998
Revenues	$ 257,502	$ 113,076	$ 82,223
Costs and expenses:			
Cost of services	147,601	67,364	43,938
Depreciation and amortization	22,255	12,625	6,522
General and administrative	44,287	23,071	16,205
Total costs and expenses	214,143	103,060	66,665
Income from operations	43,359	10,016	15,558
Other income (expense):			
Interest expense, net of amounts capitalized	(12,078)	(12,969)	(13,206)
Interest income	1,898	308	-

Income (loss) before income taxes and extraordinary losses	33,179	(2,645)	2,352
Income taxes	(13,298)	611	(1,149)
Income (loss) before extraordinary losses	19,881	(2,034)	1,203
Extraordinary losses, net of income tax benefit of $996 in 2000, $2,124 in 1999, and $214 in 1998	(1,557)	(4,514)	(10,885)
Net income (loss)	$ 18,324	$ (6,548)	$ (9,682)
Basic earnings (loss) per share:			
Earnings (loss) before extraordinary losses	$ 0.30	$ (0.11)	$ 0.06
Extraordinary losses	(0.02)	(0.14)	(1.33)
Earnings (loss) per share	$ 0.28	$ (0.25)	$ (1.27)
Diluted earnings (loss) per share:			
Earnings (loss) before extraordinary losses	$ 0.30	$ (0.11)	$ 0.06
Extraordinary losses	(0.02)	(0.14)	(1.33)
Earnings (loss) per share	$ 0.28	$ (0.25)	$ (1.27)
Weighted average common shares used in computing earnings (loss) per share:			
Basic	64,991	31,131	8,190
Diluted	65,921	31,131	8,190

See accompanying notes to consolidated financial statements.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
Years Ended December 31, 2000, 1999 and 1998
(in thousands, except share data)

	Preferred stock shares	Preferred stock	Common stock shares	Common stock	Additional paid-in capital	Accumulated Other Comprehensive Income	Retained earnings (Accumulated deficit)	Total
Balances, December 31, 1997	25,917	$ 250	20,394,983	$ 20	$ 1,580	$ -	$ 3,795	$ 5,645
Net loss	-	-	-	-	-	-	(9,682)	(9,682)
Recapitalization	(12,250)	(249)	(15,053,318)	(15)	55,767	-	(113,004)	(57,501)
Stock issued under subordinated debt agreement	404	-	146,771	-	2,300	-	-	2,300
Stock awarded to management	137	-	49,895	-	800	-	-	800
Stock issued subsequent to recapitalization	5,484	1	441,770	-	17,099	-	-	17,100
Stock issued to sellers of acquired businesses	308	-	92,505	-	1,398	-	-	1,398
Dividends on preferred stock	252	-	-	-	738	-	(738)	-
Balances, December 31, 1998	20,252	2	6,072,606	5	79,682	-	(119,629)	(39,940)
Net loss	-	-	-	-	-	-	(6,548)	(6,548)
Stock issued for cash	2,312	-	15,515,437	16	54,984	-	-	55,000
Dividends on preferred stock	1,084	-	-	-	1,330	-	(1,330)	-
Stock issued under subordinated debt agreement	54	-	19,167	-	130	-	-	130
Merger with Superior Energy Services, Inc.	-	-	28,849,523	29	109,052	-	-	109,081
Preferred stock conversion - Merger with Superior Energy Services, Inc.	(23,702)	(2)	8,632,356	9	(9)	-	-	(2)
Acquisition of Production Management Companies, Inc.	-	-	610,000	1	3,452	-	-	3,453
Exercise of stock options	-	-	111,700	-	313	-	-	313

Balances, December 31, 1999	-	-	59,810,789	60	248,934	-	(127,507)	121,487
Comprehensive income:								
Net income	-	-	-	-	-	-	18,324	18,324
Other comprehensive income-								
Foreign currency translation adjustment	-	-	-	-	-	58	-	58
Total comprehensive income	-	-	-	-	-	58	18,324	18,382
Stock issued for cash	-	-	7,300,000	7	63,240	-	-	63,247
Exercise of stock options	-	-	705,476	1	3,203	-	-	3,204
Acquisition of common stock	-	-	(12,961)	-	(73)	-	-	(73)
Balances, December 31, 2000	-	$ -	67,803,304	$ 68	$315,304	$ 58	$(109,183)	$206,247

See accompanying notes to consolidated financial statements.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2000, 1999 and 1998
(in thousands)

	2000	1999	1998
Cash flows from operating activities:			
Net income (loss)	$ 18,324	$ (6,548)	$ (9,682)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary losses	1,557	4,514	10,885
Gain on disposal of assets	-	-	(732)
Stock compensation awards	-	-	800
Deferred income taxes	8,348	(1,868)	(44)
Depreciation and amortization	22,255	12,625	6,522
Amortization of debt acquisition costs	377	593	565
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(22,938)	3,312	(3,913)
Other - net	(1,172)	1,628	(1,090)
Accounts payable	7,463	(4,620)	3,871
Accrued expenses	(4,151)	4,009	(2,178)
Income taxes	504	820	(1,410)
Net cash provided by operating activities	30,567	14,465	3,594
Cash flows from investing activities:			
Payments for purchases of property and equipment	(57,257)	(9,179)	(19,039)
Proceeds from sales of assets	-	-	2,700
Businesses acquired, net of cash acquired	(40,827)	(4,114)	(22,373)
Increase in notes receivable	(10,315)	-	-
Other	(2,315)	-	-
Net cash used in investing activities	(110,714)	(13,293)	(38,712)
Cash flows from financing activities:			
Net borrowings (payments) on notes payable	(3,713)	(4,440)	2,117
Net decrease in bank overdraft	-	-	(1,370)
Proceeds from long-term debt	148,100	125,000	133,500
Principal payments on long-term debt	(133,331)	(165,786)	(40,615)
Debt acquisition costs	(1,124)	(2,827)	(4,371)
Payment of premium on subordinated debt	-	(835)	-
Redemption of stock warrants	-	-	(13,320)
Proceeds from issuance of stock	63,247	55,000	74,353
Proceeds from exercise of stock options	3,204	313	-
Payments to redeem stock	-	-	(114,755)
Net cash provided by financing activities	76,383	6,425	35,539
Net increase (decrease) in cash and cash equivalents	(3,764)	7,597	421
Cash and cash equivalents at beginning of year	8,018	421	-
Cash and cash equivalents at end of year	$ 4,254	$ 8,018	$ 421

See accompanying notes to consolidated financial statements.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999 and 1998

(1) Merger

On July 15, 1999, Superior consummated a subsidiary merger (the "Merger") whereby it acquired all of the outstanding capital stock of Cardinal Holding Corp. ("Cardinal") from the stockholders of Cardinal. Due to the fact that the former Cardinal shareholders received 51% of the outstanding common stock at the date of the Merger, among other factors, the Merger has been accounted for as a reverse acquisition (i.e., a purchase of Superior by Cardinal) under the purchase method of accounting. As such, the Company's consolidated financial statements and other financial information reflect the historical operations of Cardinal for periods and dates prior to the Merger. The net assets of Superior, at the time of the Merger, have been reflected at their estimated fair value pursuant to the purchase method of accounting at the date of the Merger.

As used in the consolidated financial statements for Superior Energy Services, Inc., the term "Superior" refers to the Company as of dates and periods prior to the Merger and the term "Company" refers to the combined operations of Superior and Cardinal after the consummation of the Merger.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of the Company. All significant intercompany accounts and transactions are eliminated in consolidation.

(b) Business

The Company is a leading provider of specialized oilfield services and equipment focusing on serving the production-related needs of oil and gas companies in the Gulf of Mexico. The Company believes it is one of the few service providers in the Gulf of Mexico capable of providing most of the post wellhead products and services necessary to operate and maintain offshore producing wells as well as plug and abandonment services at the end of their life cycle. The Company believes its ability to provide its customers with multiple services and to coordinate and integrate their delivery allows it to maximize efficiency, reduce lead time and provide cost-effective services for its customers. A majority of the Company's business is conducted with major and independent oil and gas exploration companies. The Company continually evaluates the financial strength of its customers but does not require collateral to support the customer receivables.

The Company's well services, wireline, marine and tank cleaning services are contracted for specific projects on either a day rate or turnkey basis. Rental tools are leased to customers on an as-needed basis on a day rate basis. The Company derives a significant amount of its revenue from a small number of major and independent oil and gas companies. In 2000, one customer accounted for approximately 10.3% of the Company's total revenue primarily in the well services, field management, wireline and environmental segments. No single customer represented 10% or more of the Company's total revenue in 1999 or 1998. The inability of the Company to continue to perform services for a number of its large existing customers, if not offset by sales to new or existing customers, could have a material adverse effect on the Company's business and financial condition.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	15 to 30 years
Marine vessels and equipment	5 to 18 years
Machinery and equipment	5 to 15 years
Automobiles, trucks, tractors and trailers	2 to 5 years
Furniture and fixtures	3 to 7 years

The company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. For 2000, the Company capitalized approximately $242,000 of interest for various capital expansion projects. No interest was capitalized in 1999 or 1998.

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Change in Accounting Estimate

Effective October 1, 1999, the Company changed the estimated useful lives on its marine vessels from fifteen years to eighteen years. The Company believes the revised estimated useful lives more appropriately reflect its financial results by better matching costs over the estimated useful lives of these assets. As a result of this change, 1999 net income was increased approximately $350,000.

(e) Goodwill

The Company amortizes costs in excess of fair value of the net assets of businesses acquired using the straight-line method over a period not to exceed 30 years. Recoverability is reviewed by comparing the future net cash flows of the assets to which the goodwill applies, to the net book value, including goodwill, of such assets. Goodwill amortization expense recorded for the years ended December 31, 2000, 1999 and 1998 was $3,052,000, $1,480,000 and $226,000, respectively.

(f) Other Assets

Other assets consist primarily of a deposit, long-term receivables, debt acquisition costs and covenants not to compete. Debt acquisition costs are being amortized over the term of the related debt, which is approximately five years. The amortization of debt acquisition costs, which is classified as interest expense, was $377,000, $593,000, and $565,000 for the years ended December 31, 2000, 1999 and 1998, respectively. The covenants not to compete are being amortized over the terms of the agreements, which is four years. Amortization expense recorded on the covenants not to compete for the years ended December 31, 2000, 1999 and 1998 was $386,000, $265,000, and $163,000, respectively.

(g) Cash Equivalents

The Company considers all short-term deposits with a maturity of ninety days or less to be cash equivalents.

(h) Revenue Recognition

For the Company's marine, well services, wireline, rental tool operations and environmental cleaning services, revenue is recognized when services or equipment are provided. The Company contracts for marine, well services, wireline and environmental projects either on a day rate or turnkey basis, with a majority of its projects conducted on a day rate basis. The Company's rental tools are leased on a day rate basis, and revenue from the sale of equipment is recognized when the equipment is shipped. Reimbursements from customers for the cost of rental tools that are damaged or lost downhole are reflected as revenue at the time of the incident.

(i) Income Taxes

The Company provides for income taxes in accordance with Statement of Financial Accounting Standards (FAS) No. 109, Accounting for Income Taxes. FAS No. 109 requires an asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes reflect the impact of temporary differences between amounts of assets for financial reporting purposes and such amounts as measured by tax laws.

(j) Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in the same manner as basic earnings per share except that the denominator is increased to include the number of additional common shares that could have been outstanding assuming the exercise of stock options, convertible preferred stock shares and warrants and the potential shares that would have a dilutive effect on earnings per share.

On July 15, 1999, the Company affected an approximate 364 to 1 stock issuance as a result of the Merger. All earnings per common share amounts, references to common stock, and stockholders' equity amounts have been restated as if the stock issuance had occurred as of the earliest period presented. The effect of the preferred dividends on arriving at the income available to common stockholders was zero in 2000, $1,330,000 in 1999, and $738,000 in 1998. The number of dilutive stock options used in computing diluted earnings per share was 930,000 in 2000, and these securities were anti-dilutive in 1999 and 1998.

(k) Financial Instruments

The Company uses interest rate swap agreements to manage its interest rate exposure. The Company specifically designates these agreements as hedges of debt instruments and recognizes interest differentials as adjustments to interest expense in the period the differentials occur. Under interest rate swap agreements, the Company agrees with other parties to exchange, at specific intervals, the difference between fixed-rate and variable-rate interest amounts calculated by reference to an agreed-upon notional principal amount.

(l) Foreign Currency Translation

The Company acquired foreign subsidiaries in October 2000. Assets and liabilities of the Company's foreign subsidiaries are translated at current exchange rates, while income and expense are translated at average rates for the period. Translation gains and losses are reported as the foreign currency translation component in stockholders' equity.

(3) Supplemental Cash Flow Information (in thousands)

	2000	1999	1998
Cash paid for:			
Interest	$ 12,135	$ 12,019	$10,329

Income taxes	$ 4,368	$ 251	$ 2,846
Details of acquisitions:			
Fair value of assets	$ 65,373	$173,737	$25,626
Fair value of liabilities	(19,658)	(55,679)	(1,541)
Common stock issued	-	(112,531)	(1,398)
Cash paid	45,715	5,527	22,687
Less cash acquired	(4,888)	(1,413)	(314)
Net cash paid for acquisitions	$ 40,827	$ 4,114	$22,373
Non-cash investing activity:			
Additional consideration due on two 1997 acquisitions	$ 18,449	$ -	$ -
Retainage payable due on vessel construction	$ 1,000	$ -	$ -
Amounts due under covenant not-to-compete	$ -	$ 893	$ -
Non-cash financing activity:			
Stock dividends issued on preferred stock	$ -	$ 1,330	$ 738
Stock issued under subordinated debt agreement	$ -	$ 130	$ 2,300

(4) Business Combinations

In the year ended December 31, 2000, the Company acquired businesses for a total of $42.5 million in cash consideration. Additional consideration, if any, will be based upon the respective company's average EBITDA (earnings before interest, income taxes, depreciation and amortization expense) less certain adjustments. The total additional consideration, if any, will not exceed $22.1 million. These acquisitions have been accounted for as purchases and the acquired companies' assets and liabilities have been valued at their estimated fair market value of the date of acquisition. The purchase price allocated to net assets was approximately $26.1 million, and the excess purchase price over the fair value of the net assets of approximately $16.4 million was allocated to goodwill. The results of operations have been included from the respective company's acquisition date.

Effective November 1, 1999, the Company acquired Production Management Companies, Inc. ("PMI") for aggregate consideration consisting of approximately $2.9 million in cash and 597,000 shares of the Company's common stock at an approximate trading price of $5.66. The acquisition was accounted for as a purchase, and PMI's results of operations have been included from November 1, 1999.

On July 15, 1999, the Company acquired Cardinal through a merger by issuing 30,239,568 shares of the Company's common stock (see note 1). The valuation of Superior's net assets is based upon the 28,849,523 common shares outstanding prior to the Merger at the approximate trading price of $3.78 at the time of the negotiation of the Merger on April 21, 1999. The acquisition was accounted for as a purchase, and Superior's results of operations have been included from July 15, 1999.

Effective July 1, 1999, Superior sold two subsidiaries for a promissory note having an aggregate principal amount of $8.9 million, which bears interest of 7.5% per annum. As part of the sale, the purchasers were granted the right to resell the capital stock of the two companies to the Company in 2002 subject to certain terms and conditions.

The following unaudited pro forma information for the years ended December 31, 2000 and 1999, presents a summary of consolidated results of operations as if the Merger, the business acquisitions and the sales of the subsidiaries described above had occurred on January 1, 1999, with pro forma adjustments to give effect to amortization of goodwill, depreciation and certain other adjustments, together with related income tax effects (in thousands, except per share amounts):

	2000	1999
Revenues	$ 290,656	$ 230,486
Income before extraordinary losses	$ 20,273	$ 1,073
Basic earnings per share before extraordinary losses	$ 0.31	$ 0.02
Diluted earnings per share before extraordinary losses	$ 0.31	$ 0.02

The above pro forma financial information is not necessarily indicative of the results of operations as they would have been had the acquisitions been effected on January 1, 1999.

Most of the Company's acquisitions have involved additional contingent consideration based upon a multiple of the acquired companies' respective average EBITDA over a three-year period from the respective date of acquisition. In 2000, the Company capitalized additional consideration of $21.7 million related to three of its 1997 acquisitions, of which $18.4 million was paid in January 2001 from borrowings under its revolving credit facility. Additional consideration for the Company's other acquisitions will not exceed $53.5 million, but will be materially less than this amount if current performance levels continue for certain of these companies. Once determined, additional consideration will be capitalized as additional purchase price.

(5) Property, Plant and Equipment

A summary of property, plant and equipment at December 31, 2000 and 1999 (in thousands) is as follows:

	2000	1999
Buildings and improvements	$ 13,079	$ 10,076
Marine vessels and equipment	78,872	57,416
Machinery and equipment	137,271	87,982
Automobiles, trucks, tractors and trailers	8,459	5,427
Furniture and fixtures	4,015	3,088
Construction-in-progress	6,795	881
Land	3,404	2,730
	251,895	167,600
Accumulated depreciation	(49,397)	(32,877)
Property, plant and equipment, net	$202,498	$134,723

The cost of property, plant and equipment leased to third parties was $6.9 million at December 31, 2000 and $7.1 million at December 31, 1999.

(6) Debt

Notes Payable

The Company's notes payable as of December 31, 2000 and 1999 consist of the following (in thousands):

	2000	1999
Notes payable - bear interest at 7.25%, paid March 15, 2000	$ -	$ 3,669

The notes payable outstanding at December 31, 1999 represent the additional contingent consideration that was earned by two of Superior's 1997 acquisitions and were paid according to their terms in 2000.

Long-Term Debt

The Company's long-term debt as of December 31, 2000 and 1999 consist of the following (in thousands):

	2000	1999
Term Loan - interest payable monthly at floating rate (8.65% at December 31, 2000), due in quarterly installments from December 2000 through October 2005	$ 127,500	$ -
Revolver - interest payable monthly at floating rate (8.49% at December 31, 2000), due in October 2005	16,500	-
Notes payable - bear interest at 7.25%, paid January 2, 2001 with Revolver	18,449	-
Previous Term Loan A - paid in October 2000	-	21,551
Previous Term Loan B - paid in October 2000	-	97,930
Other installment notes payable (interest rates ranging from 9% to 11.4%), due in 2001	346	557
	162,795	120,038
Less current portion	16,402	2,579
Long-term debt	$ 146,393	$ 117,459

On October 17, 2000, the Company implemented a term loan and revolving credit facility to provide a $110 million term loan to refinance the

Company's long-term debt and a $60 million revolving credit facility. The credit facility was amended in December 2000 to increase the term loan to $130 million. Under the amended credit facility, the term loan requires quarterly principal installments that commenced December 31, 2000 in the amount of $2.5 million a quarter and then increasing up to an aggregate of approximately $10 million a quarter for the last year until the facility matures on October 31, 2005. The credit facility bears interest at a LIBOR rate plus margins that depend on the Company's leverage ratio. Indebtedness under the credit facility is secured by substantially all of the Company's assets, including the pledge of the stock of the Company's subsidiaries. The credit facility contains customary events of default and requires that the Company satisfy various financial covenants. It also limits the Company's ability to make capital expenditures, pay dividends or make other distributions, make acquisitions, make changes to the Company's capital structure, create liens or incur additional indebtedness. At December 31, 2000, the Company was in compliance with all such covenants.

Extraordinary Losses

The early extinguishment of the Company's indebtedness in October 2000 resulted in an extraordinary loss of $1.6 million, net of a $1.0 million income tax benefit, which resulted from the write-off of unamortized debt acquisition costs related to the prior credit facility. The early extinguishment of the Cardinal and Superior indebtedness in July 1999 resulted in an extraordinary loss of $4.5 million, net of a $2.1 million income tax benefit, which included the premium on the subordinated debt and the write-off of unamortized debt acquisition costs.

Annual maturities of long-term debt for each of the five fiscal years following December 31, 2000 are as follows (in thousands):

2001	$ 16,402
2002	26,362
2003	26,274
2004	28,770
2005	64,987
Total	$ 162,795

(7) Income Taxes

The components of income tax expense (benefit), before the income tax effect of the extraordinary losses, for the years ended December 31, 2000, 1999 and 1998 are as follows (in thousands):

	2000	1999	1998
Current			
Federal	$ 3,851	$ (3,101)	$ 1,127
State	1,099	(150)	66
	4,950	(3,251)	1,193
Deferred			
Federal	8,125	2,354	(42)
State	223	286	(2)
	8,348	2,640	(44)
	$ 13,298	$ (611)	$ 1,149

Income tax expense (benefit) differs from the amounts computed by applying the US. Federal income tax rate of 35% in 2000 and 34% in 1999 and 1998 to income before income taxes as follows (in thousands):

	2000	1999	1998
Computed expected tax expense (benefit)	$ 11,613	$ (899)	$ 800
Increase (decrease) resulting from:			
Goodwill amortization	1,025	502	89
Interest related to warrants	-	-	130
State income taxes	481	136	75
Other	179	(350)	55
Income tax expense (benefit)	$ 13,298	$ (611)	$ 1,149

The significant components of deferred income taxes at December 31, 2000 and 1999 are as follows (in thousands):

	2000	1999
Deferred tax assets:		

Allowance for doubtful accounts	$ 894	$ 1,187
Alternative minimum tax credit and net operating loss carryforward	5,385	7,777
Other	1,061	854
	7,340	9,818
Valuation allowance	(255)	(1,198)
Net deferred tax assets	7,085	8,620
Deferred tax liabilities:		
Property, plant and equipment	26,795	18,647
Other	1,088	928
	27,883	19,575
	$ 20,798	$ 10,955

The net change in the valuation allowance was a decrease of $0.9 million for the year ended December 31, 2000 and an increase of $1.2 million for the year ended December 31, 1999. There was no valuation allowance at December 31, 1998. The net deferred tax assets reflect management's estimate of the amount that will be realized from future profitability and the reversal of taxable temporary differences that can be predicted with reasonable certainty.

