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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File No. 001-34037

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.)

11000 Equity Drive, Suite 300
Houston, TX
(Address of principal executive offices)

77041
(Zip Code)

Registrant's telephone number, including area code: (281) 999-0047

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (do not check if smaller reporting company) Smaller reporting company

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

The number of shares of the registrant's common stock outstanding on November 2, 2012 was 157,696,044.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q for
the Quarterly Period Ended September 30, 2012

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Consolidated Balance Sheets
September 30, 2012 and December 31, 2011
(in thousands, except share data)

	9/30/2012 (Unaudited)	12/31/2011 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 79,086	\$ 80,274
Accounts receivable, net of allowance for doubtful accounts of \$23,456 and \$17,484 at September 30, 2012 and December 31, 2011, respectively	1,129,714	540,602
Deferred income taxes	31,306	—
Prepaid expenses	102,206	34,037
Inventory and other current assets	180,197	228,309
Available-for-sale securities	20,321	—
Total current assets	<u>1,542,830</u>	<u>883,222</u>
Property, plant and equipment, net of accumulated depreciation and depletion of \$1,220,148 and \$970,137 at September 30, 2012 and December 31, 2011, respectively	3,163,273	1,507,368
Goodwill	2,528,312	581,379
Notes receivable	44,129	73,568
Equity-method investments	—	72,472
Intangible and other long-term assets, net of accumulated amortization of \$43,994 and \$20,123 at September 30, 2012 and December 31, 2011, respectively	511,074	930,136
Total assets	<u>\$7,789,618</u>	<u>\$4,048,145</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 268,812	\$ 178,645
Accrued expenses	360,647	197,574
Income taxes payable	148,857	717
Current maturities of long-term debt	20,000	810
Deferred income taxes	—	831
Current portion of decommissioning liabilities	—	14,956
Total current liabilities	<u>798,316</u>	<u>393,533</u>
Deferred income taxes	727,034	297,458
Decommissioning liabilities	91,012	108,220
Long-term debt, net	1,909,416	1,685,087
Other long-term liabilities	114,771	110,248
Stockholders' equity:		
Preferred stock of \$0.01 par value. Authorized, 5,000,000 shares; none issued	—	—
Common stock of \$0.001 par value		
Authorized—250,000,000, Issued—157,190,721, Outstanding—157,702,507 at September 30, 2012		
Authorized—125,000,000, Issued and Outstanding, 80,425,443 at December 31, 2011	157	80
Additional paid in capital	2,846,236	447,007
Accumulated other comprehensive loss, net	(20,432)	(26,936)
Retained earnings	1,323,108	1,033,448
Total stockholders' equity	<u>4,149,069</u>	<u>1,453,599</u>
Total liabilities and stockholders' equity	<u>\$7,789,618</u>	<u>\$4,048,145</u>

See accompanying notes to consolidated financial statements.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
Three and Nine Months Ended September 30, 2012 and 2011
(in thousands, except per share data) (unaudited)

	Three Months		Nine Months	
	2012	2011 *	2012	2011 *
Revenues	\$1,179,665	\$537,042	\$3,389,821	\$1,401,932
Costs and expenses:				
Cost of services (exclusive of items shown separately below)	708,608	285,124	1,966,659	752,813
Depreciation, depletion, amortization and accretion	128,160	61,807	366,272	177,651
General and administrative expenses	163,458	93,813	496,998	272,243
Income from operations	179,439	96,298	559,892	199,225
Other income (expense):				
Interest expense, net	(28,118)	(18,894)	(88,101)	(47,309)
Loss on early extinguishment of debt	(2,294)	—	(2,294)	—
Earnings (losses) from equity-method investments, net	—	8,198	(287)	13,724
Gain on sale of equity-method investments	—	—	17,880	—
Income from continuing operations before income taxes	149,027	85,602	487,090	165,640
Income taxes	55,140	30,803	180,223	59,589
Net income from continuing operations	93,887	54,799	306,867	106,051
Income (loss) from discontinued operations, net of income tax	—	4,781	(17,207)	17,141
Net income	\$ 93,887	\$ 59,580	\$ 289,660	\$ 123,192
Earnings (loss) per share information:				
Continuing operations	\$ 0.60	\$ 0.69	\$ 2.09	\$ 1.33
Discontinued operations	—	0.06	(0.11)	0.22
Basic earnings per share	\$ 0.60	\$ 0.75	\$ 1.98	\$ 1.55
Continuing operations	\$ 0.59	\$ 0.67	\$ 2.07	\$ 1.31
Discontinued operations	—	0.06	(0.12)	0.21
Diluted earnings per share	\$ 0.59	\$ 0.73	\$ 1.95	\$ 1.52
Weighted average common shares used in computing earnings per share:				
Basic	157,153	79,836	146,611	79,537
Incremental common shares from stock based compensation	1,423	1,418	1,758	1,588
Diluted	158,576	81,254	148,369	81,125

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
Three and Nine Months Ended September 30, 2012 and 2011
(in thousands) (unaudited)

	Three Months		Nine Months	
	2012	2011 *	2012	2011 *
Net income	\$ 93,887	\$59,580	\$289,660	\$123,192
Unrealized net gain (loss) on investment securities, net of tax (expense) benefit of (\$1,291) and \$377 for the three and nine months ended September 30, 2012, respectively	2,198	—	(642)	—
Change in cumulative translation adjustment	7,216	(6,027)	7,146	2,539
Comprehensive income	\$103,301	\$53,553	\$296,164	\$125,731

See accompanying notes to consolidated financial statements.

* As adjusted for discontinued operations

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2012 and 2011
(in thousands)
(unaudited)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 289,660	\$ 123,192
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion	367,518	187,552
Deferred income taxes	(14,745)	38,900
Excess tax benefit from stock-based compensation	(1,537)	(10,262)
Gain on sale of equity-method investment	(17,880)	—
Stock based and performance share unit compensation expense	27,845	10,273
Retirement and deferred compensation plan expense	1,455	1,994
(Earnings) losses from equity-method investments, net of cash received	3,340	(12,187)
Amortization of debt acquisition costs and note discount	7,439	19,333
(Gain) loss sale of businesses	6,649	(8,558)
Writeoff of debt acquisition costs and note discount	3,460	—
Other reconciling items, net	1,582	(4,659)
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable	(144,316)	(28,599)
Inventory and other current assets	85,119	11,415
Accounts payable	(757)	3,064
Accrued expenses	(29,835)	27,207
Decommissioning liabilities	(4,624)	—
Income taxes	141,916	777
Other, net	(25,701)	2,683
Net cash provided by operating activities	696,588	362,125
Cash flows from investing activities:		
Payments for capital expenditures	(918,193)	(329,229)
Purchases of short-term investments, net	—	(223,491)
Sale of available-for-sale securities	31,150	—
Change in restricted cash held for acquisition of business	785,280	—
Acquisitions of businesses, net of cash acquired	(1,072,532)	(748)
Cash proceeds from sale of businesses	183,094	22,349
Cash proceeds from sale of equity-method investment	34,087	—
Other	28,438	(720)
Net cash used in investing activities	(928,676)	(531,839)
Cash flows from financing activities:		
Net payments on revolving line of credit	15,000	(175,000)
Proceeds from issuance of long-term debt	400,000	500,000
Principal payments on long-term debt	(172,546)	(405)
Payment of debt acquisition costs	(25,266)	(9,558)
Proceeds from exercise of stock options	13,915	10,211
Excess tax benefit from stock-based compensation	1,537	10,262
Proceeds from issuance of stock through employee benefit plans	2,193	1,702
Other	(5,843)	(8,453)
Net cash provided by financing activities	228,990	328,759
Effect of exchange rate changes on cash	1,910	409
Net increase (decrease) in cash and cash equivalents	(1,188)	159,454
Cash and cash equivalents at beginning of period	80,274	50,727
Cash and cash equivalents at end of period	\$ 79,086	\$ 210,181

See accompanying notes to consolidated financial statements.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements
Nine Months Ended September 30, 2012

(1) Basis of Presentation

Certain information and footnote disclosures normally in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission; however, management believes the disclosures that are made are adequate to make the information presented not misleading. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in Superior Energy Services, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, except the portions updated by the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2012, and Management's Discussion and Analysis of Financial Condition and Results of Operations herein.

The financial information of Superior Energy Services, Inc. and subsidiaries (the Company) for the three and nine months ended September 30, 2012 and 2011 has not been audited. However, in the opinion of management, all adjustments necessary to present fairly the results of operations for the periods presented have been included therein. The results of operations for the first nine months of the year are not necessarily indicative of the results of operations that might be expected for the entire year. Certain previously reported amounts have been reclassified to conform to the 2012 presentation.