As of December 31, 2000, the Company had a net operating loss carryforward of an estimated $2.0 million, which is available to reduce future Federal taxable income through 2011, and an alternative minimum tax credit carryforward of an estimated $2.5 million. The Company also had various state net operating loss carryforwards of an estimated $25.9 million.

(8) Stockholders' Equity

In July 1999, the Company's stockholders approved the 1999 Stock Incentive Plan ("1999 Incentive Plan") to provide long-term incentives to its key employees, including officers and directors, consultants and advisers to the Company ("Eligible Participants"). Under the 1999 Incentive Plan, the Company may grant incentive stock options, non-qualified stock options, restricted stock, stock awards or any combination thereof to Eligible Participants for up to 5,929,327 shares of the Company's common stock. The Compensation Committee of the Board of Directors establishes the term and the exercise price of any stock options granted under the 1999 Incentive Plan, provided the exercise price may not be less than the fair market value of the common share on the date of grant.

In addition to the 1999 Incentive Plan, Superior maintains its 1995 Stock Incentive Plan ("1995 Incentive Plan"), as amended. Under the 1995 Incentive Plan, as amended, the Company may grant incentive stock options, non-qualified stock options, restricted stock, stock awards or any combination thereof to Eligible Employees which consists of its key employees, including officers and directors who are employees of the Company for up to 1,900,000 shares of the Company's common stock. All of the Company's 1995 Stock Incentive Plan's options which have been granted are vested.

Prior to the Merger, Cardinal had no stock option plan.

A summary of stock options granted under the incentive plans for the years ended December 31, 2000 and 1999 is as follows:

	2000		1999	
	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price
Outstanding at beginning of year	4,134,917	$ 5.56	1,696,500	$ 4.49
Granted	917,500	$ 7.78	2,612,617	$ 5.74
Exercised	(658,800)	$ 4.96	(148,700)	$ 2.87
Forfeited	(45,000)	$ 6.47	(25,500)	$ 6.19
Outstanding at end of year	4,348,617	$ 6.11	4,134,917	$ 5.56
Exercisable at end of year	2,400,559	$ 5.70	1,522,300	$ 5.26
Available for future grants	2,546,210		3,406,210	

A summary of information regarding stock options outstanding at December 31, 2000 is as follows:

Options Outstanding Options Exercisable

Range of Exercise Prices	Shares	Remaining Contractual Life	Weighted Average Price	Shares	Weighted Average Price
$2.50 - $3.43	313,500	4 - 6 years	$ 2.99	313,500	$ 2.99
$4.75 - $9.25	4,035,117	6.5 -10 years	$ 6.35	2,087,059	$ 6.10

The Company accounts for its stock based compensation under the principles prescribed by the Accounting Principles Board's Opinion No. 25, *Accounting for Stock Issued to Employees* (Opinion No. 25). However, Statement of Financial Accounting Standards (FAS) No. 123, *Accounting for Stock-Based Compensation* permits the continued use of the value based method prescribed by Opinion No. 25 but requires additional disclosures, including pro forma calculations of earnings and net earnings per share as if the fair value method of accounting prescribed by FAS No. 123 had been applied. The pro forma data presented below is not representative of the effects on reported amounts for future years (in thousands, except per share amounts).

	As Reported 2000	Pro forma 2000	As Reported 1999	Pro forma 1999
Net income (loss)	$ 18,324	$ 14,488	$ (6,548)	$ (9,552)
Basic income (loss) per share	$ 0.28	$ 0.22	$ (0.25)	$ (0.35)
Diluted income (loss) per share	$ 0.28	$ 0.22	$ (0.25)	$ (0.35)
Average fair value of grants during the year	$ -	$ 5.35	$ -	$ 3.64
Black-Scholes option pricing model assumptions:				
Risk free interest rate		5.2%		5.8%
Expected life (years)		3		2
Volatility		128.75%		125.7%
Dividend yield		-		-

In 1999 and 1998, pursuant to the stock awards plan adopted by Cardinal, shares of Class A common stock and Class C preferred stock were awarded to certain members of management. Compensation expense was recorded for fair value of these awards, as estimated based on sales of similar stock. The stock awards plan was eliminated as a result of the Merger.

In February 1998, Cardinal completed a recapitalization and refinancing which was funded through a combination of senior secured debt, subordinated debt and equity investments. As a result of the recapitalization, Cardinal recorded an increase in equity of $57.5 million from the issuance of Class A common stock and Class C preferred stock; incurred $7.1 million of costs associated with the debt acquisition and reduction to net proceeds from the issuance of stock; recorded a reduction in equity of $114.8 million from the redemption of Class A common stock and Class C preferred stock; and recorded an extraordinary loss of $10.9 million for the estimated value of warrants of $10.5 million and unamortized debt acquisition costs of $379,000 (net of $214,000 income tax benefit).

(9) Profit-Sharing Plan

The Company maintains various defined contribution profit-sharing plans for employees who have satisfied minimum service and age requirements. Employees may contribute up to 15% of their earnings to the plans. The Company matches employees' contributions up to 2.5% of an employee's salary. The Company made contributions of $729,000, $142,000 and $299,000 in 2000, 1999 and 1998, respectively.

(10) Financial Instruments

The Company utilizes derivative instruments on a limited basis to manage risks related to interest rates. The Company designates these agreements as hedges of debt instruments and recognizes interest differentials as adjustments to interest expense in the period the differential occurs. At December 31, 2000, 1999 and 1998, the Company had interest rate swap agreements with notional amounts totaling $44 million, $46.2 million and $48.4 million, respectively, to convert an equal amount of variable rate long-term debt to fixed rates. The swaps mature in March of 2001 and October of 2002. The swaps require the Company to pay a weighted-average interest rate of 5.82% in 2000 and 5.81% in 1999 and 1998 and to receive a variable rate, which averaged 6.4%, 5.2% and 5.5% in 2000, 1999 and 1998, respectively. As a result of these swap agreements, interest expense was decreased by $265,000 in 2000, and increased by $299,000 in 1999 and $107,000 in 1998. The effect to the Company to terminate these swap agreements at December 31, 2000 is estimated to be a gain of approximately $62,000.

With the exception of derivative instruments, the Company's financial instruments of cash and cash equivalents, accounts receivable, accounts payable and long-term debt have carrying values, which approximate their fair market value.

(11) Commitments and Contingencies

The Company leases certain office, service and assembly facilities under operating leases. The leases expire at various dates over the next several years. Total rent expense was $1,865,000 in 2000, $683,000 in 1999 and $749,000 in 1998. Future minimum lease payments under non-cancelable leases for the five years ending December 31, 2001 through 2005 and thereafter are as follows: $961,000, $523,000, $850,000, $635,000, $536,000 and $670,000, respectively.

From time to time, the Company is involved in litigation arising out of operations in the normal course of business. In management's opinion, the Company is not involved in any litigation, the outcome of which would have a material effect on the financial position, results of operations or liquidity of the Company.

(12) Related Party Transactions

The Company provides field management and other services to an independent oil and gas exploration and production company, of which a member of the Company's Board of Directors is Chief Executive Officer. The Company billed this customer approximately $4.0 million in 2000, $1.5 million in 1999 and $0.8 million in 1998 for these services, on terms that the Company believes are customary in the industry. The Company expects to continue providing services to this customer.

(13) Segment Information

The Company's reportable segments, subsequent to the Merger, are as follows: well services, wireline, marine, rental tools, environmental, field management and other. Each segment offers products and services within the oilfield services industry. The well services segment provides plug and abandonment, coiled tubing, electric wireline, well pumping and stimulation, data acquisition, hydraulic workover drilling and well control services. The wireline segment provides mechanical wireline services that perform a variety of ongoing maintenance and repairs to producing wells, as well as performs modifications to enhance the production capacity and life span of the well. The marine segment operates liftboats for oil and gas production facility maintenance and construction operations as well as production service activities. The rental tools segment rents and sells specialized equipment for use with onshore and offshore oil and gas well drilling, completion, production and workover activities; it also provides on-site accomodations. The environmental segment provides offshore oil and gas cleaning services, as well as dockside cleaning of items including supply boats, cutting boxes, and process equipment. The field management segment provides contract operations and maintenance services, interconnect piping services, sandblasting and painting maintenance services, and transportation and logistics services. The other segment manufactures and sells drilling instrumentation and oil spill containment equipment. All the segments operate primarily in the Gulf Coast Region.

The accounting policies of the reportable segments are the same as those described in Note 2 of the Notes to the Consolidated Financial Statements. The Company evaluates the performance of its operating segments based on operating profits or losses. Segment revenues reflect direct sales of products and services for that segment, and each segment records direct expenses related to its employees and its operations. Identifiable assets are primarily those assets directly used in the operations of each segment.

Summarized financial information concerning the Company's segments as of December 31, 2000, 1999 and 1998 and for the years then ended is shown in the following tables (in thousands):

2000	Well Services	Wireline	Marine	Rental Tools	Environ.	Field Mgmt	Other	Unallocated Amount	Consolidated Total
Identifiable assets	$ 81,297	$ 31,835	$ 74,055	$ 200,694	$ 20,345	$ 17,307	$ 4,069	$ 1,074	$ 430,676
Capital expenditures	8,751	1,493	23,676	22,641	702	950	44	-	58,257
Revenues	$ 56,515	$ 33,516	$ 34,390	$ 75,814	$ 16,738	$ 36,493	$ 4,036	$ -	$ 257,502
Costs of services	34,553	22,907	18,929	25,840	10,756	32,704	1,912	-	147,601
Depreciation and amortization	4,123	2,327	3,428	10,472	818	950	137	-	22,255
General and administrative	9,835	5,559	3,554	16,337	3,533	4,066	1,403	-	44,287
Operating income (loss)	8,004	2,723	8,479	23,165	1,631	(1,227)	584	-	43,359
Interest expense	-	-	-	-	-	-	-	(12,078)	(12,078)
Interest income	-	-	-	-	-	-	-	1,898	1,898
Income (loss) before income taxes and extraordinary loss	$ 8,004	$ 2,723	$ 8,479	$ 23,165	$ 1,631	$ (1,227)	$ 584	$ (10,180)	$ 33,179

1999	Well Services	Wireline	Marine	Rental Tools	Environ.	Field Mgmt.	Other	Unallocated Amount	Consolidated Total
Identifiable assets	$ 39,878	$ 30,961	$ 48,655	$ 134,287	$ 8,525	$ 12,768	$ 4,533	$ 2,648	$ 282,255
Capital expenditures	2,297	652	1,417	4,209	579	13	12	-	9,179
Revenues	$ 29,862	$ 28,264	$ 23,822	$ 21,302	$ 3,480	$ 4,340	$ 2,006	$ -	$ 113,076
Costs of services	19,394	19,692	14,649	6,518	2,241	3,848	1,022	-	67,364
Depreciation and amortization	2,474	2,465	3,605	3,688	180	150	63	-	12,625
General and administrative	5,690	5,490	4,366	5,194	1,171	584	576	-	23,071
Operating income (loss)	2,304	617	1,202	5,902	(112)	(242)	345	-	10,016
Interest expense	-	-	-	-	-	-	-	(12,969)	(12,969)
Interest income	-	-	-	-	-	-	-	308	308
Income (loss) before income taxes and extraordinary loss	$ 2,304	$ 617	$ 1,202	$ 5,902	$ (112)	$ (242)	$ 345	$ (12,661)	$ (2,645)

1998	Well Services	Wireline	Marine	Unallocated Amount	Consolidated Total
Identifiable assets	$ 21,175	$ 28,920	$ 53,844	$ 4,022	$ 107,961
Capital expenditures	5,925	1,104	12,010	-	19,039
Revenues	$ 18,794	$ 26,315	$ 37,114	$ -	$ 82,223
Cost of services	12,777	16,470	14,691	-	43,938
Depreciation and amortization	1,794	1,296	3,432	-	6,522
General and administrative	4,592	5,803	5,810	-	16,205
Operating income (loss)	(369)	2,746	13,181	-	15,558
Interest expense	-	-	-	(13,206)	(13,206)
Income (loss) before income taxes and extraordinary loss	$ (369)	$ 2,746	$ 13,181	$ (13,206)	$ 2,352

(14) Interim Financial Information (Unaudited)

The following is a summary of consolidated interim financial information for the years ended December 31, 2000 and 1999 (amounts in thousands, except per share data):

	Three Months Ended			
2000	March 31	June 30	Sept. 30	Dec. 31
Revenues	$ 47,274	$ 57,592	$ 71,251	$ 81,385
Gross profit	19,512	23,661	31,048	35,680
Income before extraordinary loss	1,588	3,843	5,985	8,465
Net income	1,588	3,843	5,985	6,908
Earnings before extraordinary loss per share:				
Basic	$ 0.03	$ 0.06	$ 0.09	$ 0.12
Diluted	0.03	0.06	0.09	0.12
Earnings per share:				
Basic	$ 0.03	$ 0.06	$ 0.09	$ 0.10
Diluted	0.03	0.06	0.09	0.10

	Three Months Ended			
1999	March 31	June 30	Sept. 30	Dec. 31
Revenues	$ 18,978	$ 16,267	$ 33,729	$ 44,102
Gross profit	8,472	2,838	15,037	19,365
Income (loss) before extraordinary loss	(453)	(4,361)	978	1,802
Net income (loss)	(453)	(4,361)	(3,536)	1,802
Earnings (loss) before extraordinary loss per share:				
Basic	$ (0.18)	$ (0.75)	$ 0.02	$ 0.03
Diluted	(0.18)	(0.75)	0.02	0.03
Earnings (loss) per share:				
Basic	$ (0.18)	$ (0.75)	$ (0.07)	$ 0.03
Diluted	(0.18)	(0.75)	(0.07)	0.03

(15) Accounting for Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (FAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. FAS No. 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 and establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. FAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are to be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

The Company will adopt FAS 133 effective January 1, 2001. The Company expects its interest rate swaps to qualify for cash flow hedge accounting treatment under FAS 133, whereby changes in fair value will be recognized in other comprehensive income (a component of stockholders' equity) until settled, when the resulting gains and losses will be recorded in earnings. Any hedge ineffectiveness will be charged currently to earnings; however, the Company believes that this will be immaterial. The effect on the Company's earnings and other comprehensive

income as the result of the adoption of FAS 133 will vary from period to period and will be dependent upon prevailing interest rates. The Company estimates that the transition adjustment resulting from the new accounting treatment will be a receivable of approximately $62,000 and a corresponding credit of approximately $36,000, net of income tax, in other comprehensive income.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 10. Directors and Executive Officers of the Registrant

Information required by this item will be included in the Company's definitive proxy statement in connection with its 2001 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by this item will be included in the Company's definitive proxy statement in connection with its 2001 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information required by this item will be included in the Company's definitive proxy statement in connection with its 2001 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information required by this item will be included in the Company's definitive proxy statement in connection with its 2001 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements

The following financial statements are Included in Part II of this Report:

Independent Auditors' Reports
Consolidated Balance Sheets -- December 31, 2000 and 1999
Consolidated Statements of Operations for the years ended December 31, 2000, 1999 and 1998
Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the years ended December 31, 2000, 1999 and 1998
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Schedule II -- Valuation and Qualifying accounts for the years ended December 31, 2000, 1999 and 1998.

(3) Exhibits

The exhibits filed as part of this Form 10-K are listed on the Index to Exhibits immediately preceding such exhibits, which index is incorporated herein by reference.

(b) Reports on Form 8-K

On October 20, 2000, the Company filed a current report on Form 8-K reporting, under Item 2, the acquisition of International Snubbing Services, Inc.

On November 2, 2000, the Company filed a current report on Form 8-K reporting, under Item 5, the results for the third quarter ended September 30, 2000.

On December 29, 2000, the Company filed a current report on Form 8-K/A reporting, under Item 7, financial statements and pro forma financial information regarding the acquisition of International Snubbing Services, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUPERIOR ENERGY SERVICES, INC.

By:/s/ Terence E. Hall
Terence E. Hall
Chairman of the Board,
Chief Executive Officer and
President

Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Terence E. Hall Terence E. Hall	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	March 27, 2001
/s/ Robert S. Taylor Robert S. Taylor	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2001
/s/ Justin L. Sullivan Justin L. Sullivan	Director	March 27, 2001
/s/ Robert E. Rose Robert E. Rose	Director	March 27, 2001
/s/ William Macaulay William Macaulay	Director	March 27, 2001
/s/ Ben Guill Ben Guill	Director	March 27, 2001
/s/ Richard Bachmann Richard Bachmann	Director	March 27, 2001

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Schedule II Valuation and Qualifying Accounts
Years Ended December 31, 2000, 1999 and 1998
(in thousands)

		Additions			
Description	Balance at the beginning of the year	Charged to costs and expenses	Balances from acquisitions	Deductions	Balance at the end of the year
Year ended December 31, 2000: Allowance for doubtful accounts	$ 2,892	$ 724	$ 81	$ 1,405	$ 2,292
Year ended December 31, 1999: Allowance for doubtful accounts	$ 868	$ 518	$ 1,790	$ 284	$ 2,892
Year ended December 31, 1998: Allowance for doubtful accounts	$ 569	$ 291	$ 8	$ -	$ 868

INDEX TO EXHIBITS

Exhibit No.	Description	Seq. No.
3.1	Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1996).	
3.2	Certificate of Amendment to the Company's Certificate of Incorporation (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).	
3.3	Amended and Restated Bylaws (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).	
4.1	Specimen Stock Certificate (incorporated herein by reference to Amendment No. 1 to the Company's Form S-4 on Form SB-2 (Registration Statement No. 33-94454)).	
4.2	Registration Rights Agreement dated as of July 15, 1999 by and among the Company, First Reserve Fund VII, Limited Partnership and First Reserve Fund VIII, Limited Partnership (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).	
4.3	Registration Rights Agreement dated as of July 15, 1999 by and among the Company and certain stockholders named therein (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).	
4.4	Stockholders' Agreement dated as of July 15, 1999 by and among the Company, First Reserve Fund VII, Limited Partnership and First Reserve Fund VIII, Limited Partnership (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).	
10.1	Credit Agreement dated as of October 17, 2000 by and among the Company, Bank One, Louisiana, National Association, as agent, and the other lenders specified therein (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).	
10.2	Superior Energy Services, Inc. 1999 Stock Incentive Plan as amended (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).	
10.3*	Amended and Restated Credit Agreement dated as of December 31, 2000 by and among SESI, L.L.C., the Company, Bank One, Louisiana, National Association, as agent, and other lenders specified therein.	
10.4	Employment Agreement between the Company and Terence Hall (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).	
10.5	Employment Agreement between the Company and Kenneth Blanchard (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).	
10.6	Employment Agreement between the Company and Robert Taylor (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).	
10.7	Employment Agreement between the Company and James Holleman (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).	
21.1*	Subsidiaries of the Company.	
23.1*	Consent of KPMG LLP.	
23.2*	Consent of Ernst & Young LLP.	