(2) Acquisitions

Complete Production Services

On February 7, 2012, the Company acquired Complete Production Services, Inc. (Complete) in a cash and stock merger transaction valued at approximately \$2,914.8 million. Complete focuses on providing specialized completion and production services and products that help oil and gas companies develop hydrocarbon reserves, reduce costs and enhance production. Complete's operations are located throughout the U.S. and Mexico. The acquisition of Complete substantially expanded the size and scope of services of the Company. Management believes that this acquisition positions the combined company to be better equipped to compete with the larger oilfield service companies and to expand internationally. All of Complete's operations have been reported in the subsea and well enhancement segment.

Pursuant to the merger agreement, Complete stockholders received 0.945 of a share of the Company's common stock and \$7.00 cash for each share of Complete's common stock outstanding at the time of the acquisition. In total, the Company paid approximately \$553.3 million in cash and issued approximately 74.7 million shares valued at approximately \$2,308.2 million (based on the closing price of the Company's common stock on the acquisition date of \$30.90). Additionally, the Company paid \$676.0 million, inclusive of a \$26.0 million prepayment premium, to redeem \$650 million of Complete's 8.0% senior notes. The Company also assumed all outstanding stock options and shares of non-vested and unissued restricted stock held by Complete's employees and directors at the time of acquisition.

Complete's stock options and shares of restricted stock outstanding at closing were converted into the Company's options and restricted stock using a conversion ratio of 1.1999. The estimated fair value associated with the Company's options issued in exchange for Complete's options was approximately \$58.1 million based on a Black-Scholes valuation model. \$56.6 million of this value was attributable to service rendered prior to the date of acquisition, of which \$52.7 million was recorded as part of the consideration transferred and \$3.9 million was recorded as an expense. The remaining \$1.5 million will be expensed over the remaining service term of the replacement stock option awards. In addition, \$0.6 million of replacement restricted stock awards was attributable to service rendered prior to the date of acquisition and recorded as part of the consideration transferred. An additional \$18.2 million will be expensed over the remaining service term of the replacement restricted stock awards.

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The transaction has been accounted for using the acquisition method of accounting which requires that, among other things, assets acquired and liabilities assumed be recorded at their fair values as of the acquisition date. The Company has not finalized the determination of the fair values of the assets acquired and liabilities assumed and, therefore, the fair values set forth are subject to adjustment as the valuations are completed. Under U.S. GAAP, companies have up to one year following an acquisition to finalize acquisition accounting. The following table summarizes the consideration paid and the provisional fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Assets:	
Current assets	\$ 751,706
Property, plant and equipment	1,223,448
Goodwill	1,922,277
Intangible and other long-term assets	370,377
Liabilities:	
Current liabilities	236,986
Deferred income taxes	435,904
Other long-term liabilities	4,125
Net assets acquired	<u>\$3,590,793</u>

Included in current assets acquired is approximately \$214.6 million of cash, and accounts receivable, including unbilled receivables, with a fair value of approximately \$443.7 million. The gross amount due from customers is approximately \$449.0 million, of which approximately \$5.3 million is deemed to be doubtful.

Property, Plant and Equipment

A step-up adjustment of approximately \$45.8 million was recorded to present property, plant and equipment acquired at its estimated fair value. The preliminary weighted average useful life used to calculate depreciation of the step-up related to property, plant and equipment is approximately 5 years.

Goodwill

Goodwill of approximately \$1,922.3 million was recognized as a result of this acquisition and was calculated as the excess of the consideration paid over the net assets recognized and represents estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. It includes access to new product and service offerings, an experienced management team and workforce, and other benefits that the Company believes will result from the combination of the operations, and any other intangible assets that do not qualify for separate recognition. None of the goodwill related to this acquisition will be deductible for tax purposes. All of the goodwill has been assigned to the subsea and well enhancement segment.

Intangible Assets

The Company identified intangible assets related to trade names and customer relationships. The following table summarizes the fair value estimates recorded for the identifiable intangible assets (in thousands) and their estimated useful lives:

	Estimated Fair Value	Estimated Useful Life
Customer relationships	\$ 315,000	17 years
Trade names	35,000	10 years
Total identifiable intangible assets	<u>\$ 350,000</u>	

Deferred Income Taxes

The Company provided deferred income taxes and other tax liabilities as part of the acquisition accounting related to the estimated fair value of acquired intangible assets and property, plant and equipment, as well as for uncertain tax positions taken in prior year tax returns. An adjustment of approximately \$132.0 million was recorded to present the deferred tax assets and liabilities and other tax liabilities at fair value. The Company is still assessing the factors that impact deferred tax assets and liabilities related to this acquisition. These assets and liabilities will be revised when the assessment is finalized.