---

*Filed herein

AMENDED AND RESTATED CREDIT AGREEMENT

By and Among

SESI, L.L.C.
(as Borrower),

SUPERIOR ENERGY SERVICES, INC.
(as Parent),

BANK ONE, LOUISIANA, NATIONAL ASSOCIATION
(as Agent),

WELLS FARGO BANK TEXAS, N.A.
(as Syndication Agent)

WHITNEY NATIONAL BANK
(as Documentation Agent)

AND

THE LENDERS PARTY HERETO

As of December 31, 2000

BANC ONE CAPITAL MARKETS, INC.
(as Arranger)

TABLE OF CONTENTS

		Page No.
ARTICLE I.	DEFINITIONS	
1.1	Definitions of Certain Terms Used Herein	2
ARTICLE II.	THE CREDITS	
2.1	Term Loans	17
2.2	Revolving Loans; Swing Line Loan	18
2.3	Letters of Credit	19
2.4	Types of Advances	20
2.5	Commitment Fee; Reductions in Aggregate Revolving Loan Commitment	20
2.6	Minimum Amount of Each Advance	21
2.7	Prepayments	21
2.8	Method of Selecting Types and Eurodollar Interest Periods for New Advances	22
2.9	Conversion and Continuation of Outstanding Advances	23
2.10	Changes in Interest Rate, etc.	23
2.11	Rates Applicable After Default	24
2.12	Method of Payment	24
2.13	Noteless Agreement; Evidence of Indebtedness	25
2.14	Telephonic Notices	25

2.15 Interest Payment Dates; Interest and Fee Basis 25
2.16 Notification of Advances, Interest Rates, Prepayments and Commitment Reductions 26
2.17 Lending Installations 26
2.18 Non-Receipt of Funds by the Agent 26
2.19 Collateral 27

ARTICLE III. YIELD PROTECTION; TAXES

3.1 Yield Protection 27
3.2 Changes in Capital Adequacy Regulations 28
3.3 Availability of Types of Advances 28
3.4 Funding Indemnification 29
3.5 Taxes 29
3.6 Lender Statements; Survival of Indemnity 31
3.7 Replacement of Lender 31

ARTICLE IV. CONDITIONS PRECEDENT

4.1 Initial Advance 32
4.2 Each Advance 33

ARTICLE V. REPRESENTATIONS AND WARRANTIES

5.1 Existence and Standing 34
5.2 Authorization and Validity 34
5.3 No Conflict; Government Consent 34
5.4 Financial Statements 35
5.5 Material Adverse Change 35
5.6 Taxes 35
5.7 Litigation and Contingent Obligations 35
5.8 Subsidiaries 35
5.9 ERISA 36
5.10 Accuracy of Information 36
5.11 Regulation U 36
5.12 Material Agreements 36
5.13 Compliance With Laws 36
5.14 Ownership of Properties 36
5.15 Plan Assets; Prohibited Transactions 37
5.16 Environmental Matters 37
5.17 Investment Company Act 37
5.18 Public Utility Holding Company Act 37
5.19 Solvency 37

ARTICLE VI. COVENANTS

6.1 Financial Reporting 39
6.2 Use of Proceeds 40
6.3 Notice of Default 40
6.4 Conduct of Business 41
6.5 Taxes 41
6.6 Insurance 41
6.7 Compliance with Laws; Environmental Matters 41
6.8 Maintenance of Properties 42
6.9 Inspection 42

6.10 Dividends 42
6.11 Indebtedness 42
6.12 Merger 44
6.13 Sale of Assets 44
6.14 Investments 45
6.15 Liens 45
6.16 Acquisitions 47
6.17 Transactions with Affiliates 48
6.18 Appraisals 48
6.19 Financial Covenants 48

ARTICLE VII. DEFAULTS 50

ARTICLE VIII. ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1 Acceleration 52
8.2 Amendments 52
8.3 Preservation of Rights 53

ARTICLE IX. GENERAL PROVISIONS

9.1 Survival of Representations 54
9.2 Governmental Regulation 54
9.3 Headings 54
9.4 Entire Agreement 54
9.5 Several Obligations; Benefits of this Agreement 54
9.6 Expenses; Indemnification 54
9.7 Numbers of Documents 55
9.8 Accounting 55
9.9 Severability of Provisions 55
9.10 Nonliability of Lenders 55
9.11 Confidentiality 56
9.12 Nonreliance 56
9.13 Disclosure 56

ARTICLE X. THE AGENT

10.1 Appointment; Nature of Relationship 57
10.2 Powers 57
10.3 General Immunity 57
10.4 No Responsibility for Loans, Recitals, etc. 57
10.5 Action on Instructions of Lenders 58
10.6 Employment of Agents and Counsel 58
10.7 Reliance on Documents; Counsel 58
10.8 Agent's Reimbursement and Indemnification 58
10.9 Notice of Default 59
10.10 Rights as a Lender 59
10.11 Lender Credit Decision 59
10.12 Successor Agent 60
10.13 Agent's Fee; Arranger's Fee 60
10.14 Delegation to Affiliates 60
10.15 Execution of Collateral Documents 60
10.16 Collateral Releases 61

ARTICLE XI. SETOFF; RATABLE PAYMENTS

11.1 Setoff 62
11.2 Ratable Payments 62

ARTICLE XII. BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1 Successors and Assigns 63
12.2 Participations 63
12.3 Assignments 64
12.4 Dissemination of Information 65
12.5 Tax Treatment 65

ARTICLE XIII. NOTICES

13.1 Notices 66
13.2 Change of Address 66

ARTICLE XIV. COUNTERPARTS 67

ARTICLE XV. CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

15.1 Choice of Law 68
15.2 Consent to Jurisdiction 68
15.3 Waiver of Jury Trial 68

SCHEDULES

1 Commitment Amounts of the Lenders 72
2 Pricing Schedule 74
3 List of Borrower's Subsidiaries 77
4 Eligible Accounts and Eligible Inventory 79
5 Existing Permitted Indebtedness 83
6 Existing Permitted Investments 85
7 Existing Permitted Liens 86
8 Existing Additional Contingent Consideration 87

EXHIBITS

A Compliance Certificate 88
B Assignment Agreement 92
C Borrowing Base Certificate 100

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT, dated as of December 31, 2000, is among SESI, L.L.C., as Borrower, SUPERIOR ENERGY SERVICES INC., as Parent, BANK ONE, LOUISIANA, NATIONAL ASSOCIATION, as Agent, WELLS FARGO BANK TEXAS, N.A., as Syndication Agent, WHITNEY NATIONAL BANK, as Documentation Agent, and the lenders party hereto, who agree as follows:

RECITALS

A. Superior Energy Services, Inc., (the "Original Borrower" or "Parent"), Agent, Syndication Agent, Documentation Agent and the Lenders party thereto have executed a Credit Agreement dated as of October 17, 2000 (the "Original Credit Agreement") providing for a Term Loan in the aggregate principal amount of $110,000,000 and a Revolving Loan in the aggregate principal amount of $60,000,000.

B. The Original Borrower has requested a $30,000,000 increase in the aggregate principal amount of the Term Loan from $110,000,000 to $140,000,000. The Agent and the Original Borrower have obtained a Commitment from one additional Lender for $20,000,000. The parties wish to provide for an initial increase in the Term Loan from $110,000,000 to $130,000,000 and further provide for the ability to obtain a Commitment for the remaining $10,000,000.

C. The Original Borrower and its Subsidiaries have completed a restructuring pursuant to which (i) the Original Borrower has formed SESI,

L.L.C., a Delaware limited liability company (the "New Borrower" or "Borrower") as a wholly-owned subsidiary of the Original Borrower; (ii) all but one of the corporate Domestic Subsidiaries which are parties to the Original Credit Agreement have been merged into newly-formed limited liability companies that are subsidiaries of the New Borrower; and (iii) the stock of the one corporate Domestic Subsidiary has been contributed by the Original Borrower to the New Borrower so that such corporate Domestic Subsidiary has become a wholly-owned subsidiary of the New Borrower. As a result of this restructuring, SESI, L.L.C.. will become the Borrower on the Loan and the Original Borrower, as the sole parent of the Borrower, shall guaranty the Loan and grant a security interest in its membership interest in the Borrower to secure the Loan.

D. The parties hereto wish to reflect the foregoing transactions through an amendment and restatement of the Original Credit Agreement. The initial Advances of the Loans under this Agreement shall repay in full the Loans outstanding under the Original Credit Agreement.

NOW, THEREFORE, in consideration of their mutual covenants and undertakings, the Borrower, Parent, Agent, Syndication Agent, Documentation Agent and the Lender hereby amend and restate the Original Credit Agreement in full to read as follows:

ARTICLE I

DEFINITIONS

1.1. Definitions of Certain Terms Used Herein. As used in this Agreement, the following terms shall have the following meanings:

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any going business concern or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding ownership interests of a partnership or limited liability company.

"Additional Contingent Consideration" means consideration payable by the Borrower or its Subsidiaries to sellers subsequent to the closing of an Acquisition that is dependent on the performance of the acquired company following the Acquisition. The total Additional Contingent Consideration as of the Closing Date is set forth on Schedule 8. Notwithstanding the foregoing definition, the amount of Additional Contingent Consideration to be included in the defined term "Indebtedness" for the purposes of calculating the financial covenants in Section 6.17, shall be the amount of Additional Contingent Consideration (excluding any accrued interest) which through the date of calculation of such covenant and based on the performance of the acquired company through the date of calculation of such covenant, the Borrower reasonably anticipates paying to the sellers at maturity.

"Advance" means a borrowing hereunder, (i) made by the Lenders on the same Borrowing Date, (ii) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurodollar Loans, for the same Eurodollar Interest Period, or (iii) made by the Agent on the Swing Line Loan.

"Affected Lender" is defined in Section 3.7.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 20% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" means Bank One, Louisiana, National Association, in its capacity as contractual representative of the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Agent appointed pursuant to Article X. "Agents" means the Agent, Wells Fargo Bank Texas, N.A.., as Syndication Agent and Whitney National Bank, as Documentation Agent.

"Aggregate Revolving Loan Commitment" means the aggregate of the Revolving Loan Commitments of all the Lenders, as reduced from time to time pursuant to the terms hereof.

"Aggregate Term Loan Commitment" means the aggregate of the Term Loan Commitments of all the Lenders.

"Agreement" means this amended and restated credit agreement, as it may be amended or modified and in effect from time to time.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (i) the Prime Rate for such day or (ii) the Federal Funds Effective Rate for such day plus 1/2% per annum. "Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One, NA (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes. "Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Applicable Fee Rate" means, at any time, the percentage rate per annum at which commitment fees are accruing on the unused portion of the Aggregate Revolving Loan Commitment at such time as set forth in the Pricing Schedule.

"Applicable Letter of Credit Fee Rate" means, at any time, with respect to Letters of Credit, the percentage rate per annum which is applicable at such time as set forth in the Pricing Schedule.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Arranger" means Banc One Capital Markets, Inc., a Delaware corporation, and its successors.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Asset Sale" means the sale of any fixed assets, excluding sales in the ordinary course of business in any calendar year, in a single transaction or a series of related transactions, provided that such transaction or series of transactions results in the receipt of Net Sales Proceeds in excess of $500,000 individually and $2,000,000 in the aggregate per calendar year. Notwithstanding the foregoing, the following transactions will be deemed not to be Asset Sales: (A) a sale of assets by the Borrower to a Subsidiary or by a Subsidiary to the Borrower or to another Subsidiary; (B) any trade or exchange by the Borrower or any Subsidiary of equipment or other assets for equipment or other assets owned or held by another Person, provided that the fair market value of the assets traded or exchanged by the Borrower or such Subsidiary (together with any cash or cash equivalents) is reasonably equivalent to the fair market value of the assets (together with any cash or cash equivalent) to be received by the

Borrower or such Subsidiary; (C) a sale of assets which are promptly replaced thereafter by assets of a similar type and value or otherwise useful in and to the business of the Borrower or one of the Subsidiaries; and (D) obsolete or worn-out equipment sold in the ordinary course of business.

"Assignment Agreement" means any assignment agreement in the form of Exhibit B, executed and delivered pursuant to Section 12.3.

"Authorized Officer" means any of the President, any Vice President, Chief Financial Officer or Treasurer of the Borrower, acting singly.

"Borrower" means SESI, L.L.C., a Delaware limited liability company, and its successors and assigns.

"Borrowing Base" means at any time an amount equal to 80% of Eligible Accounts *plus* the lesser of 50% of Eligible Inventory, $25,000,000 or 40% of the Aggregate Revolving Loan Commitment.

"Borrowing Base Certificate" means a certificate executed and delivered by the Borrower to the Agent from time to time setting forth the Borrowing Base as of a certain date and substantially in the form attached as Exhibit C.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.8.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in New Orleans for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in New Orleans for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capital Expenditures" means, without duplication, any expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP excluding (i) expenditures of insurance proceeds to rebuild or replace any asset after a casualty loss, (ii) leasehold improvement expenditures for which the Borrower or a Subsidiary is reimbursed promptly by the lessor and (iii) expenditures constituting consideration for Permitted Acquisition.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

"Capitalized Lease Expenses" means, with reference to any period, the lease expenses of the Borrower and its Subsidiaries with respect to Capitalized Leases calculated on a consolidated basis for such period.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

"Cash Equivalent Investments" means (i) short-term obligations of, or fully guaranteed by, the United States of America, (ii) commercial paper rated A-1 or better by S&P or P-1 or better by Moody's, (iii) demand deposit accounts maintained in the ordinary course of business, (iv) certificates of deposit issued by, and time deposits with, commercial banks (whether domestic or foreign) having capital and surplus in excess of $100,000,000 or with any Lender; *provided* in each case that the same provides for payment of both principal and interest (and not principal alone or interest alone) and is not subject to any contingency regarding the payment of principal or interest, (v) money market mutual funds, and (vi) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clause (i) above entered into with any financial institution meeting the qualifications specified in clause (iv) above.

"Change" is defined in Section 3.2.

"Change in Control" means the acquisition, after the date hereof, by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 35% or more of the outstanding shares of voting stock of the Borrower.

"Closing Date" means the date upon which the conditions precedent to the initial Advance have been satisfied or waived by the Lenders and the Term Loans and initial Revolving Loans are made under this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Collateral" shall mean all of the types of property described in Section 2.19, or as otherwise described as such in any Collateral Documents.

"Collateral Documents" means, collectively, all guaranties and all security agreements, financing statements, mortgages, deeds of trust, assignments creating and perfecting security interests, liens, or encumbrances in the assets of the Borrower and its Subsidiaries in favor of the Agent, for the benefit of the Lenders to secure the Secured Obligations.

"Commitment" means, for each Lender, collectively, such Lender's Revolving Loan Commitment and Term Loan Commitment.

"Compliance Certificate" means the certificate required from the Borrower from time to time in the form of Exhibit A, signed by an Authorized Officer of the Borrower.

"Conversion/Continuation Notice" is defined in Section 2.9.

"Default" means an event described in Article VII.

"Domestic Subsidiaries" means Subsidiaries of the Borrower incorporated or organized under the laws of any state of the United States of America.

"EBITDA" means Net Income *plus*, to the extent deducted in determining Net Income, (i) Interest Expense, (ii) Income Taxes, (iii) depreciation expense, (iv) amortization expense, (v) other non-cash charges, and (vi) extraordinary losses, *minus,* to the extent included in determining Net Income, extraordinary gains, all calculated for the Parent, Borrower and Borrower's Subsidiaries on a consolidated basis; provided, however, that following a Permitted Acquisition by the Borrower or any of its Subsidiaries, calculation of EBITDA for the fiscal quarter in which such Permitted Acquisition occurred and each of the three fiscal quarters immediately following such Permitted Acquisition shall be made on a Pro Forma Basis.

"Eligible Accounts" is defined on Schedule 4.

"Eligible Inventory" is defined on Schedule 4.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

"Equity Issuance" means the issuance, sale or other disposition by the Parent, Borrower or any Subsidiary of its capital stock, any rights, warrants or options to purchase or acquire any shares of its capital stock or any other security representing, convertible into or exchangeable for an equity interest in the Parent, Borrower or Subsidiary.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means an Advance which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Eurodollar Interest Period, the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of such Eurodollar Interest Period, and having a maturity equal to such Eurodollar Interest Period, *provided* that, (i) if Reuters Screen FRBD is not available to the Agent for any reason, the applicable Eurodollar Base Rate for the relevant Eurodollar Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Eurodollar Interest Period, and having a maturity equal to such Eurodollar Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Agent, the applicable Eurodollar Base Rate for the relevant Eurodollar Interest Period shall instead be the rate determined by the Agent to be the rate at which Bank One, NA or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Eurodollar Interest Period, in the approximate amount of Bank One, NA's relevant Eurodollar Loan and having a maturity equal to such Eurodollar Interest Period.

"Eurodollar Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three months or six months (or other period acceptable to all of the Lenders) commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Eurodollar Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months (or other period acceptable to all of the Lenders) thereafter, *provided, however,* that if there is no such numerically corresponding day in such next, second or third succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such next, second or third succeeding month. If an Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day, *provided, however,* that if said next succeeding Business Day falls in a new calendar month, such Eurodollar Interest Period shall end on the immediately preceding Business Day. Notwithstanding the foregoing, from the period from the Closing Date through the earlier of the completion of the syndication of the Obligations or 90 days after the Closing Date, at the Agent's option, the Eurodollar Interest Period shall not exceed 14 days.

"Eurodollar Loan" means a Loan which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Eurodollar Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Eurodollar Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Eurodollar Interest Period, plus (ii) the Applicable Margin.

"Excess Cash Flow" means, for any fiscal year of the Parent, and without duplication, (i) the sum of (a) Net Income, (b) depreciation and amortization, and (c) all extraordinary or nonrecurring cash gains, business interruption insurance proceeds and cash gains attributable to the sale of assets out of the ordinary course of business, *minus* (ii) the sum of (x) scheduled principal repayments on the Term Loan pursuant to Section 2.1.2, (y) Capital Expenditures made during such fiscal year (excluding the financed portion thereof), and (z) cash consideration paid to the sellers in connection with a Permitted Acquisition (excluding the financed portion thereof).

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or the Agent is incorporated or organized or (ii) the jurisdiction in which the Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located.

"Exhibit" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"Floating Rate" means, for any day, a rate per annum equal to (i) the Alternate Base Rate for such day plus (ii) the Applicable Margin, in each case changing when and as the Alternate Base Rate changes.

"Floating Rate Advance" means an Advance which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.4.

"Income Taxes" means, with reference to any period, all federal, state and local income taxes paid or provided for (accrued) by the Parent, Borrower and Borrower's Subsidiaries, calculated on a consolidated basis for such period.

"Indebtedness" of a Person means, without duplication, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, bonds, debentures, acceptances, or other instruments, (v) obligations to purchase securities or other Property arising out of or in connection with the sale of the same or substantially similar securities or Property, (vi) Capitalized Lease Obligations, (vii) any other obligation for borrowed money or other financial accommodation which in accordance with GAAP would be shown as a liability on the consolidated balance sheet of such Person; (viii) all reimbursement obligations relating to letters of credit, bankers' acceptances and similar instruments (but excluding performance bonds), (ix) all liabilities with respect to unfunded vested benefits under any Plan, (x) all endorsements (other than for collection or deposit in the ordinary course of business), (xi) all Additional Contingent Consideration, and (xii) all obligations under guaranties for any obligations described in clauses (i) through (xi) hereof.

"Interest Expense" means, with reference to any period, the interest expense of the Parent, Borrower and Borrower's Subsidiaries calculated on a consolidated basis for such period, and, in the case of a Permitted Acquisition, imputed interest determined as set forth in the definition of Pro Forma Basis.

"Investment" of a Person means any loan, advance (other than commission, travel and similar advances to officers, employees and

consultants made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person; stocks, bonds, mutual funds, partnership interests, notes, debentures or other securities owned by such Person; any deposit accounts and certificate of deposit owned by such Person; and structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

"Issuing Bank" is defined in Section 2.3.1.

"Lenders" means the lending institutions listed on Schedule 1 hereto (as amended or replaced from time to time) and their respective successors and assigns. Unless otherwise specified herein, the term "Lenders" includes the Agent in its capacity as a lender.

"Lending Installation" means, with respect to a Lender or the Agent, the office, branch, subsidiary or affiliate of such Lender or the Agent listed on Schedule 1 hereto (or any super-seding Schedule 1) or otherwise selected by such Lender or the Agent pursuant to Section 2.17.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued by a Lender upon the application of the Borrower or any of its Subsidiaries as set forth in Section 2.3.

"Leverage Ratio" is defined in Section 6.19.2.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means, with respect to a Lender, such Lender's loan (including the Swing Line Loan) made pursuant to Article II (or any conversion or continuation thereof), and collectively all Revolving Loans and Term Loans, whether made or continued as or converted to Floating Rate Loans or Eurodollar Loans.

"Loan Documents" means this Agreement, any Notes issued pursuant to Section 2.13 and the Collateral Documents.

"Material Adverse Effect" means a material adverse effect on (i) the business, Property, condition (financial or otherwise), results of operations, or prospects of the Parent, Borrower and Borrower's Subsidiaries taken as a whole, (ii) the ability of the Parent or Borrower to perform its obligations under the Loan Documents or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agent or the Lenders thereunder.

"Material Indebtedness" is defined in Section 7.5.

"Moody's" means Moody's Investors Service, Inc.

"Net Equity Proceeds" means the aggregate cash proceeds received by the Parent, Borrower or any of Borrower's Subsidiaries in respect of any Equity Issuance, net of (without duplication) the direct costs relating to such Equity Issuance (including without limitation, legal, accounting and investment banking fees and underwriting discounts and commissions).

"Net Income" means, with reference to any period, the net income (or loss) of the Parent, Borrower and Borrower's Subsidiaries calculated on a consolidated basis for such period.

"Net Sales Proceeds" means the aggregate cash proceeds received by the Parent, Borrower or any of Borrower's Subsidiaries in respect of any Asset Sale, net of (without duplication) (i) the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, sales commissions, recording fees, title transfer fees, title insurance premiums, appraiser fees and costs incurred in connection with preparing such asset for sale) and any relocation or other related expenses incurred as a result thereof, (ii) amounts required to be applied to the repayment of Indebtedness (other than under this Agreement) secured by a Lien on the asset or assets that were the subject of such Asset Sale, and (iii) any amounts placed in escrow or reserves established in accordance with GAAP until such time as the escrow arrangement is terminated, in which case such Net Sales Proceeds shall include the amounts returned to the Parent, Borrower or any of Borrower's Subsidiaries from such escrow arrangement, taxes paid or estimated to be paid as a result thereof.

"Net Worth" means, as of any time, total stockholders' equity of the Parent, Borrower and Borrower's Subsidiaries calculated on a consolidated basis as of such time.

"Non-U.S. Lender" is defined in Section 3.5(iv).

"Note" means any Term Note or any Revolving Note, or the Swing Line Note.

"Obligations" means all Indebtedness of the Borrower to the Lenders, from time to time, arising under the Loan Documents, including without limitation, all unpaid principal of and accrued and unpaid interest on the Loans, all commercial and standby letters of credit and bankers acceptances, issued by any Lender, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Lenders or to any Lender, the Agent or any indemnified party arising under the Loan Documents.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"Other Taxes" is defined in Section 3.5(ii).

"Overadvances" is defined in Section 2.2.2.

"Participants" is defined in Section 12.2.1.

"Parent" means Superior Energy Services, Inc., a Delaware corporation and the sole member of the Borrower.

"Payment Date" means the last day of each month.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisition" means an Acquisition permitted by the terms of Section 6.16, or otherwise consented to by the Agent and the Required Lenders.

"Permitted Liens" is defined in Section 6.15.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower may have any liability.