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Acquisition Related Expenses

Acquisition related expenses totaled approximately \$33.5 million, of which approximately \$29.0 million was recorded in the nine months ended September 30, 2012. The remainder was recorded in the three months ended December 31, 2011. These acquisition related costs include expenses directly related to acquiring Complete and have been recorded in general and administrative expenses.

Other Acquisitions

In August 2012, the Company acquired 100% of the equity interest in a company that provides mechanical wireline, electric line and well testing services to the oil and gas exploration and production industry in Argentina. This acquisition provides the Company with a platform for the continued expansion in the South American market area. The Company paid \$25.5 million at closing with an additional \$5.6 million payable based upon the finalized shareholders' equity as of the closing date. The Company has also recorded a current liability of approximately \$4.5 million for contingent consideration based upon certain performance metrics. Additionally, the Company deposited \$8.0 million in an escrow account on behalf of the sellers for the settlement of certain liabilities. Goodwill of approximately \$22.6 million was recognized as a result of this acquisition and was calculated as the excess of the consideration paid over the net assets recognized and represents estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. None of the goodwill related to this acquisition will be deductible for tax purposes. All of the goodwill has been assigned to the subsea and well enhancement segment.

Current Earnings and Pro Forma Impact of Acquisitions

The revenue and earnings related to Complete and certain other acquisitions included in the Company's condensed consolidated statement of operations for the three and nine months ended September 30, 2012, and the revenue and earnings of the Company on a consolidated basis as if these acquisitions had occurred on January 1, 2011, are as follows. The earnings related to Complete and certain other acquisitions included in the Company's condensed consolidated statement of operations for the nine months ended September 30, 2012 do not include interest expense or other corporate costs. The pro forma results include (i) the amortization associated with the acquired intangible assets, (ii) additional depreciation expense related to adjustments to property, plant and equipment, (iii) additional interest expense associated with debt used to fund a portion of the acquisitions, (iv) a reduction to interest expense associated with repayment of the acquirees' debt, and (v) operating results of certain acquisitions of Complete prior to February 7, 2012, including costs directly related to these acquisitions. For the nine months ended September 30, 2012, these pro forma results exclude approximately \$79.0 million of non-recurring expenses, of which \$48.4 million was recorded by Complete prior to February 7, 2012. These nonrecurring expenses include banking, legal, consulting and accounting fees, and change of control and other acquisition related expenses. The pro forma results do not include any potential synergies, cost savings or other expected benefits of the acquisition. Accordingly, the pro forma results should not be considered indicative of the results that would have occurred if the acquisition and related borrowings had been consummated as of January 1, 2011, nor are they indicative of future results. The following amounts are presented in thousands, except per share amounts:

	Revenue	Net income from continuing operations	Basic earnings per share	Diluted earnings per share
Actual results of acquisitions from date of acquisitions through September 30, 2012	\$1,644,736	\$ 195,924	\$ 1.34	\$ 1.32
Supplemental pro forma for the Company:				
Three months ended September 30, 2012	\$1,186,161	\$ 95,184	\$ 0.61	\$ 0.60
Nine months ended September 30, 2012	\$3,678,070	\$ 350,297	\$ 2.24	\$ 2.21
Three months ended September 30, 2011	\$1,114,552	\$ 111,083	\$ 0.72	\$ 0.71
Nine months ended September 30, 2011	\$3,003,020	\$ 249,724	\$ 1.62	\$ 1.60

The Company has no off-balance sheet financing arrangements other than potential additional consideration that may be payable as a result of the future operating performance of certain acquired businesses. At September 30, 2012, the maximum additional consideration payable was approximately \$14.0 million, of which \$3.0 million is attributable to an acquisition that occurred before the Company adopted the revised authoritative guidance for business combinations. Therefore, this \$3.0 million is not classified as a liability and is not reflected in the Company's condensed consolidated financial statements until this amount is fixed and determinable. When this amount is determined, it will be capitalized as part of the purchase price of the related acquisition.

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(3) Dispositions

On February 15, 2012, the Company sold one of its derrick barges and received proceeds of approximately \$44.5 million, inclusive of selling costs. The Company recorded a pre-tax loss of approximately \$3.1 million, inclusive of approximately \$9.7 million of goodwill, during the nine months ended September 30, 2012 in connection with this sale. This business was previously reported in the subsea and well enhancement segment. The operations and loss on the sale of this disposal group have been reported within income (loss) from discontinued operations in the condensed consolidated statement of operations for all periods presented.

On March 30, 2012, the Company sold 18 liftboats and related assets comprising its marine segment. The Company received cash proceeds of approximately \$138.6 million, inclusive of working capital and selling costs. In connection with the sale, the Company repaid approximately \$12.5 million in U.S. Government guaranteed long-term financing (see note 9). Additionally, the Company paid approximately \$4.0 million of make-whole premiums and wrote off approximately \$0.7 million of unamortized loan costs as a result of this repayment. The Company's total pre-tax loss on the disposal of this segment was approximately \$56.1 million, which includes a \$46.1 million write off of long-lived assets and goodwill that was recorded in the fourth quarter of 2011 in order to approximate the segment's indicated fair value and an additional loss of \$10.0 million recorded in the first quarter of 2012, comprised of an approximate \$3.6 million loss on sale of assets and approximately \$6.4 million of additional costs related to the disposition. During the nine months ended September 30, 2011, the Company sold seven liftboats from the marine segment for approximately \$22.3 million, net of sales commissions, and recorded a pre-tax gain of approximately \$8.6 million. The operations and loss on the sale of this disposal group have been reported within income (loss) from discontinued operations in the condensed consolidated statement of operations for all periods presented.

The following table summarizes the components of income (loss) from discontinued operations, net of tax for the three months ended September 30, 2011 and nine months ended September 30, 2012 and 2011 (in thousands):

	Three Months 2011	Nine Months 2012	2011
Revenues	\$ 28,300	\$ 16,231	\$88,198
Income (loss) from discontinued operations before income tax	7,492	(8,249)	18,291
Income tax expense (benefit)	2,711	(1,771)	6,605
Gain (loss) on disposition, net of tax (benefit) expense of (\$2,391) for the nine months ended September 30, 2012, and \$3,103 for the nine months ended September 30, 2011, respectively	—	(10,729)	5,455
Income (loss) from discontinued operations, net of tax	<u>\$ 4,781</u>	<u>\$(17,207)</u>	<u>\$17,141</u>

The following table presents the assets and liabilities of these disposal groups at December 31, 2011 (in thousands):

Accounts receivable, net	\$ 16,342
Prepaid expenses	1,900
Inventory and other current assets	2,371
Current assets of discontinued operations	<u>\$ 20,613</u>
Property, plant and equipment, net	170,222
Goodwill	9,740
Intangible and other long-term assets, net	3,875
Long-term assets of discontinued operations	<u>\$183,837</u>
Accounts payable	\$ 1,231
Accrued expenses	13,421
Current maturities of long-term debt	810
Current liabilities of discontinued operations	<u>\$ 15,462</u>
Long-term debt	<u>\$ 11,736</u>

(4) Stock-Based Compensation and Retirement Plans

The Company maintains various stock incentive plans that provide long-term incentives to the Company's key employees, including officers, directors, consultants and advisors (Eligible Participants). Under the incentive plans, the Company may grant incentive stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, other stock-based awards or any combination thereof to Eligible Participants.

Stock Options

The Company has issued non-qualified stock options under its stock incentive plans. The options generally vest in equal installments over three years and expire in ten years. Non-vested options are generally forfeited upon termination of employment. The Company's compensation expense related to stock options for the nine months ended September 30, 2012 and 2011 was approximately \$3.8 million and \$2.5 million, respectively, which is reflected in general and administrative expenses.

Restricted Stock

The Company has issued shares of restricted stock under its stock incentive plans. Shares of restricted stock generally vest in equal annual installments over three years. Non-vested shares are generally forfeited upon the termination of employment. With the exception of the non-vested shares of restricted stock issued as a result of the Complete acquisition, holders of shares of restricted stock are entitled to all rights of a stockholder of the Company with respect to the restricted stock, including the right to vote the shares and receive any dividends or other distributions. The Company's compensation expense related to restricted stock for the nine months ended September 30, 2012 and 2011 was approximately \$13.1 million and \$4.3 million, respectively, which is reflected in general and administrative expenses and cost of services.

Restricted Stock Units

The Company has issued restricted stock units (RSUs) to its non-employee directors under its stock incentive plans. Annually, each non-employee director is issued a number of RSUs having an aggregate dollar value determined by the Company's Board of Directors. An RSU represents the right to receive from the Company, within 30 days of the date the director ceases to serve on the Board, one share of the Company's common stock. The Company's expense related to RSUs for the nine months ended September 30, 2012 and 2011 was approximately \$1.9 million and \$0.9 million, respectively, which is reflected in general and administrative expenses.