"Pricing Schedule" means Schedule 2.

"Pro Forma Basis" means, following a Permitted Acquisition, the calculation of the Indebtedness and EBITDA components of the Leverage Ratio and fixed charge coverage ratio for the fiscal quarter in which such Permitted Acquisition occurred and each of the three fiscal quarters immediately following such Permitted Acquisition with reference to the audited historical financial results of the Person, business, division or group of assets acquired in such Permitted Acquisition (or if such audited historical financial results are not available, such management prepared financial statements as are acceptable to the Agent) and the Borrower and its Subsidiaries for the applicable test period after giving effect on a pro forma basis to such Permitted Acquisition and assuming that such Permitted Acquisition had been consummated at the beginning of such test period. For purposes of calculating the EBITDA on a Pro Forma Basis, (i) the Borrower may exclude expenses reasonably believed by the Borrower will be saved as a result of the Acquisition, but only to the extent approved by the Agent in writing, and (ii) the Borrower shall include in such calculation, as imputed interest expense, interest on the cash paid by the Borrower to the sellers in connection with the Permitted Acquisition, during such test period at the Eurodollar Rate (assuming a 3-month Eurodollar Interest Period) as of the last day of such test period.

"Pro Rata Share" means, with respect to any Lender at any time, the percentage obtained by dividing (i) the sum of such Lender's Term Loan and Revolving Loan Commitment at such time (in each case, as adjusted from time to time in accordance with the provisions of this Agreement) by (ii) the sum of the aggregate amount of all the Term Loans outstanding hereunder at such time and the Aggregate Revolving Loan Commitment at such time, *provided, however,* that if all of the Revolving Loan Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Share" means, with respect to any Lender at any time, the percentage obtained by dividing (x) the sum of such Lender's Term Loan and Revolving Loans outstanding at such time (excluding the amounts outstanding on the Swing Line Loan) by (y) the sum of the aggregate amount of all the Term Loans and Revolving Loans outstanding hereunder at such time.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Purchasers" is defined in Section 12.3.1.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered into between the Borrower and any Lender or Affiliate thereof which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

"Rate Management Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Rate Management Transactions, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, *provided, however,* that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Reports" is defined in Section 9.6.

"Required Lenders" means Lenders whose Pro Rata Shares, in the aggregate, are 66⅔% or greater, but in any event, at least two Lenders.

"Reserve Requirement" means, with respect to an Eurodollar Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Revolving Loan" is defined in Section 2.2.1.

"Revolving Loan Commitment" means, for each Lender, the obligation of such Lender to make Revolving Loans not exceeding the amount set forth on Schedule 1 under the caption "Revolving Loan Commitment" (as amended or replaced from time to time) or as set forth in any Assignment Agreement relating to any assignment that has become effective pursuant to Section 12.3, as such amount may be modified from time to time pursuant to the terms hereof.

"Revolving Loan Termination Date" means October 31, 2005 or any earlier date upon which the Aggregate Revolving Loan Commitment is reduced to zero or otherwise terminated pursuant to the terms of Section 2.5.

"Revolving Note" means any promissory note evidencing Revolving Loans issued at the request of a Lender pursuant to Section 2.13.

"Risk-Based Capital Guidelines" is defined in Section 3.2.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Schedule" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Secured Obligations" means, collectively, (i) the Obligations and (ii) all Rate Management Obligations owing to one or more Lenders.

"Subsidiary" means (i) any corporation, more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by the Borrower or by one or more of its Subsidiaries or by the Borrower and one or more of its

Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization, more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which (i) represents more than 10% of the consolidated assets of the Borrower and its Subsidiaries as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the Net Income of the Borrower and its Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"Swing Line Loan" is defined in Section 2.2.4.

"Swing Line Note" means the promissory note evidencing the Swing Line Loan.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but *excluding* Excluded Taxes.

"Term Loan" means, individually a Term Loan One or a Term Loan Two, and collectively, Term Loan One and Term Loan Two.

"Term Loan Commitment" means, for each Lender, the obligation of such Lender to make Term Loans not exceeding the amount set forth on Schedule 1 under the caption "Term Loan One Commitment" and "Term Loan Two Commitment" (as amended from time to time) or as set forth in any Assignment relating to any assignment that has become effective pursuant to Section 12.3, as such amount may be modified from time to time pursuant to the terms hereof.

"Term Loan One" and "Term Loan Two" are defined in Section 2.1.1.

"Term Loan Termination Date" means October 31, 2005 as to Term Loan One and June 30, 2003 as to Term Loan Two.

"Term Note" means any promissory note evidencing a Term Loan issued at the request of a Lender pursuant to Section 2.13.

"Transferee" is defined in Section 12.4.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II

THE CREDITS

2.1. Term Loans.

2.1.1. Making the Term Loans. (a) *Term Loan One.* Each Lender severally agrees to make, on the Closing Date, a term loan to the Borrower in an amount equal to such Lender's Term Loan One Commitment set forth on Schedule I ("Term Loan One"), which will refinance the term loan existing on the Closing Date. The aggregate principal amount of Term Loan One shall be $110,000,000. Term Loan One shall be made by the Lenders on the Closing Date simultaneously, it being understood that no Lender shall be responsible for any failure by any other Lender to perform its obligation to make Term Loan One hereunder nor shall the Term Loan One Commitment of any Lender be increased or decreased as a result of any such failure.

(b) *Term Loan Two.* Each Lender severally agrees to make, on the Closing Date, an additional term loan to the Borrower in an amount equal to such Lender's Term Loan Two Commitment set forth on Schedule I ("Term Loan Two"). The aggregate initial principal amount of Term Loan Two shall be $20,000,000. The Lenders agree that one or more of the existing Lenders, or an additional Lender, may agree to make (but shall have no obligation to make), not later than June 30, 2001, an additional term loan in the aggregate principal amount of $10,000,000; in such event (i) the additional term loan shall be allocated solely to Term Loan Two to increase the aggregate principal amount of Term Loan Two to $30,000,000; (ii) the Commitments of the Lenders (as to Term Loan One, Term Loan Two and the Revolving Loan) shall be adjusted so that each Lender shall have the same Pro Rata Share of each Loan; and (iii) a new Schedule I shall be attached by the Agent to this Agreement to reflect the foregoing. The initial Term Loan Two shall be made simultaneously by the Lenders on the Closing Date, it being understood that no Lender shall be responsible for any failure by any other Lender to perform its obligation to make Term Loan Two hereunder nor shall the Term Loan Two Commitment of any Lender be increased or decreased as a result of any such failure; similarly, the additional Term Loan Two shall be made simultaneously by the Lender(s) on or prior to June 30, 2001, it being understood that no Lender shall be responsible for any failure by any other Lender to perform its obligation to make the Term Loan Two hereunder nor shall the Term Loan Two Commitment of any Lender be increased or decreased as a result of any such failure

2.1.2. Repayment of the Term Loans. (a) *Term Loan One.* Term Loan One shall be repaid in consecutive quarterly installments of principal, payable on each Payment Date commencing on December 31, 2000 and continuing each March 31, June 30, September 30 and December 31 thereafter until maturity on October 31, 2005, and Term Loan One shall be permanently reduced by the amount of each such installment on the date payment thereof is made hereunder. The quarterly installments shall be in the following aggregate amounts for the calendar quarters ending during the years indicated:

Period	Aggregate Quarterly Installment
Closing date through and including September 30, 2001	$ 2,500,000
October 1, 2001 through and including September 30, 2002	$ 3,750,000

October 1, 2002 through and including September 30, 2003	$ 5,000,000
October 1, 2003 through and including September 30, 2004	$ 6,250,000
October 1, 2004 through and including October 31, 2005	$10,000,000

(b) *Term Loan Two*. Term Loan Two shall be repaid in consecutive quarterly installments of principal, in the aggregate amount of $2,500,000 (if the total Advances on Term Loan Two as of July 1, 2001 is $20,000,000) or $3,750,000 (if the total Advances on Term Loan Two as of July 1, 2001 is $30,000,000), in each case payable on each Payment Date commencing on September 30, 2001 and continuing on each December 31, March 31, June 30 and September 30 thereafter until maturity on June 30, 2003.

(c) *Repayments; No Reborrowing*. The Term Loans shall be permanently reduced by the amount of each such installment on the date payment thereof is made hereunder. In addition to the foregoing installments payments, the Borrower may make voluntary prepayments and shall make mandatory prepayments as described in Section 2.7. No portion of any Term Loan may be reborrowed once it is repaid.

2.2. Revolving Loans; Swing Line Loan.

2.2.1. Making the Revolving Loans. From and including the Closing Date and prior to the Revolving Loan Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make revolving loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding (i) the amount of its Revolving Loan Commitment (each individually a "Revolving Loan" and, collectively, the "Revolving Loans") or (ii) the Borrowing Base, in each case minus the sum of the aggregate principal amount of all outstanding Letters of Credit and the outstanding principal on the Swing Line Loan. Each Advance under this Section 2.2.1 shall consist of Revolving Loans made by each Lender ratably in proportion to such Lender's respective Pro Rata Share, it being understood that no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Revolving Loan hereunder nor shall the Revolving Loan Commitment of any Lender be increased or decreased as a result of any such failure. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow Revolving Loans at any time prior to the Revolving Loan Termination Date. The Revolving Loan Commitments of the Lenders shall expire on the Revolving Loan Termination Date, and all amounts due on the Revolving Loans shall be payable on the Revolving Loan Termination Date.

2.2.2. Overadvances. At the request of Borrower, the Agent, with the approval of all of the Lenders, in their sole discretion, may (but shall have absolutely no obligation to), make Advances to the Borrower on behalf of the Lenders in amounts which cause the outstanding balance of the aggregate Revolving Loans to exceed the Borrowing Base (minus the outstanding principal on the Swing Line Loan) (any such excess Revolving Loan Advances are herein referred to collectively as "Overadvances"), and no such event or occurrence shall cause or constitute a waiver by the Agent or the Lenders of any Unmatured Default or Default that may result therefrom or of the Agent's or the Lenders' right to refuse to make any further Advances, or incur any obligations under Letters of Credit, as the case may be, at any time that an Overadvance exists or would result therefrom. All Overadvances shall constitute Floating Rate Loans, shall bear interest at the Default Rate and shall be payable on demand. The authority of the Agent to make Overadvances is limited to an aggregate amount not to exceed $1,000,000 at any time, shall not cause the aggregate amount of all outstanding Revolving Loans to exceed the Aggregate Revolving Loan Commitment, and may be revoked prospectively by a written notice to Agent signed by Required Lenders. The Borrower shall repay any Overadvances, in whole or in part, immediately upon demand therefor by the Agent, and any failure to do so shall constitute a Default.

2.2.3. Repayment of the Revolving Loans. On the Revolving Loan Termination Date, the Borrower shall repay in full the outstanding principal balance of the Revolving Loans.

2.2.4. Making the Swing Line Loan. From and including the Closing Date, and prior to the Loan Termination Date, the Agent agrees, on the terms and conditions set forth in this Agreement, to make a revolving loan to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding $5,000,000 (the "Swing Line Loan"). Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow amounts on the Swing Line Loans at any time prior to the Revolving Loan Termination Date. The aggregate principal amount outstanding on the Swing Line Loan shall constitute a portion of the Aggregate Revolving Loan Commitments (thereby reducing the amounts available under the Aggregate Revolving Loan Commitments for Revolving Loans and Letters of Credit on a dollar-for-dollar basis). The Swing Line Loan shall bear interest at the Floating Rate. The Swing Line Loan shall be considered a part of the Revolving Loans and any principal amounts outstanding on the Swing Line Loan for five (5) Business Days shall be repaid through an Advance on the Revolving Loans, whether or not an Unmatured Default or Default has occurred and is existing, except that the Borrower shall repay the Swing Line Loan in whole or in part immediately upon demand by the Agent, and failure to do so shall constitute a Default.

2.3 Letters of Credit.

2.3.1 Issuance of Letters of Credit. From and including the Closing Date, the Agent or, with the approval of the Borrower, any Lender (the "Issuing Lender") shall issue one or more standby Letters of Credit for the account of the Borrower or any of its Subsidiaries, pursuant to the Issuing Lender's standard form of application for standby letters of credit. The aggregate face amount of all outstanding Letters of Credit (i) shall constitute a portion of the Aggregate Revolving Loan Commitments (thereby reducing the Revolving Loan Commitments available for Revolving Loans on a dollar-for-dollar basis), and (ii) shall not exceed $10,000,000. The expiry date of all Letters of Credit shall be not later than one year from the date of issuance (although a one-year Letter of Credit may provide for a one-year renewal period), but in no event later than five Business Days prior to the Revolving Loan Termination Date.

2.3.2 Risk Participation. Immediately upon the issuance of a Letter of Credit by the Issuing Lender, each other Lender shall be deemed to have automatically, unconditionally and irrevocably (except as provided for in Section 10.8) purchased from the Issuing Lender an undivided interest and participation in such Letter of Credit, the obligations in respect thereof, and the liability of the Issuing Lender, equal to the face amount of such Letter of Credit multiplied by such Lender's Pro Rata Share.

2.3.3 Letter of Credit Fees. (a) The Borrower agrees to pay the Issuing Lender a fronting fee in an amount agreed between the Borrower and the Issuing Lender (but not less than 0.125% per annum on the face amount of the Letter of Credit), payable quarterly in arrears on the last day of each calendar quarter, for the term of the Letter of Credit, together with the Issuing Lender's customary letter of credit issuance and processing fees. The fronting fee and customary letter of credit issuance and processing fees shall be retained by the Issuing Lender and shall not be shared with the other Lenders;

(b) In addition, the Borrower agrees to pay the Agent a fee equal to the Applicable Letter of Credit Fee Rate (on a per annum basis) shown

on the Pricing Schedule times the aggregate face amount of all outstanding Letters of Credit (as reduced from time to time), payable quarterly in arrears on the last day of each calendar quarter, for the term of the Letter of Credit and shall be shared by the Issuing Lender and the other Lenders on the basis of each Lender's Pro Rata Share.

2.3.4 Guaranty of Subsidiaries. The Borrower hereby absolutely and unconditionally guarantees the prompt and punctual payment of all Indebtedness of all Subsidiaries to the Agent and Lenders arising from the issuance of any Letters of Credit for the account of one or more Subsidiaries.

2.4. Types of Advances. The Advances must be either Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.8 and 2.9.

2.5. Commitment Fee; Reductions in Aggregate Revolving Loan Commitment. (a) The Borrower agrees to pay to the Agent, to be shared by the Lenders on the basis of each Lender's Pro Rata Share, a commitment fee at a per annum rate equal to the Applicable Fee Rate on the daily unused portion of the Aggregate Revolving Loan Commitment from the date hereof to and including the Revolving Loan Termination Date, payable quarterly in arrears on last day of each calendar quarter hereafter and on the Revolving Loan Termination Date. For the purposes hereof, "unused portion" shall mean the Aggregate Revolving Loan Commitment, *minus* the aggregate principal amount outstanding on all Revolving Loans, *minus* the aggregate face amount of all outstanding Letters of Credit. Swing Line Loans shall not count as usage of any Lender's Revolving Loan Commitment for purposes of calculating the commitment fee due hereunder.

(b) The Borrower may permanently reduce the Aggregate Revolving Loan Commitment in whole, or in part ratably among the Lenders in integral multiples of $1,000,000, upon at least five Business Days' written notice to the Agent, which notice shall specify the amount of any such reduction, *provided, however,* that the amount of the Aggregate Revolving Loan Commitment may not be reduced below the aggregate principal amount of the outstanding Revolving Loans, the Swing Line Loan and the aggregate face amount of all outstanding Letters of Credit. All accrued commitment fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Revolving Loans hereunder.

2.6. Minimum Amount of Each Advance. Each Eurodollar Advance shall be in the minimum amount of $1,000,000 (and in multiples of $100,000 if in excess thereof), and each Floating Rate Advance (other than an Advance to repay a Swing Line Loan) shall be in the minimum amount of $200,000 (and in multiples of $100,000, if in excess thereof), *provided, however,* that any Floating Rate Advance may be in the amount of the unused Aggregate Revolving Loan Commitment.

2.7. Prepayments.

2.7.1. Optional Prepayments. The Borrower may from time to time pay, without penalty or premium, in a minimum aggregate amount of $5,000,000 or any integral multiple of $100,000 in excess thereof, any portion of the outstanding Floating Rate Advances (or the full outstanding balance of all Floating Rate Advances, if less than such minimum), upon one Business Days' prior notice to the Agent. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but otherwise without penalty or premium, in a minimum aggregate amount of $5,000,000 or any integral multiple of $100,000 in excess thereof, any portion (or the full outstanding balance of all Eurodollar Advances, if less than such minimum) of the outstanding Eurodollar Advances upon five Business Days' prior notice to the Agent. Any such optional prepayments shall be applied to the principal installments payable under Section 2.1.2 in the inverse order of maturity.

2.7.2. Mandatory Prepayments. The Borrower shall make prepayments of the outstanding amount of the Term Loan (in addition to the scheduled principal installments) upon not less than one Business Day's prior notice to the Agent, in amounts equal to either or both of the following: (i) 75% of Excess Cash Flow of the Borrower for any fiscal year ending December 31, 2001 or thereafter, *minus* the aggregate principal amount of all voluntary prepayments of the Term Loan made during such fiscal year; (ii) 100% of the Net Sales Proceeds received by the Borrower or any Subsidiary from Asset Sales permitted by this Agreement or (if not permitted by this Agreement) consented to by the Agent and the Required Lenders; and (iii) to the extent of any outstanding principal on Term Loan Two, 100% of the Net Equity Proceeds received by the Borrower or any Subsidiary from Equity Issuances. In the case of clause (i), the prepayment shall be made within 10 days after the Agent's receipt of the annual audited financial statements of the Borrower, but in no event later than 130 days after the end of each fiscal year of the Borrower; provided that no such prepayment based on the Excess Cash Flow of the Borrower for any fiscal year shall be required if the Leverage Ratio as of the end of such fiscal year is less than 2.75 to 1.00. In the case of clause (ii) and clause (iii), the prepayment shall be made not later than 30 days after the consummation of the Asset Sale or Equity Issuance, as applicable. Once Term Loan Two is repaid in full, clause (iii) shall no longer apply. If such prepayment constitutes a repayment of a Eurodollar Advance on a date which is not the last day of a Eurodollar Interest Period, the Borrower shall not be required to pay any amounts that would otherwise be due under this Agreement (including without limitation, Section 3.4) for the repayment of a Eurodollar Rate Advance prior to the last day of the Eurodollar Interest Period. Any such mandatory prepayment shall be applied first to the principal installments payable on Term Loan Two (until Term Loan Two is repaid in full) and, if applicable, then to the principal installments payable on Term Loan One, in each case in the inverse order of maturity.

2.8. Method of Selecting Types and Eurodollar Interest Periods for New Advances. The Borrower shall select the Type of Advance and, in the case of each Eurodollar Advance, the Eurodollar Interest Period applicable thereto from time to time. The Borrower shall give the Agent irrevocable notice (a "Borrowing Notice") not later than 10:00 a.m. (New Orleans time) at least one Business Day before the Borrowing Date of each Floating Rate Advance (other than a Swing Line Loan) and three Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

(i) the Borrowing Date, which shall be a Business Day, of such Advance,

(ii) the aggregate amount of such Advance,

(iii) the Type of Advance selected, and whether such Advance is comprised of Term Loans or Revolving Loans, and

(iv) in the case of each Eurodollar Advance, the Eurodollar Interest Period applicable thereto.

Not later than noon (Central time) on each Borrowing Date, each Lender shall make available its Loan or Loans in funds immediately available in New Orleans to the Agent at its address specified pursuant to Article XIII. The Agent will make the funds so received from the Lenders available to the Borrower at the Agent's aforesaid address.

The Borrower shall not be entitled to more than six Eurodollar Rate tranches and one Floating Rate tranche at any one time on the Revolving Loan, and only three Eurodollar Rate tranche and one Floating Rate tranche at any one time on the Term Loan.

2.9. Conversion and Continuation of Outstanding Advances. Floating Rate Advances (other than Swing Line Loans) shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.9 or are repaid. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Eurodollar Interest Period therefor, at

which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.7 or 2.1.2 or (y) the Borrower shall have given the Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Eurodollar Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Eurodollar Interest Period. Subject to the terms of Section 2.6, the Borrower may elect from time to time to convert all or any part of a Floating Rate Advance into a Eurodollar Advance. The Borrower shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Advance into a Eurodollar Advance or continuation of a Eurodollar Advance not later than 10:00 a.m. (New Orleans time) at least three Business Days prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Type of the Advance which is to be converted or continued, and whether such Advance is comprised of Term Loans or Revolving Loans, and

(iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Eurodollar Interest Period applicable thereto.

2.10. Changes in Interest Rate, etc. Each Floating Rate Advance (other than a Swing Line Loan) shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.9, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.9 hereof, at a rate per annum equal to the Floating Rate for such day. Each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the day such Swing Line Loan is made but excluding the date it is paid, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Eurodollar Interest Period applicable thereto to (but not including) the last day of such Eurodollar Interest Period at the interest rate determined by the Agent as applicable to such Eurodollar Advance based upon the Borrower's selections under Sections 2.8 and 2.9 and otherwise in accordance with the terms hereof. No Eurodollar Interest Period with respect to any Term Loan may end after the Term Loan Termination Date and no Eurodollar Interest Period with respect to any Revolving Loan may end after the Revolving Loan Termination Date. The Borrower shall use commercially reasonable efforts to select Eurodollar Interest Periods so that it is not necessary to repay any portion of a Eurodollar Advance prior to the last day of the applicable Eurodollar Interest Period in order to make a mandatory repayment required by this Agreement.