Performance Share Units

The Company has issued performance share units (PSUs) to its employees as part of the Company's long-term incentive program. There is a three-year performance period associated with each PSU grant. The two performance measures applicable to all participants are the Company's return on invested capital and total stockholder return relative to those of the Company's pre-defined "peer group." If the participant has met specified continued service requirements, the PSUs will settle in cash or a combination of cash and up to 50% of equivalent value in the Company's common stock, at the discretion of the compensation committee. The Company's compensation expense related to all outstanding PSUs for the nine months ended September 30, 2012 and 2011 was approximately \$8.6 million and \$2.3 million, respectively, which is reflected in general and administrative expenses. The Company has recorded both current and long-term liabilities for this liability-based compensation award. During the nine month period ended September 30, 2012, the Company issued approximately 43,300 shares of its common stock and paid approximately \$2.7 million in cash to its employees to settle PSUs for the three year performance period ended December 31, 2011. During the nine month period ended September 30, 2011, the Company issued approximately 67,300 shares of its common stock and paid approximately \$2.8 million in cash to its employees to settle PSUs for the three year performance period ended December 31, 2010.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan under which an aggregate of 1,000,000 shares of common stock were reserved for issuance. Under this stock purchase plan, eligible employees can purchase shares of the Company's common stock at a discount. The Company received approximately \$2.2 million and \$1.7 million related to shares issued under this plan for the nine months ended September 30, 2012 and 2011, respectively. For the nine month periods ended September 30, 2012 and 2011, the Company recorded compensation expense of approximately \$0.4 million and \$0.3 million, respectively, which is reflected in general and administrative expenses. Additionally, the Company issued approximately 109,000 shares and 57,000 shares in the nine months ended September 30, 2012 and 2011, respectively, related to this stock purchase plan.

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Deferred Compensation Plans

The Company has a non-qualified deferred compensation plan which allows certain highly compensated employees to defer up to 75% of their base salary, up to 100% of their bonus, and up to 100% of the cash portion of their PSU compensation to the plan. The Company also has a non-qualified deferred compensation plan for its non-employee directors which allows each director to defer up to 100% of their cash compensation paid by the Company to the plan. Additionally, participating directors may defer up to 100% of the shares of common stock they are entitled to receive in connection with the payout of RSUs. Under each plan, payments are made to participants based on their annual enrollment elections and plan balance. Participants earn a return on their deferred compensation that is based on hypothetical investments in certain mutual funds. Changes in market value of these hypothetical participant investments are reflected as an adjustment to the deferred compensation liability of the Company with an offset to compensation expense (see note 15).

Supplemental Executive Retirement Plan

The Company has a supplemental executive retirement plan (SERP). The SERP provides retirement benefits to the Company's executive officers and certain other designated key employees. The SERP is an unfunded, non-qualified defined contribution retirement plan, and all contributions under the plan are unfunded credits to a notional account maintained for each participant. Under the SERP, the Company will generally make annual contributions to a retirement account based on age and years of service. The Company may also make discretionary contributions to a participant's account. The Company recorded compensation expense of approximately \$2.1 million and \$1.4 million in general and administrative expenses for the nine months ended September 30, 2012 and 2011, respectively.

(5) Inventory and Other Current Assets

Inventory and other current assets includes approximately \$132.1 million and \$83.1 million of inventory at September 30, 2012 and December 31, 2011, respectively. The Company's inventory balance at September 30, 2012 consisted of approximately \$51.0 million of finished goods, \$5.3 million of work-in-process, \$4.7 million of raw materials and \$71.1 million of supplies and consumables. The Company's inventory balance at December 31, 2011 consisted of approximately \$39.0 million of finished goods, \$2.3 million of work-in-process, \$5.4 million of raw materials and \$36.4 million of supplies and consumables. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out or weighted-average cost methods for finished goods and work-in-process. Supplies and consumables consist principally of products used in our services provided to customers.

Additionally, inventory and other current assets include approximately \$10.7 million and \$133.4 million of costs incurred and estimated earnings in excess of billings on uncompleted contracts at September 30, 2012 and December 31, 2011, respectively. The Company follows the percentage-of-completion method of accounting for applicable contracts.