2.11. Rates Applicable After Default. Notwithstanding anything to the contrary contained in Section 2.8 or 2.9, during the continuance of a Default or Unmatured Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that no Advance may be made as, converted into or continued as a Eurodollar Advance. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (i) each Eurodollar Advance shall bear interest for the remainder of the applicable Eurodollar Interest Period at the rate otherwise applicable to such Eurodollar Interest Period plus 2% per annum and (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time plus 2% per annum, *provided* that, during the continuance of a Default under Section 7.6 or 7.7, the interest rates set forth in clauses (i) and (ii) above shall be applicable to all Advances without any election or action on the part of the Agent or any Lender.

2.12. Method of Payment. All payments of the Secured Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Agent at the Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Agent specified in writing by the Agent to the Borrower, by noon (Central time) on the date when due and, shall (except with respect to repayment of the Swing Line Loan) be applied ratably by the Agent among the Lenders. Each payment delivered to the Agent for the account of any Lender shall be delivered promptly by the Agent to such Lender in the same type of funds that the Agent received at its address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Agent from such Lender. The Agent is hereby authorized to charge the account of the Borrower maintained with the Agent for each payment of principal, interest and bank fees as they become due hereunder; all other fees due hereunder shall be paid by Borrower upon the receipt of an invoice at Borrower's address.

2.13. Noteless Agreement; Evidence of Indebtedness. (i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Obligations of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Eurodollar Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Agent hereunder from the Borrower and each Lender's share thereof.

(iii) The entries maintained in the accounts maintained pursuant to paragraphs (i) and (ii) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded; *provided, however,* that the failure of the Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(iv) Any Lender may request that its Revolving Loans or Term Loans, or the Agent may request that its Swing Line Loan, be evidenced by a Note. In such event, the Borrower shall execute and deliver to such Lender a Note for such Loans payable to the order of such Lender in a form supplied by the Agent and acceptable to such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to Section 12.3) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 12.3, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (i) and (ii) above.

2.14. Telephonic Notices. The Borrower hereby authorizes the Lenders and the Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Agent or any Lender in good faith believes to be acting on behalf of the Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrower agrees to deliver promptly to the Agent a written confirmation, if such confirmation is requested by the Agent or any Lender, of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Agent and the Lenders, the records of the Agent and the Lenders shall govern absent manifest error.

2.15. Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance shall be payable on each Payment

Date, commencing with the first such date to occur after the date hereof and at maturity. Interest at the Floating Rate shall be calculated for actual days elapsed on the basis of a 365-day (366-day in leap year) basis. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Eurodollar Interest Period (or if the applicable Eurodollar Interest Period is greater than three months, on the last day of the third month of such Eurodollar Interest Period), on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest at the Eurodollar Rate and commitment fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.16. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Agent will notify each Lender of the contents of each Aggregate Revolving Loan Commitment reduction notice, Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. The Agent will notify each Lender of the interest rate and Eurodollar Interest Period applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.17. Lending Installations. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans and any Notes issued hereunder shall be deemed held by each Lender for the benefit of any such Lending Installation. Each Lender may, by written notice to the Agent and the Borrower in accordance with Article XIII, designate replacement or additional Lending Installations through which Loans will be made by it and for whose account Loan payments are to be made.

2.18. Non-Receipt of Funds by the Agent. Unless the Borrower or a Lender, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal or interest to the Agent for the account of the Lenders, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.19 Collateral. Except as provided to the contrary herein, the Secured Obligations shall be secured by the following: (i) first priority perfected security interest in all inventory, accounts, equipment, vessels, instruments, chattel paper, documents, general intangibles (and proceeds thereof and in the case of inventory, all products thereof) of the Borrower or any Domestic Subsidiary; (ii) first priority perfected security interest in all outstanding shares of stock or partnership or membership interests, as the case may be, of each Subsidiary (except in the case of any direct Subsidiary of the Borrower or any Domestic Subsidiary incorporated outside of the United States, the security interest shall extend to 66% of the outstanding shares thereof); (iii) solidary (joint and several) guaranties by each of the Domestic Subsidiaries, including any Domestic Subsidiaries acquired or created after the Closing Date; (iv) solidary (joint and several) guaranty by the Parent; and (v) first priority perfected security interest in the Parent's entire membership interest of the Borrower. The Borrower covenants and agrees to cause any Domestic Subsidiary acquired or created after the Closing Date to execute a guaranty of the Secured Obligations and to execute appropriate Collateral Documents (including lockbox and pledged deposits agreements) concerning the assets of the Domestic Subsidiary to further secure the Obligations, within 60 days after the acquisition or creation of such Domestic Subsidiary; provided, however, that the Borrower shall not be required to cause a Subsidiary to execute a guaranty of the Secured Obligations or security interest in assets if either the total assets or the total revenues of such Subsidiary are less than 5% of the total assets and total revenues of the Borrower and its Subsidiaries. In addition, the Borrower covenants and agrees to execute a security agreement granting a first priority security interest in all of the outstanding capital stock or membership or partnership interest of any Domestic Subsidiary acquired or created after the Closing Date, or 66% of the outstanding capital stock or membership or partnership interest of any direct foreign Subsidiary acquired or created after the Closing Date, in each case to further secure the Secured Obligations, within 60 days after the acquisition or creation of such Subsidiary.

ARTICLE III

YIELD PROTECTION; TAXES

3.1. Yield Protection. If, on or after the date of this Agreement, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) subjects any Lender or any applicable Lending Installation to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender in respect of its Eurodollar Loans, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining its Eurodollar Loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with its Eurodollar Loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Eurodollar Loans held or interest received by it, by an amount deemed material by such Lender, and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation of making or maintaining its Eurodollar Loans or Commitment or to reduce the return received by such Lender or applicable Lending Installation in connection with such Eurodollar Loans or Commitment, then, within 15 days of demand by such Lender, the Borrower shall pay such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction in amount received.

3.2. Changes in Capital Adequacy Regulations. If a Lender determines the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a Change, then, within 15 days of demand by such Lender, the Borrower shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender determines is attributable to this Agreement, its Loans or its Commitment to make Loans hereunder (after taking into account such Lender's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or any Lending Installation or any corporation controlling any Lender. "Risk-

Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

3.3. Availability of Types of Advances. If any Lender reasonably determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Required Lenders determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to Eurodollar Advances does not accurately reflect the cost of making or maintaining Eurodollar Advances, then the Agent shall suspend the availability of Eurodollar Advances and require any affected Eurodollar Advances to be repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Eurodollar Interest Period, whether because of acceleration, prepayment or otherwise (but excluding a mandatory prepayment under Section 2.7.2), or a Eurodollar Advance is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5. Taxes. (i) All payments by the Borrower to or for the account of any Lender or the Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or the Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions, (c) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Borrower shall furnish to the Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

(ii) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note ("Other Taxes").

(iii) The Borrower hereby agrees to indemnify the Agent and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Agent or such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Agent or such Lender makes demand therefor pursuant to Section 3.6.

(iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Lender") agrees that it will, not less than ten Business Days after becoming a party to this Agreement, (i) deliver to each of the Borrower and the Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Borrower and the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to each of the Borrower and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Borrower or the Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, *unless* an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Lender has failed to provide the Borrower with an appropriate form pursuant to clause (iv), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States; *provided* that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv), above, the Borrower shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower (with a copy to the Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(vii) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Lenders under this Section 3.5(vii) shall survive the payment of the Obligations and termination of this Agreement.

3.6. Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Borrower (with a copy to the Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable on demand after receipt by the Borrower of such written statement. The obligations of the Borrower under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

3.7. Replacement of Lender. If the Borrower is required pursuant to Section 3.1, 3.2 or 3.5 to make any additional payment to any Lender or if any Lender's obligation to make or continue, or to convert Floating Rate Advances into, Eurodollar Advances shall be suspended pursuant to Section 3.3 (any Lender so affected an "Affected Lender"), the Borrower may elect, if such amounts continue to be charged or such suspension is still effective, to replace such Affected Lender as a Lender party to this Agreement, *provided* that no Default or Unmatured Default shall have occurred and be continuing at the time of such replacement, and *provided further* that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Agent shall agree, as of such date, to purchase for cash the Advances and other Obligations due to the Affected Lender pursuant to an assignment substantially in the form of Exhibit B and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of Section 12.3 applicable to assignments, and (ii) the Borrower shall pay to such Affected Lender in same day funds on the day of such replacement (A) all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.5, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Loans of such Affected Lender been prepaid on such date rather than sold to the replacement Lender.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Initial Advance. The Lenders shall not be required to make the initial Advance hereunder unless the Borrower has furnished to the Agent and, if required by the Agent, with sufficient copies for the Lenders (or has otherwise satisfied the Agent):

(i) Copies of the articles of incorporation and bylaws of the Parent, articles of organization (or certificate of formation) and operating agreement (or limited liability company agreement) of Borrower, and the corresponding organization documents of all of Borrower's Domestic Subsidiaries, together with all amendments, each certified by the Secretary or Assistant Secretary of Parent or Borrower, and a certificate of good standing or existence for the Parent, Borrower and Borrower's Domestic Subsidiaries, each certified by the appropriate governmental officer in its jurisdiction of incorporation, and copies of the articles of incorporation of any foreign Subsidiary, together with all amendments certified by the secretary of said Subsidiary.

(ii) Copies, certified by the Secretary or Assistant Secretary of the Parent, Borrower and the authorized person for each Subsidiary, of its Board of Directors' resolutions or consent of members or partners, and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which the Parent, Borrower or any of Borrower's Subsidiaries is a party.

(iii) An incumbency certificate, executed by the Secretary or Assistant Secretary of the Borrower, which shall identify by name and title of the Authorized Officers and any other officers of the Borrower authorized to sign the Loan Documents to which the Borrower is a party, upon which certificate the Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower.

(iv) This Agreement executed by the Parent, Borrower, Agent and Lenders.

(v) Any Notes requested by a Lender pursuant to Section 2.13 payable to the order of each such requesting Lender.

(vi) The Collateral Documents executed by the Parent, Borrower and all Domestic Subsidiaries, together with the stock certificates affected by the security interests described in Section 2.19.

(vii) A written opinion of the Parent's and Borrower's counsel, addressed to the Lenders, in form and substance satisfactory to the Agent.

(viii) Certificate of an Authorized Officer of the Parent and the Borrower to the effect that (a) there has been no Material Adverse Effect since December 31, 1999 and (b) on the Closing Date no Unmatured Default or Default exists.

(ix) Such other documents as any Lender or its counsel may have reasonably requested.

4.2. Each Advance. The Lenders shall not (except as otherwise set forth in Section 2.2.5 with respect to Revolving Loans for the purpose of repaying Swing Line Loans) be required to make any Advance unless on the applicable Borrowing Date:

(i) There exists no Default or Unmatured Default.

(ii) The representations and warranties contained in Article V are true and correct in all material respects as of such Borrowing Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date.

(iii) All matters incident to the making of such Advance shall be satisfactory to the Lenders and their counsel.

(iv) No Material Adverse Effect relating to the Parent, Borrower and Borrower's Subsidiaries has occurred since the Closing Date or the date of any financial statements of the Parent submitted subsequent to the Closing Date.

Each Borrowing Notice and each Conversion/Continuation Notice with respect to each such Advance shall constitute a representation and warranty by the Parent and Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Parent and Borrower represent and warrant to the Lenders that:

5.1. Existence and Standing. The Parent is a corporation, the Borrower is a limited liability company, and each of the Borrower's Subsidiaries is a corporation, partnership or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except where such failure could not reasonably be expected to have a Material Adverse Effect.

5.2. Authorization and Validity. Each of the Parent, Borrower and Borrower's Subsidiaries has the power and authority and legal right to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder. The execution and delivery by the Parent, Borrower and Borrower's Subsidiaries of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper corporate or company proceedings, and the Loan Documents to which the Parent, Borrower and Borrower's Subsidiaries is a party constitute legal, valid and binding obligations of the Parent, Borrower and Borrower's Subsidiaries enforceable against the Parent, Borrower and Borrower's Subsidiaries in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3. No Conflict; Government Consent. Neither the execution and delivery by the Parent, Borrower and Borrower's Subsidiaries of the Loan Documents to which it is a party, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Parent, Borrower or any of Borrower's Subsidiaries or (ii) the Parent's, Borrower's or any Subsidiary's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which the Parent, Borrower or any of Borrower's Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of the Parent, Borrower or Borrower's Subsidiaries pursuant to the terms of any such indenture, instrument or agreement, except where such failure could not reasonably be expected to have a Material Adverse Effect. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Parent, Borrower or any of Borrower's Subsidiaries, is required to be obtained by the Parent, Borrower or any of Borrower's Subsidiaries in connection with the execution and delivery of the Loan Documents, the Advances under this Agreement, the payment and performance by the Borrower of the Secured Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents.

5.4. Financial Statements. The audited December 31, 1999 and the unaudited March 31, 2000, June 30, 2000 and September 30, 2000 financial statements of the Parent, Borrower and Borrower's Subsidiaries heretofore delivered to the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Parent and its Subsidiaries at such date and the consolidated results of their operations for the period then ended.

5.5. Material Adverse Change. Since December 31, 1999 there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Parent and its Subsidiaries, taken as a whole, which could reasonably be expected to have a Material Adverse Effect.

5.6. Taxes. The Parent, Borrower and Borrower's Subsidiaries have filed or caused to be filed all United States federal tax returns or extensions relating thereto and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Parent, Borrower or any of Borrower's Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with GAAP and as to which no Lien exists. The United States income tax returns of the Borrower and its Subsidiaries have been closed by the Internal Revenue Service through the fiscal year ended ______________, ____. No tax liens have been filed with respect to any such taxes. The charges, accruals and reserves on the books of the Parent, Borrower and Borrower's Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Parent, Borrower or Borrower's Subsidiaries which could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Loans. Other than any liability incident to any litigation, arbitration or proceeding which could not reasonably be expected to have a Material Adverse Effect, neither the Parent, the Borrower nor Borrower's Subsidiaries has any material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4, except for Additional Contingent Consideration that may be payable in connection with an Acquisition.

5.8. Subsidiaries. Schedule 3 contains an accurate list of all Subsidiaries of the Parent and Borrower as of the Closing Date, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Borrower or other Subsidiaries. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9. ERISA. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, and the Borrower has not withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan.

5.10. Accuracy of Information. No information, exhibit or report furnished by the Parent, Borrower or Borrower's Subsidiaries in writing to the Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not materially misleading.

5.11. Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of the value of those assets of the Parent, Borrower and Borrower's Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.12. Material Agreements. Neither the Parent, Borrower nor any of Borrower's Subsidiaries is a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect if the Parent, Borrower or Borrower's Subsidiaries complies with the terms thereof. Neither the Parent, Borrower nor any of Borrower's Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing Indebtedness.

5.13. Compliance With Laws. To the best of the knowledge of the officers of the Parent and Borrower, the Parent, Borrower and Borrower's Subsidiaries have complied with all laws, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property, including, without limitation, Regulation U, T and X of the Board of Governors of the Federal Reserve System, and all Environmental Laws, except for any failure to comply with any of the foregoing which could not reasonably be expected to have a Material Adverse Effect.

5.14. Ownership of Properties. On the date of this Agreement, the Parent, Borrower and Borrower's Subsidiaries will have good title, free of all Liens other than Permitted Liens, to all of the Property and assets reflected in the Parent's most recent consolidated financial statements provided to the Agent as owned by the Parent, Borrower and Borrower's Subsidiaries, excluding sales in the ordinary course since that date.

5.15. Plan Assets; Prohibited Transactions. Neither the Parent nor the Borrower is an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. § 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and neither the execution of this Agreement nor the making of Loans hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code.

5.16. Environmental Matters. In the ordinary course of its business, the officers of the Borrower consider the effect of Environmental Laws on the business of the Parent, Borrower and Borrower's Subsidiaries, in the course of which they identify and evaluate potential risks and liabilities accruing due to Environmental Laws. On the basis of this consideration, the Parent and Borrower have concluded that they are aware of no non-compliance with the Environmental Laws that could reasonably be expected to have a Material Adverse Effect. Neither the Parent, Borrower nor any of Borrower's Subsidiaries has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

5.17. Investment Company Act. Neither the Parent, Borrower nor any of Borrower's Subsidiaries is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.18. Public Utility Holding Company Act. Neither the Parent, Borrower nor any of Borrower's Subsidiaries is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.19. Solvency. (i) Immediately after the consummation of the transactions to occur on the date hereof and immediately following the making of each Loan, if any, made on the date hereof and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of the Borrower and its Subsidiaries on a consolidated basis, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of the Borrower and its Subsidiaries on a consolidated basis; (b) the present fair saleable value of the Property of the Borrower and its Subsidiaries on a consolidated basis will be greater than the amount that will be required to pay the probable liability of the Borrower and its Subsidiaries on a consolidated basis on their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Borrower and its Subsidiaries on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Borrower and its Subsidiaries on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted after the date hereof. The Borrower does not intend to, or to permit any of its Subsidiaries to, and does not believe that it or any of its Subsidiaries will, incur debts beyond its ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it or any such Subsidiary and the timing of the amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness of any such Subsidiary.

ARTICLE VI

COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1. Financial Reporting. The Parent and Borrower will maintain, for themselves and for each Subsidiary, a system of accounting established and administered in accordance with GAAP, and furnish to the Lenders:

(i) Within 90 days after the close of each of the Parent's fiscal years, an unqualified audit report certified by KPMG LLP or independent certified public accountants acceptable to the Agent, prepared in accordance with GAAP on a consolidated basis for Parent, Borrower and Borrower's Subsidiaries, including balance sheets as of the end of such period, related profit and loss statement, statement of changes in shareholders equity and statement of cash flows (but excluding any work papers relating thereto), accompanied by a certificate of said accountants that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Default or Unmatured Default, or if, in the opinion of such accountants, any Default or Unmatured Default shall exist, stating the nature and status thereof.

(ii) Within 45 days after the close of each fiscal quarter of the Parent, consolidated unaudited balance sheets of the Parent, Borrower and Borrower's Subsidiaries as at the close of each fiscal quarter and consolidated profit and loss statements for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

(iii) Simultaneously with the furnishing of the financial statements required under Sections 6.1(i) and (ii), a Compliance Certificate.

(iv) Within 20 days after the end of each month, a Borrowing Base Certificate with respect to the Borrower and its Subsidiaries, accompanied by such supporting detail and documentation as shall be requested by the Agent.

(v) Within 20 days after the close of each of Borrower's fiscal quarters, an accounts receivable aging report for the Borrower and its Subsidiaries as of the close of such quarter, in form and substance satisfactory to the Agent (including notations indicating which accounts receivable are supported by letters of credit issued or confirmed by banks located in the United States).

(vi) As soon as available, but in any event within 30 days after the beginning of Borrower's fiscal year, a copy of the operating plan (including a projected balance sheet, income statements and funds flow statement) of the Borrower and its Subsidiaries for each fiscal quarter of such fiscal year and for such fiscal year as a whole, including a statement of all material assumptions on which such plan is based.

(vii) As soon as possible and in any event within 10 days after the Parent or Borrower has actual knowledge that any Reportable Event has occurred with respect to any Plan, a statement signed by an Authorized Officer of the Parent or Borrower, describing said Reportable Event and the action which the Parent or Borrower proposes to take with respect thereto.

(viii) As soon as possible and in any event within 10 days after receipt by the Parent or Borrower, a copy of (a) any notice or claim to the effect that the Parent, Borrower or any of Borrower's Subsidiaries is or may be liable to any Person as a result of the release by the Parent, Borrower, any of Borrower's Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Parent, Borrower or any of Borrower's Subsidiaries, which, in either case, could reasonably be expected to have a Material Adverse Effect.

(ix) Promptly upon the furnishing thereof to the shareholders of the Parent, copies of all financial statements, reports and proxy statements so furnished.

(x) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Parent, Borrower or any of Borrower's Subsidiaries filed with the Securities and Exchange Commission.

(xi) Such other information (including non-financial information) as the Agent or any Lender may from time to time reasonably request.

6.2. Use of Proceeds. The Borrower will, and will cause each Subsidiary to use the proceeds of the Loans for one or more of the following: (i) to refinance indebtedness of the Parent existing on the Closing Date, (ii) for Capital Expenditures and Acquisitions permitted by this Agreement, and (iii) for general corporate purposes.

6.3. Notice of Default. The Borrower will (a) give prompt notice in writing to the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect, and (b) promptly advise by written notice to the Agent of any material inaccuracy in any representation or warranty set forth in Article V which occurs due to events or circumstances arising after the Closing Date (whether or not the subject of such inaccuracy could reasonably be expected to cause or give rise to a Material Adverse Effect).

6.4. Conduct of Business. The Parent and Borrower will, and will cause each of Borrower's Subsidiaries to, carry on and conduct its business in substantially the same manner and in the same general fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.5. Taxes. The Parent and Borrower will, and will cause each of Borrower's Subsidiaries to, timely file complete and to the best of the Parent's and Borrower's knowledge, correct United States federal and applicable foreign, state and local tax returns required by law and pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or Property, or extensions relating thereto, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect, and except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with GAAP.

6.6. Insurance. The Parent and Borrower will, and will cause each of Borrower's Subsidiaries to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, or as otherwise provided in the Collateral Documents, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

6.7. Compliance with Laws; Environmental Matters. (a) The Parent and Borrower will, and will cause each of Parent's Subsidiaries to, comply in all material respects with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it or its Property may be subject including, without limitation, Regulations U, T, and X of the Board of Governors of the Federal Reserve System, and also including, without limitation, ERISA and Environmental Laws.

(b) The Parent and Borrower will, and will cause each of Parent's Subsidiaries to, and will use its reasonable best efforts to cause each of their agents, contractors and sub-contractors (while such Persons are acting within the scope of their contractual relationship with the Borrower or the Subsidiaries) to comply in all material respects with all applicable Environmental Laws, and to prevent the unauthorized release, discharge, disposal, escape or spill of hazardous substances on or about the properties owned or operated by the Borrower or the Subsidiaries.

6.8. Maintenance of Properties. The Parent and Borrower will, and will cause each of Borrower's Subsidiaries to, do all things reasonably necessary to maintain, preserve, protect and keep its Property in good repair, working order and condition in light of the uses for such Property, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

6.9. Inspection. The Parent and Borrower will, and will cause each of Borrower's Subsidiaries to, permit the Agent and the Lenders, by their respective representatives and agents, to inspect any of the Property, books and financial records of the Parent, Borrower and each of Borrower's Subsidiaries, to examine and make copies of the books of accounts and other financial records of the Parent, Borrower and each of Borrower's Subsidiaries, and to discuss the affairs, finances and accounts of the Parent, Borrower and each of Borrower's Subsidiaries with, and to be advised as to the same by, their respective officers at such reasonable times and intervals, subject to prior reasonable notice and during business hours, as the Agent or any Lender may designate.

6.10. Dividends. The Parent will not declare or pay any dividends or make any distributions on its capital stock (other than dividends payable in its own capital stock) or redeem, repurchase or otherwise acquire or retire any of its capital stock at any time outstanding. The Borrower will not make any distributions on its membership interest to the Parent, except to pay operating and administrative expenses and taxes, in each case incurred in the ordinary course of business. The Borrower's Subsidiaries may declare and pay dividends or make distributions to the Borrower or to a wholly-owned Subsidiary of the Borrower.

6.11. Indebtedness. (a) The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur or suffer to exist any Indebtedness, except:

(i) The Loans.

(ii) Indebtedness arising under Rate Management Transactions related to the Loans.

(iii) Trade credit or other contractual obligations to acquire goods, supplies, and services, including, without limitation, obligations incurred to employees for compensation for services rendered in the ordinary course of business, or merchandise on terms similar to those granted to purchasers in similar lines of business as Borrower or its Subsidiaries and incurred in the ordinary course of business.

(iv) Rental payments on Operating Leases.

(v) Deferred taxes.

(vi) Unfunded pension fund and other employee benefit plan obligations and liabilities, but only to the extent they are permitted to remain unfunded under applicable law.

(vii) Endorsements for collection, deposits or negotiation and warranties or products or services, in each case incurred in the ordinary course of business.

(viii) Indebtedness in respect of performance, surety or appeal bonds obtained in the ordinary course of Borrower's or any Subsidiary' business.

(ix) Indebtedness from the Borrower in favor of one or more of its Subsidiaries or from one or more of its Subsidiaries in favor of the Borrower or one or more of the Subsidiaries in favor of one or more of the other Subsidiaries.

(x) Indebtedness representing the unpaid purchase price of equipment used in the operations of the Borrower and its Subsidiaries up to the aggregate amount of $5,000,000 at any one time.

(xi) Indebtedness incurred in connection with the acquisition or leasing of motor vehicles used by employees or representatives of the Borrower and its Subsidiaries in the ordinary course of business, up to the aggregate amount of $6,000,000 at any one time.

(xii) Additional Contingent Consideration incurred by the Borrower or any Subsidiary in connection with a Permitted Acquisition.

(xiii) Indebtedness not described in clauses (i) through (xii) above existing on the Closing Date as set forth on Schedule 5 hereto.

(xiv) Other unsecured Indebtedness not exceeding $5,000,000 in the aggregate principal amount outstanding at any time.

(xv) Indebtedness incurred or assumed by the Borrower and its Subsidiaries as a result of a Permitted Acquisition (a) that is unsecured or secured only by collateral consisting of property, plant and equipment of the acquired business or entity that was provided by such business or entity prior to the consummation of any such Permitted Acquisition, and (b) that was not incurred in anticipation of any such Permitted Acquisition, not exceeding $5,000,000 in the aggregate.

(xvi) Indebtedness guaranteed by the Maritime Administration under Title XI of the Merchant Marine Act of 1946, as amended, for the construction of liftboats, up to the aggregate principal amount of $45,000,000.

(xvii) The refinancing of any Indebtedness described in the foregoing Section 6.11(i) through (xvi).

(b) The Parent will not create, incur or suffer to exist any Indebtedness, except:

(i) The guaranty of the Loans.

(ii) The guaranty of the Borrower's Indebtedness arising under Rate Management Transactions related to the Loans.

(iii) Deferred taxes.

(iv) Unfunded pension fund and other employee benefit plan obligations and liabilities, but only to the extent they are permitted to remain unfunded under applicable law.

(v) Indebtedness in respect of performance, surety or appeal bonds obtained in the ordinary course of Borrower's or any Subsidiary' business.

6.12. Merger. The Borrower will not, nor will it permit any of its Subsidiaries to, merge or consolidate with or into any other Person, except that a Subsidiary may merge into the Borrower or a Wholly-Owned Subsidiary, the Borrower or a Subsidiary may merge with another Person to affect an Acquisition permitted by Section 6.14. The Parent will not merge or consolidate with or into any other Person.

6.13. Sale of Assets. (a) The Borrower will not, nor will it permit any of its Subsidiaries to, lease, sell or otherwise dispose of its Property to any other Person, except:

(i) Sales of inventory in the ordinary course of business.

(ii) Leases, sales or other dispositions of its Property that, together with all other Property of the Borrower and its Subsidiaries previously leased, sold or disposed of (other than inventory in the ordinary course of business) as permitted by this Section during the twelve-month period ending with the month in which any such lease, sale or other disposition occurs, do not constitute a Substantial Portion of the Property of the Borrower and its Subsidiaries, taken as a whole.

(iii) Transfers of Property among the Borrower and its Subsidiaries.

(iv) A sale of assets which are promptly replaced thereafter by assets of a similar type and value, or otherwise useful in the business of the Borrower or one of the Subsidiaries.

(v) Obsolete or worn-out equipment sold in the ordinary course of business.

(b) The Parent will not lease, sell or otherwise dispose of any of its membership interest in the Borrower or any other Property to any other Person.

6.14. Investments. (a) The Borrower will not, nor will it permit any of its Subsidiaries to, make or suffer to exist any Investments, except:

(i) Cash Equivalent Investments.

(ii) Advances or Investments by the Borrower in or to any one or more of its Subsidiaries or by any Subsidiary in or to the Borrower or any other Subsidiary.

(iii) Acquisition of current assets or liabilities arising from the sale or lease or goods, the rendition of services or the extension of credit in the ordinary course of business of the Borrowers and its Subsidiaries, including, without limitation, investments in accounts, contract rights, chattel paper and notes receivable.

(iv) Advances to officers, shareholders, and employees of Borrower not to exceed $500,000 in the aggregate at any one time.

(v) Rate Management Obligations in favor of any Lender.

(vi) Investments in Subsidiaries and other Investments existing on the Closing Date and described on Schedule 6.

(vii) Permitted Acquisitions.

(viii) Strategic investments, including without limitation, joint venture arrangements, loans and loans convertible to equity, up to an aggregate, at any one time, of $10,000,000.

(b) The Parent will not make or suffer to exist any Investments, except for (i) the ownership of its membership interest in the Borrower, and (ii) the ownership of the stock of three foreign Subsidiaries on the Closing Date, and the investment in Environmental Treatment Team, provided that the Parent shall contribute or otherwise transfer all of such stock and investment to the Borrower not later than 90 days following the Closing Date.

6.15. Liens. (a) The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, except for the following (collectively, the "Permitted Liens"):

(i) Liens for taxes, assessments or governmental charges or levies on its Property if the same are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

(ii) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 90 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books.

(iii) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(iv) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or its Subsidiaries.

(v) Liens in favor of the Agent, for the benefit of the Lenders, granted pursuant to any Collateral Document.

(vi) Liens constituting purchase money security interests in equipment securing Indebtedness permitted by Section 6.11 (x).

(vii) Liens constituting security interests in motor vehicles securing Indebtedness permitted by Section 6.11(xi).

(viii) Attachment, judgment and other similar, non-tax Liens in connection with court proceedings, but only if and for so long as the execution or other enforcement of such Liens is and continues to be effectively stayed and bonded on appeal in a manner reasonably satisfactory to Lenders for the full amount of such Liens, the validity and amount of the claims secured thereby are being actively contested in good faith and by appropriate lawful proceedings, such Liens do not, in the aggregate, materially detract from the value of the Property of the Borrower or any of its Subsidiaries or materially impair the use thereof in the operation of the Borrower's or any of its Subsidiaries' business and such Liens are and remain junior in priority to the Liens in favor of the Lender.

(ix) Liens not described in clauses (i) through (viii) above existing on the Closing Date as set forth on on Schedule 7 hereto.

(x) Other Liens that secure less than $1,000,000 of Indebtedness, provided that such Liens do not encumber real estate, vessels or accounts.

(xi) Liens in existence on the date of a Permitted Acquisition, securing Indebtedness permitted by this Agreement and encumbering the assets of any Subsidiary acquired after the date of this Agreement.

(xii) Liens constituting security interests in liftboats securing Indebtedness permitted by Section 6.11(xvi).

(xiii) Liens permitted by the Required Lenders in writing.

(b) The Parent will not create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, except for the following (collectively, the "Permitted Liens"):

(i) Liens for taxes, assessments or governmental charges or levies on its Property if the same are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

(ii) Liens in favor of the Agent, for the benefit of the Lenders, granted pursuant to any Collateral Document.

(iii) Attachment, judgment and other similar, non-tax Liens in connection with court proceedings, but only if and for so long as the execution or other enforcement of such Liens is and continues to be effectively stayed and bonded on appeal in a manner reasonably satisfactory to Lenders for the full amount of such Liens, the validity and amount of the claims secured thereby are being actively contested in good faith and by appropriate lawful proceedings, such Liens do not, in the aggregate, materially detract from the value of the Property of the Borrower or any of its Subsidiaries or materially impair the use thereof in the operation of the Borrower's or any of its Subsidiaries' business and such Liens are and remain junior in priority to the Liens in favor of the Lender.

(iv) Liens permitted by the Required Lenders in writing.

6.16. Acquisitions. (a) The Borrower will not, and will not permit any of its Subsidiaries to, make any Acquisition of any Person, except as follows: (i) the Acquisition shall be with the consent of the Person (non-hostile); (ii) the total consideration for the Acquisition shall not exceed $10,000,000; (iii) the total consideration (including all Additional Contingent Consideration) of all Acquisitions during the term of this Agreement shall not exceed $30,000,000 in the aggregate (provided, however, that the acquisition of International Snubbing Services, Inc. and its affiliates shall not count against this $30,000,000 limit); (iv) the business and assets subject to the Acquisition shall be in the same line of business as the Borrower and its Subsidiaries; (v) the location of the corporate or company headquarters of the Person subject to the Acquisition shall be in the United States of America and less than a Substantial Portion of the assets of the Borrower and the Subsidiaries, taken as a whole after giving effect to the Acquisition, shall be located outside of the United States of America at any one time; (vi) at the time of the Acquisition, no Unmatured Default and no Default shall exist; (vii) no Default shall exist as a result of the Acquisition; (viii) in the case of a merger, the Borrower or a Subsidiary of the Borrower shall be the surviving entity; (ix) immediately following the Acquisition, the Borrower and its Subsidiaries shall be in compliance with all material applicable laws and regulations; (x) the Borrower and the affected Subsidiaries shall grant a security interest in the assets subject to the Acquisition similar in nature to the Collateral and in the stock membership interest or partnership interest in any new Subsidiary in favor of the Agent and the Lenders in which the Borrower has invested more than $1,000,000; (xi) the Borrower shall submit a legal opinion with respect to the Acquisition to the Agent, in form and substance reasonably satisfactory to the agent; (xii) based on pro forma financial statements, the Borrower shall have at least $15,000,000 of availability under the Revolving Loan Commitment immediately following the Acquisition; and (xiii) based on pro forma financial statements, the Leverage Ratio immediately following the Acquisition shall be at least 0.375 below the maximum Leverage Ratio required by this Agreement at the time of the Acquisition. If the Borrower desires a waiver or modification of any of the foregoing conditions in the case of a particular Acquisition, approval of the Required Lenders must be obtained; any approval of a waiver or modification of a condition for a particular Acquisition shall not apply to or be binding on the Lenders with respect to any subsequent Acquisition.

(b) The Parent will not make any Acquisition of any Person, except for the Acquisition of all of the membership interest of the Borrower.

6.17. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction. The Parent will not enter into any transactions (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate.

6.18. Appraisals. At any time following the Closing Date, the Agent shall have the right to, or the Agent at the request of the Required Lenders shall, order and obtain appraisals from a nationally recognized firm reasonably acceptable to the Agent, and in form and substance satisfactory to the Agent, of the fair market value of all of the fixed assets (including property, plant, vessels and equipment) of the Borrower and its Subsidiaries, at the Borrower's expense, once prior to the Revolving Loan Termination Date. The Borrower shall cooperate with the Agent and the appraiser so as to facilitate the delivery of the appraisal within 60 days after the Agent's request therefor.

6.19 Financial Covenants.

6.19.1 Minimum Net Worth. The Parent will not permit its Net Worth, determined as of the end of each fiscal quarter, to be less than the sum of (i) $162,643,250, *plus* (ii) 50% of positive Net Income for such fiscal quarter (with no deduction for net losses) beginning with the fiscal quarter ending September 30, 2000, *plus* (iii) 100% of Net Equity Proceeds during such fiscal quarter, beginning with the fiscal quarter ending September 30, 2000.

6.19.2 Maximum Leverage Ratio. The Parent will not permit the ratio (the "Leverage Ratio"), determined on a Pro Forma Basis, of (i) Indebtedness as of the end of each fiscal quarter to (ii) EBITDA for the four fiscal quarters ending with such fiscal quarter, to be greater than the following for the periods indicated:

Period	Maximum Leverage Ratio
Closing Date through and including December 31, 2000	3.25 to 1.00
January 1, 2001 through and including December 31, 2001	3.00 to 1.00
January 1, 2002 and thereafter	2.75 to 1.00

6.19.3 Minimum Fixed Charge Coverage Ratio. The Parent will not permit the ratio, determined on a Pro Forma Basis as of the last day of each fiscal quarter, of (i) EBITDA for the four fiscal quarters ending with such fiscal quarter, to (ii) the sum of Interest Expense, *plus* scheduled principal payments on the Term Loans (excluding any mandatory prepayments), *plus* cash Income Taxes actually paid, in each case for such four-fiscal quarter period, to be less than 1.50 to 1.00.

6.19.4 Maximum Capital Expenditures. The Parent will not permit Capital Expenditures (on a consolidated but non-cumulative basis) of the Parent, the Borrower and their Subsidiaries (i) during the period from October 1, 2000 through December 31, 2000 to be greater than $15,000,000 and (ii) thereafter during any fiscal year to be greater than $35,000,000, except that the Borrower and the Borrower's Subsidiaries may carry forward to the succeeding fiscal year (but not any fiscal year thereafter) 50% of the excess of $35,000,000 over Capital Expenditures during a fiscal year.

ARTICLE VII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Any representation or warranty made or deemed made by or on behalf of the Parent, Borrower or any of Borrower's Subsidiaries to the Lenders or the Agent under or in connection with this Agreement, any Loan, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2. Nonpayment of any interest or principal on the Loan, or nonpayment of any commitment fee or other obligations under any of the Loan Documents, or nonpayment of any Rate Management Obligations to any Lender, or nonpayment of any reimbursement obligations to a Lender under any Letter of Credit, in each case within five days after the same becomes due.

7.3. The breach by the Parent or Borrower of any of the terms or provisions of Section 6.2, 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.16, 6.17, 6.18 or 6.19.

7.4. The breach by the Parent or Borrower (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of this Agreement or any other Loan Document which is not remedied within 30 days after written notice from the Agent or any Lender.

7.5. Failure of the Parent, Borrower or any of Borrower's Subsidiaries to pay when due any Indebtedness to any Person other than the Lenders aggregating in excess of $2,000,000 ("Material Indebtedness"); or the default by the Parent, Borrower or any of Borrower's Subsidiaries in the performance (beyond the applicable grace period with respect thereto, if any) of any term, provision or condition contained in any agreement under which any such Material Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which default or event is to cause, or to permit the holder or holders of such Material Indebtedness to cause, such Material Indebtedness to become due prior to its stated maturity; or any Material Indebtedness of the Borrower or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Parent, Borrower or any of Borrower's Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6. The Parent, Borrower or any of Borrower's Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7. Without the application, approval or consent of the Parent, Borrower or any of Borrower's Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Parent, Borrower or any of Borrower's Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Parent, Borrower or any of Borrower's Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 consecutive days.

7.8. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of, all or any portion of the Property of the Parent, Borrower and Borrower's Subsidiaries which, when taken together with all other Property of the Parent, Borrower and Borrower's Subsidiaries so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such action occurs, constitutes a Substantial Portion.

7.9. The Parent, Borrower or any of Borrower's Subsidiaries shall fail within 60 days to pay, bond or otherwise discharge one or more (i) judgments or orders for the payment of money in excess of $10,000,000 (or the equivalent thereof in currencies other than U.S. Dollars) in the aggregate, or (ii) nonmonetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgment(s), in any such case, is/are not stayed on appeal or otherwise being appropriately contested in good faith.

7.10. Any Change in Control shall occur.

7.11. Any Collateral Document shall for any reason fail to create a valid and perfected first priority security interest in any Substantial Portion of the Collateral purported to be covered thereby, except as permitted by the terms of this Agreement or any Collateral Document, or any Collateral Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Collateral Document.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. Acceleration. If any Default described in Section 7.6 or 7.7 occurs with respect to the Parent or Borrower, the obligations of the Lenders to make Loans hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent or any Lender. If any other Default occurs, the Required Lenders (or the Agent with the consent of the Required Lenders) may terminate or suspend the obligations of the Lenders to make Loans hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

If, within 30 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7 with respect to the Parent or Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2. Amendments. Subject to the provisions of this Article VIII, the Required Lenders (or the Agent with the consent in writing of the Required Lenders) and the Parent and Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; *provided, however,* that no such supplemental agreement shall, without the consent of each Lender affected thereby:

(i) Extend the maturity of Loan, or extend or postpone any payment of principal and/or interest due under any loan, or forgive all or any portion of the principal amount of any Loan, or reduce the rate or extend the time of L payment of interest or fees thereon, or forebear in the collection of any Loan, or grant a payment moratorium on any Loan; or amend the definitions of "Alternate Base Rate," "Applicable Margin", "Eurodollar Base Rate", "Eurodollar Interest Period," or "Eurodollar Rate" or amend the Pricing Schedule.

(ii) Reduce the percentage specified in the definition of Required Lenders or any other percentage of Lenders specified to be the applicable percentage in this Agreement to act on specified matters, or amend the definitions of "Required Lenders" or "Pro Rata Share".

(iii) Extend the Revolving Loan Termination Date or the Term Loan Termination Date, or increase or reduce the amount of the Aggregate Revolving Loan Commitment or of the Revolving Loan Commitment of any Lender hereunder, or of the Aggregate Term Loan Commitment or of the Term Loan Commitment of any Lender hereunder, or permit the Borrower to assign its rights under this Agreement.

(iv) Amend this Section 8.2.

(v) Except as provided in the Collateral Documents, release all or any Substantial Portion of the Collateral (including any guarantor of the Secured Obligations); provided, however, that the Agent may release any Collateral in order to give effect to, or otherwise in connection with, any asset sale, lease or other disposition, or secured financing or other financing transaction permitted by this Agreement, in which case the Lenders authorize the Agent to execute and deliver any and all related release documents without the further consent of any Lender.

(vi) Waive any Default if the practical effect of such waiver allows the Agent and/or Required Lenders to effectuate any of the items or matters listed in clauses (i) through (v) of this Section 8.2 (except that any waiver or amendments of the financial covenants set forth in Section 6.19 shall require the consent of the Required Lenders).

No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent. The Agent may waive payment of the fee required under Section 12.3.2 without obtaining the consent of any other party to this Agreement.

8.3. Preservation of Rights. No delay or omission of the Lenders or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent and the Lenders until the Secured Obligations have been paid in full.

ARTICLE IX

GENERAL PROVISIONS

9.1. Survival of Representations. All representations and warranties of the Parent and Borrower contained in this Agreement shall survive the making of the Loans herein contemplated.

9.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Parent, Borrower, Borrower's Subsidiaries, the Agent and the Lenders and supersede all prior agreements and understandings among the Parent, Borrower, Borrower's Subsidiaries, the Agent and the Lenders relating to the subject matter thereof other than the fee letter described in Section 10.13.

9.5. Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, *provided, however,* that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6. Expenses; Indemnification. (i) The Borrower shall reimburse the Agent and the Arranger for any costs and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent or the Arranger in connection with the preparation, negotiation, execution, delivery, syndication, review, amendment, modification, and administration of the Loan Documents. The Borrower also agrees to reimburse the Agent, the Arranger and the Lenders for any costs and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, the Arranger and the Lenders, which attorneys may be employees of the Agent, the Arranger or the Lenders) paid or incurred by the Agent, the Arranger or any Lender in connection with the collection and enforcement of the Loan Documents. The Borrower acknowledges that from time to time the Agent may prepare and may distribute to the Lenders (but shall have no obligation or duty to prepare or to distribute to the Lenders) certain audit reports (the "Reports") pertaining to the Borrower's assets for internal use by the Agent from information furnished to it by or on behalf of the Borrower, after the Agent has exercised its rights of inspection pursuant to this Agreement.