(6) Available-for-Sale Securities

On April 17, 2012, SandRidge Energy Inc. (NYSE: SD) (SandRidge) completed its acquisition of Dynamic Offshore, at which time the Company received approximately \$34.1 million in cash and approximately \$51.6 million in shares of SandRidge stock (approximately 7.0 million shares valued at \$7.33 per share) in consideration for its 10% interest in Dynamic Offshore. In accordance with authoritative guidance related to equity securities, the Company is accounting for the shares received through this transaction as available-for-sale securities. The changes in fair values, net of applicable taxes, on available-for-sale securities are recorded as unrealized holding gains (losses) on securities as a component of accumulated other comprehensive loss in shareholders' equity. During the three months ended September 30, 2012, the Company sold approximately 4.1 million shares for approximately \$31.1 million, resulting in a realized gain of approximately \$0.9 million. In connection with these sales, the Company reversed approximately \$3.1 million of previously recorded unrealized losses, of which approximately \$2.0 million was reclassified out of accumulated other comprehensive loss.

The fair value of the remaining 2.9 million shares at September 30, 2012 was approximately \$20.3 million. During the three months ended September 30, 2012, the Company recorded an unrealized gain related to the fair value of these securities of \$3.5 million, of which \$2.2 million was reported within accumulated other comprehensive loss, net of tax expense of \$1.3 million. During the nine months ended September 30, 2012, the Company recorded an unrealized loss on these securities of approximately \$1.0 million, of which approximately \$0.6 million was reported within accumulated other comprehensive loss, net of tax benefit of approximately \$0.4 million. The Company evaluates whether unrealized losses on investments in securities are other-than-temporary, and if it is believed the unrealized losses are other-than-temporary, an impairment charge is recorded. There were no other-than-temporary impairment losses recognized during the nine months ended September 30, 2012.

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(7) Equity-Method Investments

Investments in entities that are not controlled by the Company, but where the Company has the ability to exercise influence over the operations, are accounted for using the equity-method. The Company's share of the income or losses of these entities is reflected as earnings (losses) from equity-method investments on its condensed consolidated statements of operations.

Prior to March 2011, the Company had separate equity-method investments in SPN Resources, LLC (SPN Resources) and DBH, LLC (DBH). In March 2011, the Company contributed all of its equity interests in SPN Resources and DBH to Dynamic Offshore, the majority owner of both SPN Resources and DBH, in exchange for a 10% interest in Dynamic Offshore. In April 2012, SandRidge acquired Dynamic Offshore (see note 6). The Company recorded a gain in the second quarter of 2012 of approximately \$17.9 million as a result of this transaction.

The Company's equity interest in Dynamic Offshore was accounted for as an equity-method investment with a balance of approximately \$70.6 million at December 31, 2011. The Company recorded losses from its equity-method investment in Dynamic Offshore of approximately \$0.3 million and income of approximately \$12.4 million for the nine and seven months ended September 30, 2012 and 2011, respectively.

The Company, where possible and at competitive rates, provides its products and services to assist Dynamic Offshore in producing and developing its oil and gas properties. The Company had a receivable from Dynamic Offshore of approximately \$9.8 million at December 31, 2011. The Company also recorded revenue from Dynamic Offshore of approximately \$15.5 million and \$31.4 million for the nine and seven months ended September 30, 2012 and 2011, respectively. Additionally, the Company had a receivable from Dynamic Offshore of approximately \$14.0 million as of December 31, 2011 related to its share of oil and natural gas commodity sales and production handling arrangement fees.

The Company recorded earnings from its equity-method investment in SPN Resources of approximately \$0.2 million and recorded earnings from its equity-method investment in DBH of approximately \$0.9 million for the two months ended February 28, 2011. The Company also recorded revenue from SPN Resources of approximately \$0.3 million and from DBH of approximately \$0.9 million for the two months ended February 28, 2011.

(8) Long-Term Contracts

In 2010, the Company's wholly owned subsidiary, Wild Well Control, Inc. (Wild Well), acquired 100% ownership of Shell Offshore, Inc.'s Gulf of Mexico Bullwinkle platform and its related assets, and assumed the related decommissioning obligations. In accordance with the asset purchase agreement with Shell Offshore, Inc., Wild Well obtained a \$50.0 million performance bond and funded \$50.0 million into an escrow account. Included in intangible and other long-term assets, net is escrowed cash of \$50.4 million and \$50.2 million at September 30, 2012 and December 31, 2011, respectively.