(ii) The Borrower hereby further agrees to indemnify the Agent, the Arranger, each Lender, their respective affiliates, and each of their directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent, the Arranger, any Lender or any affiliate is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Loan hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification. The obligations of the Borrower under this Section 9.6 shall survive the termination of this Agreement.

9.7. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Agent with sufficient counterparts so that the Agent may furnish one to each of the Lenders.

9.8. Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

9.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10. Nonliability of Lenders. The relationship between the Borrower on the one hand and the Lenders and the Agent on the other hand shall be solely that of borrower and lenders. Neither the Agents, the Arranger nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Agents, the Arranger nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that neither the Agents, the Arranger nor any Lender shall have liability to the Borrower (whether sounding in tort, contract or otherwise) for losses suffered by the Borrower in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agents, the Arranger nor any Lender shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any special, indirect or consequential damages suffered by the Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.11. Confidentiality. Each Lender agrees to hold any confidential information which it may receive from the Parent or Borrower pursuant to this Agreement in confidence, except for disclosure (i) to its Affiliates and to other Lenders and their respective Affiliates, (ii) to legal counsel, accountants, and other professional advisors to such Lender or to a Transferee, (iii) to regulatory officials, (iv) to any Person as requested pursuant to or as required by law, regulation, or legal process, (v) to any Person in connection with any legal proceeding to which such Lender is a party, (vi) to such Lender's direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties, and (vii) permitted by Section 12.4.

9.12. Nonreliance. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) for the repayment of the Loans provided for herein.

9.13. Disclosure The Borrower and each Lender hereby (i) acknowledge and agree that the Agent and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrower and its Affiliates, and (ii) waive any liability of the Agent or such Affiliate of the Agent to the Borrower or any Lender, respectively, arising out of or resulting from such investments, loans or relationships other than liabilities arising out of the gross negligence or willful misconduct of the Agent or its Affiliates.

ARTICLE X

THE AGENT

10.1. Appointment; Nature of Relationship. Bank One, Louisiana, National Association is hereby appointed by each of the Lenders as its contractual representative hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agents shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Agents (i) do not hereby assume any fiduciary duties to any of the Lenders, (ii) are a "representative" of the Lenders within the meaning of Section 9-105 of the Uniform Commercial Code and (iii) are acting as independent contractors, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Agents on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

10.2. Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto; provided, however in the event of a conflict between the terms and provisions of any Loan Document (other than this Agreement) and this Agreement, the terms and conditions of this Agreement shall control. The Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents, subject to any limitation contained in this Agreement, to be taken by the Agent.

10.3. General Immunity. Neither the Agents nor any of their directors, officers, agents or employees shall be liable to the Borrower, the Lenders or any Lender for any action taken or omitted to be taken by them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

10.4. No Responsibility for Loans, Recitals, etc. Neither the Agents nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any Advance hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Agent; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in the Collateral; or (g) the financial condition of the Borrower or any guarantor of any of the Obligations or of any of the Borrower's or any such guarantor's respective Subsidiaries. The Agents shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Agent at such time, but is voluntarily furnished by the Borrower to the Agent (either in its capacity as Agent or in its individual capacity).

10.5. Action on Instructions of Lenders. Except as may otherwise be provided in Section 8.2, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6. Employment of Agents and Counsel. Except as may otherwise be provided in Section 8.2, the Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Agent and the Lenders and all matters pertaining to the Agent's duties hereunder and under any other Loan Document.

10.7. Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

10.8. Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to each Lender's Pro Rata Share (i) for any amounts not reimbursed by the Borrower for which the Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, *provided* that (a) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Agent and (b) any indemnification required pursuant to Section 3.5(vii) shall, notwithstanding the provisions of this Section 10.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9. Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Lenders.

10.10. Rights as a Lender. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Term Loan Commitment, its Revolving Loan Commitment and its Loans as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person.

10.11. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agents, the Arranger or any other Lender and based on the financial statements prepared by the Parent or Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Agents, the Arranger or any other Lender and based on such documents and

information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.12. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. The Agent may be removed at any time with or without cause by written notice received by the Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrower and the Lenders, a successor Agent. Notwithstanding the previous sentence, the Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Agent hereunder. If the Agent has resigned or been removed and no successor Agent has been appointed, the Lenders may perform all the duties of the Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Agent. Upon the effectiveness of the resignation or removal of the Agent, the resigning or removed Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Agent, the provisions of this Article X shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents.

10.13. Agent's Fee; Arranger's Fee. The Borrower agrees to pay to the Agent and the Arranger, for their own accounts, the fees agreed to by the Borrower, the Agent and the Arranger pursuant to that certain letter agreement dated August 24, 2000, or as otherwise agreed from time to time.

10.14. Delegation to Affiliates. The Borrower and the Lenders agree that the Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Agent is entitled under Articles IX and X.

10.15. Execution of Collateral Documents. The Lenders hereby empower and authorize the Agent to execute and deliver to the Borrower on their behalf the Collateral Documents and all related financing statements and any financing statements, agreements, documents or instruments as shall be necessary or appropriate to effect the purposes of the Collateral Documents.

10.16. Collateral Releases. The Lenders hereby empower and authorize the Agent to execute and deliver to the Borrower on their behalf any agreements, documents or instruments as shall be necessary or appropriate to effect any releases of Collateral which shall be permitted by the terms hereof or of any other Loan Document or which shall otherwise have been approved by the Required Lenders (or, if required by the terms of Section 8.2, all of the Lenders) in writing.

ARTICLE XI

SETOFF; RATABLE PAYMENTS

11.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Borrower becomes insolvent, however evidenced, or any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part hereof, shall then be due.

11.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Loans (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share of the Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives Collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such Collateral ratably in proportion to their respective Pro Rata Shares. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

If an amount to be setoff is to be applied to permitted Indebtedness of the Borrower to a Lender other than Obligations under this Agreement, such amount shall be applied ratably to such other Indebtedness and to the Obligations.

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Parent, Borrower and the Lenders and their respective successors and assigns, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with Section 12.3. The parties to this Agreement acknowledge that clause (ii) of this Section 12.1 relates only to absolute assignments and does not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank; *provided, however,* that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 12.3. The Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3; *provided, however,* that the Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

12.2. Participations

12.2.1. Permitted Participants; Effect. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Obligations owing to such Lender, any Note held by such Lender, any Revolving Loan Commitment or Term Loan Commitment of such Lender or any other interest of such Lender under the Loan Documents, or any Letter of Credit issued by said Lender. In the event of any such sale by a Lender of participating interests to a Participant,

such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Loans and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

12.2.2. Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Loan or Commitment, extends the Revolving Loan Termination Date or the Term Loan Termination Date, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Loan or Revolving Loan Commitment, releases any guarantor of any such Loan or releases all or a Substantial Portion of the Collateral, if any, securing any such Loan.

12.2.3. Benefit of Setoff. The Borrower agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, *provided* that each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender.

12.3. Assignments

12.3.1. Permitted Assignments. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto. The consent of the Borrower and the Agent shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender or an Affiliate thereof; *provided, however,* that if a Default has occurred and is continuing, the consent of the Borrower shall not be required. Any required consent of the Borrower shall not be unreasonably withheld or delayed. Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate thereof shall (unless each of the Borrower and the Agent otherwise consents) be in an amount not less than the lesser of (i) $5,000,000 or (ii) the remaining amount of the assigning Lender's Commitment (calculated as at the date of such assignment) or outstanding Loans (if the applicable Commitment has been terminated). Furthermore, the assigning Lender shall pay the Agent an assignment fee of $3,500 for each assignment.

12.3.2. Effect; Effective Date. Upon (i) delivery to the Agent of an assignment, together with any consents required by Section 12.3.1, and (ii) payment of a $3,500 fee to the Agent for processing such assignment (unless such fee is waived by the Agent), such assignment shall become effective on the effective date specified in such assignment. The assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Revolving Loan Commitment and Loans under the applicable assignment agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Lenders or the Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Revolving Loan Commitment and Loans assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3.2, the transferor Lender, the Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Revolving Loan Commitments and outstanding Term Loans, as adjusted pursuant to such assignment.

12.4. Dissemination of Information. The Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Parent, Borrower and Borrower's Subsidiaries, including without limitation any information contained in any Reports; *provided* that each Transferee and prospective Transferee agrees to be bound by Section 9.11 of this Agreement.

12.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

ARTICLE XIII

NOTICES

13.1. Notices. Except as otherwise permitted by Section 2.14 with respect to Borrowing Notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower, at 1105 Peters Road, Harvey, Louisiana 70058, Facsimile: (504) 362-1818 (Attention: President), (y) in the case of the Agent or any Lender, at its address or facsimile number set forth on Schedule 1 hereto or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Agent and the Borrower in accordance with the provisions of this Section 13.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; *provided* that notices to the Agent under Article II shall not be effective until received.

13.2. Change of Address. The Borrower, the Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XIV

COUNTERPARTS

14.1 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Parent, the Borrower, the Agent and the Lenders and each party has notified the Agent by facsimile transmission or telephone that it has taken such action.

ARTICLE XV

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

15.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF LOUISIANA, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

15.2. CONSENT TO JURISDICTION. THE BORROWER AND THE AGENT HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR LOUISIANA STATE COURT SITTING IN NEW ORLEANS, LOUISIANA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW ORLEANS, LOUISIANA.

15.3. WAIVER OF JURY TRIAL. THE BORROWER, THE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

IN WITNESS WHEREOF, the Parent, the Borrower, the Lenders and the Agent have executed this Agreement as of the date first above written.

BORROWER:

SESI, L.L.C..
By: Superior Energy Services, Inc.,
Member Manager

By:____
Name: Robert S. Taylor
Title: Chief Financial Officer

PARENT:

SUPERIOR ENERGY SERVICES, INC.

By:____
Name: Robert S. Taylor
Title: Chief Financial Officer

AGENT:

BANK ONE, LOUISIANA,
NATIONAL ASSOCIATION

By:____
Name: Steven D. Nance
Title: Vice President

SYNDICATION AGENT:

WELLS FARGO BANK TEXAS, N.A..

By:____
Name:
Title:

DOCUMENTATION AGENT:

WHITNEY NATIONAL BANK

By:____
Name:
Title:

LENDERS:

BANK ONE, LOUISIANA,
NATIONAL ASSOCIATION

By:____
Name: Steven D. Nance
Title: Vice President

WELLS FARGO BANK TEXAS, N.A..

By:____
Name:
Title:

WHITNEY NATIONAL BANK

By:____
Name:
Title:

CREDIT SUISSE FIRST BOSTON

By:____
Name:
Title:

HIBERNIA NATIONAL BANK

By:____
Name:

Title:

NATIONAL BANK OF CANADA

By:____
Name:
Title:

BANK OF SCOTLAND

By:____
Name:
Title:

UNION PLANTERS BANK

By:____
Name:
Title:

NATEXIS BANQUES POPULAIRES

By:____
Name:
Title:

SCHEDULE I

COMMITMENT AMOUNTS OF THE LENDERS

Name and Address of Lender	**Term Loan One Commitment**	**Term Loan Two Commitment**	**Revolving Loan Commitment**	**Aggregate Amount**	**Pro Rata Share**
Bank One, Louisiana, N.A.. 201 St. Charles Ave., 28th Floor New Orleans, LA 70170 Attention: Steven Nance Telephone: (504) 623-7676 Facsimile: (504) 623-1535	$19,539,473.68	$3,552,631.58	$10,657,894.74	$33,750,000.00	17.7632%
Wells Fargo Bank Texas, N.A.. Energy Group MAC T5002-031 1000 Louisiana, 3rd Floor Houston, TX 77002 Attention: Scott Gildea Telephone: (713) 319-1389 Facsimile: (713) 739-1087	$19,539,473.68	$3,552,631.58	$10,657,894.74	$33,750,000.00	17.7632%

Whitney National Bank Corporate Banking P.O. Box 61260 New Orleans, LA 70161 Attention: Hollie L. Ericksen Telephone: (504) 552-4668 Facsimile: (504) 552-4622	$17,368,421.05	$3,157,894.74	$9,473,684.21	$30,000,000.00	15.7895%
Credit Suisse First Boston Eleven Madison Avenue, 10th Floor New York, NY 10010-3629 Attention: David M. Koczan Telephone: (212) 325-9096 Facsimile: (212) 325-8326	$11,578,947.37	$2,105,263.16	$6,315,789.47	$20,000,000.00	10.5263%
Hibernia National Bank 313 Carondelet Street, 10th Floor New Orleans, LA 70130 Attention: S. John Castellano Telephone: (504) 533-5484 Facsimile: (504) 533-5434	$11,578,947.37	$2,105,263.16	$6,315,789.47	$20,000,000.00	10.5263%
National Bank of Canada 201 St. Charles Avenue Suite 3203 New Orleans, LA 70170 Attention: Curt Queyrouze Telephone: (504) 586-5210 Facsimile: (504) 586-5220	$11,578,947.37	$2,105,263.16	$6,315,789.47	$20,000,000.00	10.5263%
Bank of Scotland 1021 Main Street, Suite 1370 Houston, TX 77002 Attention: Rex McSwain Telephone: (713) 651-1870 Facsimile: (713) 651-9714	$ 8,684,210.53	$1,578,947.36	$4,736,842.11	$15,000,000.00	7.8947%
Union Planters Bank 8440 Jefferson Highway Baton Rouge, LA 70809 Attention: Mark Phillips Telephone: (225) 924-9257 Facsimile: (225) 92409300	$ 5,789,473.68	$1,052,631.58	$3,157,894.74	$10,000,000.00	5.2632%
Natexis Banques Populaires 333 Clay Street, Suite 4340 Houston, TX 77002 Attention: Donovan Broussard Telephone: (713) 759-9401 Facsimile: (713) 759-9908	$ 4,342,105.27	$ 789,473.68	$2,368,421.05	$ 7,500,000.00	3.9474%
Aggregate Commitments	$110,000,000.00	$20,000,000.00	$60,000,000.00	$190,000,000.00	100.000%

SCHEDULE 2

PRICING SCHEDULE

I. The following is the Pricing Schedule until the repayment in full of Term Loan Two.

APPLICABLE MARGIN (LOAN)	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Eurodollar Rate	*1.50%*	*1.75%*	*2.00%*	*2.25%*	*2.625%*
Floating Rate	*0.25%*	*0.50%*	*0.75%*	*1.00%*	*1.25%*

APPLICABLE FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Commitment Fee	*0.15%*	*0.25%*	*0.375%*	*0.50%*	*0.50%*

APPLICABLE LETTER OF CREDIT FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Letter of Credit Fee Rate	*1.50%*	*1.75%*	*2.00%*	*2.25%*	*2.625%*

II. The following is the Pricing Schedule following the repayment in full of Term Loan Two.

APPLICABLE MARGIN (LOAN)	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Eurodollar Rate	*1.25%*	*1.50%*	*1.75%*	*2.00%*	*2.375%*
Floating Rate	*0.00%*	*0.25%*	*0.50%*	*0.75%*	*1.00%*

APPLICABLE FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Commitment Fee	*0.15%*	*0.25%*	*0.375%*	*0.50%*	*0.50%*

APPLICABLE LETTER OF CREDIT FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Letter of Credit Fee Rate	*1.25%*	*1.50%*	*1.75%*	*2.00%*	*2.375%*

For the purposes of this Pricing Schedule, the following terms have the following meanings, subject to the final paragraph of this Pricing Schedule:

"Financials" means the annual or quarterly financial statements of the Borrower delivered pursuant to Section 6.1(i) or (ii).

"Level I Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower, the Leverage Ratio is less than 1.25 to 1.00.

"Level II Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower i) the Borrower has not qualified for Level I Status and (ii) the Leverage Ratio is less than or equal to 1.75 to 1.00.

"Level III Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower (i) the Borrower has not qualified for Level I Status or Level II Status and (ii) the Leverage Ratio is less than 2.25 to 1.00.

"Level IV Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower (i) the Borrower has not qualified for Level I Status, Level II Status or Level III Status and (ii) the Leverage Ratio is less than 2.75 to 1.00.

"Level V Status" exists at any date if the Borrower has not qualified for Level I Status, Level II Status, Level III Status or Level IV Status.

"Status" means either Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

The Applicable Margin, Applicable Fee Rate and Applicable Letter of Credit Fee Rates shall be determined in accordance with the foregoing table based on the Borrower's Status as reflected in the then most recent Financials. Adjustments, if any, to the Applicable Margin, Applicable Fee Rate, or Applicable Letter of Credit Fee Rate shall be effective five (5) Business Days after the Agent has received the applicable Compliance Certificate, except that the Applicable Margin on a Eurodollar Rate Advance shall be adjusted after the last day of the then current Eurodollar Interest Period. If the Borrower fails to deliver the Compliance Certificate to the Agent at the time required by Section 6.1, then the Applicable Margin, Applicable Fee Rate and Applicable Letter of Credit Fee Rate shall be the highest Applicable Margin, Applicable Fee Rate and Applicable Letter of Credit Fee Rate set forth in the foregoing table until five (5) days after such Compliance Certificate is so delivered.

SCHEDULE 3

LIST OF BORROWER'S SUBSIDIARIES

Subsidiary Owned Name	Jurisdication of Organization	Type	Ownership By	Percent
Ace Rental Tool, L.L.C..	LA	LLC	Borrower	100%
Connection Technology, L.L.C..	LA	LLC	Borrower	100%
Drilling Logistics, L.L.C..	LA	LLC	Borrower	100%
Environmental Treatment Investments, L.L.C..	LA	LLC	Borrower	100%
F. & F. Wireline Service, L.L.C..	LA	LLC	Borrower	100%
Fastorq, L.L.C..	LA	LLC	Borrower	100%
H.B. Rentals, L.C.	LA	LLC	Borrower	100%
Hydro-Dynamics Oilfield Contractors, Inc.	LA	Corp.	Borrower	100%
International Snubbing Services, L.L.C..	LA	LLC	Borrower	100%
Nautilus Pipe & Tool Rental, L.L.C.. (dba Concentric)	LA	LLC	Borrower	100%
Non-Magnetic Rental Tools, L.L.C..	LA	LLC	Borrower	100%
Oil Stop, L.L.C..	LA	LLC	Borrower	100%

Production Management Industries, L.L.C.	LA	LLC	Borrower	100%
SELIM LLC	DE	LLC	Borrower	100%
Stabil Drill Specialities, L.L.C..	LA	LLC	Borrower	100%
Sub-Surface Tools, L.L.C..	LA	LLC	Borrower	100%
Superior Energy Services, L.L.C..	LA	LLC	Borrower	100%
Tong Rentals and Supply Company, L.L.C..	LA	LLC	Borrower	100%
1105 Peters Road, L.L.C..	LA	LLC	Borrower	100%
Concentric Rentals, S.A.	Venezuela	Corp.	Borrower+	100%*
Imperial Snubbing Services Limited	Trinidad and Tobaago	Corp.	Borrower+	100*
South East Australian Pty. Ltd.	Australia	Corp.	Borrower+	100%*
SEGEN LLC	DE	LLC	SELIM LLC	100%
SE Finance LP	DE	LP	SEGEN, LL. SELIM, LLC	.0025% (GP) 99.9975% (LP)

____

+ Owned by Parent on the Closing Date; will be owned by Borrower within 90 days after the Closing Date.

* Only 66% of the stock is pledged (See Section 2.19)

SCHEDULE 4

ELIGIBLE ACCOUNTS AND ELIGIBLE INVENTORY

I. ELIGIBLE ACCOUNTS

Based on the most recent Borrowing Base Certificate delivered to the Agent and on other information available to the Agent, the Agent shall in its reasonable credit judgment determine which Accounts shall be "Eligible Accounts" for purposes of this Agreement. "Accounts" means all amounts owed to the Borrower or its Subsidiaries on account of sales, leases or rentals of equipment or services rendered in the ordinary course of the Borrower's or its Subsidiaries' trade or business, net of unearned interest, discounts or finance charges. In determining whether a particular Account constitutes an Eligible Account, the Agent shall not include any such Account to which any of the exclusionary criteria set forth below applies. Eligible Accounts shall not include any Account of the Borrower and its Subsidiaries:

(a) which does not arise from the sale of goods, leasing of assets or property or the performance of services by the Borrower or its Subsidiaries in the ordinary course of its business;

(b) upon which (i) the Borrower's and its Subsidiaries' right to receive payment is not absolute, is not then due and payable, or is contingent upon the fulfillment of any condition whatsoever or (ii) the Borrower or its Subsidiaries are not able to bring suit or otherwise enforce its remedies against the Account Debtor through judicial process;

(c) to the extent any defense, counterclaim, setoff or dispute is asserted as to such Account or if the Account represents a progress billing consisting of an invoice for goods sold or used or services rendered pursuant to a contract under which the Account Debtor's obligations to pay that invoice is subject to the Borrower's or its Subsidiaries' completion of further performance under such contract;

(d) that is not a true and correct statement of bona fide indebtedness incurred in the amount of the Account for merchandise sold or assets or property leased to or services rendered and accepted by the applicable Account Debtor;

(e) with respect to which an invoice or other notice of amounts owing has not been sent to the applicable Account Debtor;

(f) that (i) is not owned by the Borrower or its Subsidiaries or (ii) is subject to any rights, claim, security interest or other interest of any other Person, other than Liens in favor of the Agent, on behalf of itself and Lenders;

(g) that arises from a sale to any director, officer, other employee or affiliate of the Borrower other than (i) to portfolio companies of First Reserve Corporation or (ii) Energy Partners, on an arm's length basis;

(h) that is the obligation of an Account Debtor that is the United States government or a political subdivision thereof, or any state or municipality or department, agency or instrumentality thereof unless the Agent, in its sole discretion, has agreed to the contrary in writing and the Borrower or its Subsidiaries, if necessary or desirable, has complied with the Federal Assignment of Claims Act of 1940, and any amendments thereto, or any applicable state statute or municipal ordinance of similar purpose and effect, with respect to such obligation;

(i) that is the obligation of an Account Debtor located in a foreign country other than Canada (but only to the extent that the Agent and the Lenders have a perfected security interest in the Accounts) unless payment thereof is assured by a letter of credit satisfactory to the Agent as to form, amount and issuer;

(j) to the extent the Borrower or its Subsidiaries is liable for goods sold or services rendered by the applicable Account Debtor to the Borrower or its Subsidiaries, but only to the extent of the potential offset;

(k) that arises with respect to goods which are delivered on a bill-and-hold, cash-on-delivery basis or placed on consignment, guaranteed sale or other terms by reason of which the payment by the Account Debtor is or may be conditional;

(l) that is in default; provided, that, without limiting the generality of the foregoing, an Account shall be deemed in default upon the occurrence of any of the following:

(i) it is not paid within the earlier of: sixty (60) days following its due date or ninety (90) days following its original invoice date;

(ii) if any Account Debtor obligated upon such Account suspends business, makes a general assignment for the benefit of creditors or fails to pay its debts generally as they come due; or

(iii) if any petition is filed by or against any Account Debtor obligated upon such Account under any bankruptcy law or any other federal, state or foreign (including any provincial) receivership, insolvency relief or other law or laws for the relief of debtors;

(m) which is the obligation of an Account Debtor if fifty percent (50%) or more of the dollar amount of all Accounts owing by that Account Debtor are ineligible under the other criteria set forth in this Schedule 4.

(n) as to which the Agent's interest, on behalf of itself and Lenders, therein is not a first priority perfected security interest;

(o) as to which any of the representations or warranties pertaining to Accounts set forth in this Agreement or the Collateral Documents is untrue;

(p) to the extent such Account is evidenced by a judgment, instrument or chattel paper; or

(q) which is payable in any currency other than United States Dollars.

For the purposes hereof, "Account Debtor" means any Person who may become obligated to the Borrower or its Subsidiaries under, with respect to, or on account of, an Account.

II. ELIGIBLE INVENTORY

Based on the most recent Borrowing Base Certificate delivered to the Agent and on other information available to the Agent, the Agent shall in its reasonable credit judgment determine which Inventory shall be "Eligible Inventory" for purposes of this Agreement. "Inventory" means book value of goods (tangible personal or corporeal movable property) that are owned by Stabil Drill Specialties, L.L.C.. and Sub-Surface Tools, L.L.C.. and are held by said Subsidiaries for sale or lease or to be furnished under contracts of service. In determining whether a particular type of Inventory constitutes Eligible Inventory, the Agent shall not include any such Inventory to which any of the exclusionary criteria set forth below applies. The Agent reserves the right, at any time and from time to time after the Closing Date, to adjust any such criteria, to establish new criteria and to adjust advance rates with respect to Eligible Inventory, in its reasonable credit judgment, subject to the approval of the Required Lenders in the case of adjustments or new criteria or changes in advance rates which have the effect of making more credit available. Eligible Inventory shall not include any Inventory of the Borrower and its Subsidiaries:

(a) that is not subject to a perfected Lien in favor the Agent and Lenders;

(b) that is located outside of the United States of America; and

(c) that is worn such that it is no longer useful in its intended purpose or obsolete.

(d) any goods that are considered work in process under GAAP.

SCHEDULE 5

EXISTING PERMITTED INDEBTEDNESS (Section 6.11)

Notes Payable

Hydro-Dynamics Oilfield Contractors, L.L.C..

Long-term notes payable to ________________________ in the aggregate amount of $11,500.00 as of September 30, 2000.

Production Management Companies, L.L.C..

Long-term notes payable to _______________________ in the aggregate amount of $320,000 as of September 30, 2000.

Stabil Drill Specialties, L.L.C..

Long-term notes payable to __________________________ in the aggregate amount of $47,000 as of September 30, 2000.

Letters of Credit

Production Management Industries, L.L.C.. (Account Party)

Bank One (issuer) in favor of National Union Fire Insurance Company (beneficiary), face amount $700,000, expires November 12, 2000.

Bank One (issuer) in favor of Gray and Company, Inc. (beneficiary), amount $150,000, expires November 5, 2000.

Oil Stop, L.L.C.. (Account Party)

Whitney National Bank (issuer) to Arab Tunisian Bank in favor of Office de la Marine Marchande Ports-Tunisia, amount $12,174, expires February 15, 2001.

Whitney National Bank (issuer) to Banque Marocaine in favor of Office d'Exploitation des Ports-Marocco, amount $73,305, expires December 15, 2000.

ABN Amro NV (issuer) to Banque Marocaine in favor of Office d'Exploitation des Ports-Marocco, amount $10,000, expires December 15, 2000.

ABN Amro NV (issuer) to Banque Marocaine du Commerce in favor of Office d'Exploitation des Ports-Marocco, amount $9,500, expires December 15, 2000.

ABN Amro NV (issuer) to Banque Marocaine du Commerce in favor of Office d'Exploitation des Ports-Marocco, amount $40,390, expires January 30, 2001.

ABN Amro NV (issuer) to Banque Marocaine du Commerce in favor of Office d'Exploitation des Ports-Marocco, amount $22,163,12, expires April 30, 2001.

ABN Amro NV (issuer) to Arab Tunisian Bank in favor of Office de la Marine Marchande Ports-Tunisia, face amount $40,580, expires February 15, 2001.

ABN Amro NV (issuer) to General Management Coastal Safety & Salvage Administration (Turkey), face amount $51,500, expires November 15, 2000.

NOTE: Each of the foregoing letters of credit are supported by a Letter of Credit issued by the Agent for the ratable benefit of the Lenders pursuant to the Credit Agreement.

SCHEDULE 6

EXISTING PERMITTED INVESTMENTS (Section 6.14)

SESI, L.L.C..

Promissory note(s) of Lamb Energy Services, Inc., amount $8,897,700, matures January 1, 2002.

Environmental Treatment Investments, L.L.C..

Promissory notes of Environmental Treatment Team Holding, Inc., amount $10,200,000, matures December 31, 2003.

SCHEDULE 7

EXISTING PERMITTED LIENS (Section 6.15)

SCHEDULE 8

EXISTING ADDITIONAL CONTINGENT CONSIDERATION

Company/Business Acquired	Contingent Consideration Payable*
Connection Technology, L.L.C..	$ 2,465,000
Drilling Logistics, L.L.C..	$ 1,760,000
F & F Wireline Service, L.L.C..	$ 600,000
Fastorq, L.L.C..	$ 2,590,000
H. B. Rentals, L.C.	$ 5,240,664
Hydro-Dynamics Oilfield Contractors, Inc.	$ --
International Snubbing Services, L.L.C..	$10,000,000
Non-Magnetic Rental Tools, L.L.C..	$ 2,000,000
Production Management Industries, L.L.C..	$ 2,602,667
Stabil Drill Specialties, L.L.C..	$ 7,500,000
Sub Surface Tools, L.L.C..	$ 7,500,000

* Estimated as of September 30, 2000.

EXHIBIT A

COMPLIANCE CERTIFICATE

To: The Lenders parties to the

Credit Agreement Described Below

This Compliance Certificate is furnished pursuant to that certain Amended and Restated Credit Agreement dated as of December 31, 2000 (as amended, modified, renewed or extended from time to time, the "Credit Agreement") among SESI, L.L.C.. (the "Borrower"), Superior Energy Services, Inc. (the "Parent"), Bank One, Louisiana, National Association, as Agent, Wells Fargo Bank Texas, N.A.., as Syndication Agent, Whitney National Bank, as Documentation Agent, and the Lenders party thereto. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings defined in the Credit Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected Treasurer of the Borrower;

2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower and each of its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in Paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or Unmatured Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Schedule I attached hereto sets forth financial data and computations evidencing the Borrower's compliance with certain covenants of the Credit Agreement, all of which data and computations are true, complete and correct.

5. Schedule I, Item B hereto sets forth the determination of the Applicable Margin, Applicable Fee Rate and Applicable Letter of Credit Fee Rate, commencing on the fifth Business Day following the delivery hereof.

Described below are the exceptions, if any, to Paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

____

____

____

____

____

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ____________ day of ____________,________.

SCHEDULE I TO COMPLIANCE CERTIFICATE

PARENT'S FINANCIAL COVENANTS

(As of ___________)

A. Net Worth (Section 6.19.1)

Net Worth as of June 30, 2000
$162,643,250
Plus Quarterly Positive Net Income
after July 1, 2000 (50%) $____________

Plus Net Equity Proceeds after July 1, 2000 (100%) $____________
Required Net Worth $____________
Actual Net Worth $____________

B. Leverage Ratio (Section 6.19.2)

Total Indebtedness(*) $____________
Net Income for Trailing 4 Quarters $____________
Plus Interest Expense ____________
Plus Income Taxes ____________
Plus Depreciation ____________
Plus Amortization ____________
EBITDA $____________
Ratio (actual) ______ to 1.00
Ratio (required) ______ to 1,00

C. Fixed Charge Coverage Ration (Section 6.19.)

EBITA for Trailing 4 Quarters
(see B above) $____________
Minus Capitalized Expense $____________
Adjusted Cash Flow $ ____________
Interest Expense $____________
Plus Scheduled Principal
Payments on Term Loans $____________
Plus Mandatory Principal
Payments on Term Loans $____________
Plus Cash Income Taxes
actually paid $____________

Total Fixed Charges	$_____________
Ratio (actual)	______ to 1.00
Ratio (required)	______ to 1,00

D. Capital Expenditures 6.19.4)

Actual Capital Expenditures (Fiscal Year to Date)	$_____________
Maximum Capital Expenditures	
Capital Expenditures (Current Fiscal YTD)	$35,000.000.00
plus 50% Unspent Capital Expenditures	
For Preceding Fiscal Year)	$_____________
Permitted Capital Expenditures	$_____________

____

Includes Additional Contingent Consideration of $___________, as shown on attachment to this Compliance Certificate.

EXHIBIT B

ASSIGNMENT AGREEMENT

This Assignment Agreement (this "Assignment Agreement") between ___________ _________________(the "Assignor") and __________________________ (the "Assignee") is dated as of , 20 . The parties hereto agree as follows:

1. PRELIMINARY STATEMENT. The Assignor is a party to an Amended and Restated Credit Agreement (which, as it may be amended, modified, renewed or extended from time to time is herein called the "Credit Agreement") described in Item 1 of Schedule 1 attached hereto ("Schedule 1"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement.

2. ASSIGNMENT AND ASSUMPTION. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement and the other Loan Documents, such that after giving effect to such assignment the Assignee shall have purchased pursuant to this Assignment Agreement the percentage interest specified in Item 3 of Schedule 1 of all outstanding rights and obligations under the Credit Agreement and the other Loan Documents relating to the facilities listed in Item 3 of Schedule 1. The aggregate Commitment (or Loans, if the applicable Commitment has been terminated) purchased by the Assignee hereunder is set forth in Item 4 of Schedule 1.

3. EFFECTIVE DATE. The effective date of this Assignment Agreement (the "Effective Date") shall be the later of the date specified in Item 5 of Schedule 1 or two Business Days (or such shorter period agreed to by the Agent) after this Assignment Agreement, together with any consents required under the Credit Agreement, are delivered to the Agent. In no event will the Effective Date occur if the payments required to be made by the Assignee to the Assignor on the Effective Date are not made on the proposed Effective Date.

4. PAYMENT OBLIGATIONS. In consideration for the sale and assignment of Loans hereunder, the Assignee shall pay the Assignor, on the Effective Date, the amount agreed to by the Assignor and the Assignee. On and after the Effective Date, the Assignee shall be entitled to receive from the Agent all payments of principal, interest and fees with respect to the interest assigned hereby. The Assignee will promptly remit to the Assignor any interest on Loans and fees received from the Agent which relate to the portion of the Commitment or Loans assigned to the Assignee hereunder for periods prior to the Effective Date and not previously paid by the Assignee to the Assignor. In the event that either party hereto receives any payment to which the other party hereto is entitled under this Assignment Agreement, then the party receiving such amount shall promptly remit it to the other party hereto.

5. RECORDATION FEE. The Assignor and Assignee each agree to pay one-half of the recordation fee required to be paid to the Agent in connection with this Assignment Agreement unless otherwise specified in Item 6 of Schedule 1.

6. REPRESENTATIONS OF THE ASSIGNOR; LIMITATIONS ON THE ASSIGNOR'S LIABILITY. The Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder, (ii) such interest is free and clear of any adverse claim created by the Assignor and (iii) the execution and delivery of this Assignment Agreement by the Assignor is duly authorized. It is understood and agreed that the assignment and assumption hereunder are made without recourse to the Assignor and that the Assignor makes no other representation or warranty of any kind to the Assignee. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be responsible for (i) the due execution, legality, validity, enforceability, genuineness, sufficiency or collectibility of any Loan Document, including without limitation, documents granting the Assignor and the other Lenders a security interest in assets of the Borrower or any guarantor, (ii) any representation, warranty or statement made in or in connection with any of the Loan Documents, (iii) the financial condition or creditworthiness of the Borrower or any guarantor, (iv) the performance of or compliance with any of the terms or provisions of any of the Loan Documents, (v) inspecting any of the property, books or records of the Borrower, (vi) the validity, enforceability, perfection, priority, condition, value or sufficiency of any collateral securing or purporting to secure the Loans or (vii) any mistake, error of judgment, or action taken or omitted to be taken in connection with the Loans or the Loan Documents.

7. REPRESENTATIONS AND UNDERTAKINGS OF THE ASSIGNEE. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements requested by the Assignee and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement, (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information at it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (iv) confirms that the execution and delivery of this Assignment Agreement by the Assignee is duly authorized, (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender, (vi) agrees that its payment instructions and notice instructions are as set forth in the attachment to Schedule 1, (vii) confirms that none of the funds, monies, assets or other consideration being used to make the purchase and assumption hereunder are "plan assets" as defined under ERISA and that its rights, benefits and interests in and under the Loan Documents will not be "plan assets" under ERISA, (viii) agrees to indemnify and hold the Assignor harmless against all losses, costs and expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's non-performance of the obligations assumed under this Assignment Agreement, and (ix) if applicable, attaches the forms prescribed by the Internal Revenue Service of the United States certifying that the Assignee is entitled to receive payments under the Loan Documents without deduction or withholding of any United States federal income taxes.

8. GOVERNING LAW. This Assignment Agreement shall be governed by the internal law, and not the law of conflicts, of the State of Louisiana.

9. NOTICES. Notices shall be given under this Assignment Agreement in the manner set forth in the Credit Agreement. For the purpose hereof, the addresses of the parties hereto (until notice of a change is delivered) shall be the address set forth in the attachment to Schedule 1.

10. COUNTERPARTS; DELIVERY BY FACSIMILE. This Assignment Agreement may be executed in counterparts. Transmission by facsimile of an executed counterpart of this Assignment Agreement shall be deemed to constitute due and sufficient delivery of such counterpart and such facsimile shall be deemed to be an original counterpart of this Assignment Agreement.

IN WITNESS WHEREOF, the duly authorized officers of the parties hereto have executed this Assignment Agreement by executing Schedule 1 hereto as of the date first above written.

SCHEDULE 1

TO ASSIGNMENT AGREEMENT

1. Description and Date of Credit Agreement: Amended and Restated Credit Agreement dated as of December 31, 2000 among SESI, L.L.C.., as Borrower, Superior Energy Services, Inc., as Parent, Bank One, Louisiana, National Association, as Agent, Wells Fargo Bank Texas, N.A.., as Syndication Agent, Whitney National Bank, as Documentation Agent, and the Lenders party thereto.

2. Date of Assignment Agreement: , _________

3. Amounts Outstanding (As of Date of Item 2 above):

	Term Loan Facility	Revolving Loan Facility
a. Assignee's percentage of each Facility purchased under the Assignment Agreement	________%	_______%
b. Amount of each Facility purchased under the Assignment Agreement	________%	_______%

4. Assignee's Revolving Loan Commitment purchased hereunder: $ _____________

5. Proposed Effective Date: ______________________________

6. Non-standard Recordation Fee Arrangement

ACCEPTED AND CONSENTED TO/BY

SESI, L.L.C.

By: Superior Energy Services, Inc., Member Manager

By: ____________________
Name:
Title:

ACCEPTED AND CONSENTED TO/BY

BANK ONE, LOUISIANA, NATIONAL ASSOCIATION

By: ____________________
Name:
Title:

ATTACHMENT TO SCHEDULE 1 TO ASSIGNMENT AGREEMENT

ADMINISTRATIVE INFORMATION SHEET

Attach Assignor's Administrative Information Sheet, which must include notice addresses for the Assignor and the Assignee (Sample form shown below)

ASSIGNOR INFORMATION
Contact:

Name: ____________________ Telephone No.: ________________

Fax No.: ________________

Payment Information:

Name & ABA # of Destination Bank: ______________________________
Account Name & Number for Wire Transfer: _______________________

Other Instructions: ____

Address for Notices for Assignor:

ASSIGNEE INFORMATION
Credit Contact:

Name: ________________________ Telephone No.: __________________

Fax No.: __________________

Key Operations Contacts:

Booking Installation: ______________________ Booking Installation: ______________

Name: __________________________________ Name: ___________________________ Telephone No.: __________________________ Telephone No.: __________________

Fax No.: _________________________________ Fax No.: _______________________

Payment Information:

Name & ABA # of Destination Bank: _____________________________________

Account Name & Number for Wire Transfer: ______________________________

____

Other Instructions: ____

Address for Notices for Assignee: ____________________________________

____

____

AGENT INFORMATION

Assignee will be called promptly upon receipt of the signed agreement.

Initial Funding Contact: **Subsequent Operations Contact**:

Name: ______________________   ; Name: ______________________________

Telephone No.: ________________________ Telephone No.: ______________________   ;

Fax No.: ____________________________ Fax No.: ______________________________

Initial Funding Standards:

Cibor - Fund 2 days after rates are set.

Agent Wire Instructions:

Address for Notices for Agent:

EXHIBIT C

BORROWING BASE CERTIFICATE

Exhibit 21.1

Superior Energy Services, Inc.
Subsidiaries List

SUBSIDIARY	STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION
1105 Peters Road, L.L.C.	Louisiana
Ace Rental Tools, L.L.C.	Louisiana
Connection Technology, L.L.C.	Louisiana
Drilling Logistics, L.L.C.	Louisiana
Environmental Treatment Investments, L.L.C.	Louisiana
F. & F. Wireline Services, L.L.C.	Louisiana
Fastorq, L.L.C.	Louisiana
H.B. Rentals, L.C.	Louisiana
Hydro-Dynamics Oilfield Contractors, Inc.	Louisiana
Imperial Snubbing Services, Ltd.	Trinidad/Tobago
International Snubbing Services, L.L.C.	Louisiana
Nautilus Pipe & Tool Rental, L.L.C.	Louisiana
Non-Magnetic Rental Tools, L.L.C.	Louisiana
Oil Stop, L.L.C.	Louisiana
Production Management Industries, L.L.C.	Louisiana
SE Finance LP	Delaware
SEGEN LLC	Delaware
SELIM LLC	Delaware
SESI, L.L.C.	Delaware
Southeast Australian Services Pty., Ltd.	Victoria, Australia
Stabil Drill Specialties, L.L.C.	Louisiana
Sub-Surface Tools, L.L.C.	Louisiana
Superior Energy de Venezuela, C.A.	Venezuela
Superior Energy Liftboats, L.L.C.	Louisiana
Superior Energy Services, L.L.C.	Louisiana
Tong Rentals and Supply Co., L.L.C.	Louisiana

Exhibit 23.1

The Board of Directors
Superior Energy Services, Inc.:

We consent to incorporation by reference in registration statements No. 333-22603, No. 333-86579 and No. 333-35286 on Form S-3 and No. 333-12175, No. 333-43421 and No. 333-33758 on Form S-8 of Superior Energy Services, Inc. of our report dated February 23, 2001, relating to the consolidated balance sheets of Superior Energy Services, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related financial statement schedule, which report appears in the December 31, 2000, annual report on Form 10-K of Superior Energy Services, Inc.

/S/ KPMG LLP
KPMG LLP

New Orleans, Louisiana
March 23, 2001

Exhibit 23.2

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements (Form S-3 Nos. 333-22603, 333-86579 and 333-35286) of Superior Energy Services, Inc. and in the related Prospectuses, and the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-12175, 333-43421 and 333-33758) of Superior Energy Services, Inc. of our report dated March 2, 1999, with respect to the consolidated financial statements and schedule of Superior Energy Services, Inc. and subsidiaries (formerly Cardinal Holding Corp.) included in this Annual Report (Form 10-K) for the year ended December 31, 2000.

/S/ ERNST & YOUNG LLP
Ernst & Young LLP

New Orleans, Louisiana
March 23, 2001