In December 2007, Wild Well entered into contractual arrangements pursuant to which it decommissioned seven downed oil and gas platforms and related well facilities located in the Gulf of Mexico for a fixed sum of \$750 million. The contract contained certain covenants primarily related to Wild Well's performance of the work. As of September 30, 2012, the work on this project was complete, and all amounts to be collected are included in accounts receivable in the consolidated balance sheet. At December 31, 2011, there were approximately \$129.7 million of costs and estimated earnings in excess of billings related to this contract included in other current assets.

(9) Debt

On February 7, 2012, in connection with the Complete acquisition, the Company amended its bank credit facility to increase the revolving borrowing capacity to \$600.0 million from \$400.0 million, and to include a \$400.0 million term loan. The principal balance of the term loan is payable in installments of \$5.0 million on the last day of each fiscal quarter, which began on June 30, 2012. Any amounts outstanding on the revolving credit facility and the term loan are due on February 7, 2017. Costs associated with the bank credit facility totaled approximately \$24.7 million. These costs have been capitalized and will be amortized over the term of the credit facility.

At September 30, 2012, the Company had approximately \$90.0 million outstanding under the revolving credit facility. The Company also had approximately \$49.3 million of letters of credit outstanding, which reduce the Company's borrowing availability under this portion of the credit facility. Amounts borrowed under the credit facility bear interest at LIBOR 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 principal domestic 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 pay dividends or make other distributions, make acquisitions, make changes to the Company's capital structure, create liens or incur additional indebtedness. At September 30, 2012, the Company was in compliance with all such covenants.

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In August 2012, the Company redeemed \$150 million, or 50%, of the principal amount of its \$300 million 6 7/8% unsecured senior notes due 2014 at 100% of face value. This redemption resulted in a loss on early extinguishment of debt of approximately \$2.3 million related to the writeoff of debt acquisition costs and note discount. The indenture governing the remaining \$150 million 6 7/8% senior notes outstanding requires semi-annual interest payments on June 1st and December 1st of each year through the maturity date of June 1, 2014. The indenture contains certain covenants that, among other things, limit the Company from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions. At September 30, 2012, the Company was in compliance with all such covenants.

The Company has outstanding \$500 million of 6 3/8% unsecured senior notes due 2019. The indenture governing the 6 3/8% senior notes requires semi-annual interest payments on May 1st and November 1st of each year through the maturity date of May 1, 2019. The indenture contains certain covenants that, among other things, limit the Company from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions. At September 30, 2012, the Company was in compliance with all such covenants.

The Company also has outstanding \$800 million of 7 1/8% unsecured senior notes due 2021. The indenture governing the 7 1/8% senior notes requires semi-annual interest payments on June 15th and December 15th of each year through the maturity date of December 15, 2021. The indenture contains certain covenants that, among other things, limit the Company from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions. At September 30, 2012, the Company was in compliance with all such covenants.

In connection with the sale of the marine segment in March 2012, the Company repaid \$12.5 million of U.S. Government guaranteed long-term financing (see note 3). The Company also paid approximately \$4.0 million of make-whole premiums and wrote off approximately \$0.7 million of unamortized loan costs as a result of this repayment. These expenses have been reported in discontinued operations, net of income tax in the condensed consolidated statement of operations.

(10) 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. The weighted average number of common shares outstanding excludes the shares of non-vested restricted stock that were assumed by the Company as a result of the Complete acquisition. 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, conversion of restricted stock units and the vesting of outstanding restricted stock issued in the acquisition of Complete.

Stock options for approximately 2,600,000 shares and 470,000 shares for the three months ended September 30, 2012 and 2011, respectively, and approximately 1,800,000 shares and 190,000 shares for the nine months ended September 30, 2012 and 2011, respectively, were excluded in the computation of diluted earnings per share for the three and nine months ended September 30, 2012 and 2011, as the effect would have been anti-dilutive.

(11) Decommissioning Liabilities

The Company records estimated future decommissioning liabilities in accordance with the authoritative guidance related to asset retirement obligations (decommissioning liabilities), which requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred, with a corresponding increase in the carrying amount of the related long-lived asset. Subsequent to initial measurement, the decommissioning liability is required to be accreted each period to present value.

The Company's decommissioning liabilities associated with the Bullwinkle platform and its related assets consist of costs related to the plugging of wells, the removal of the related facilities and equipment, and site restoration. Whenever practical, the Company utilizes its own equipment and labor services to perform well abandonment and decommissioning work. When the Company performs these services, all recorded intercompany revenues and related costs of services are eliminated in the condensed consolidated financial statements. The recorded decommissioning liability associated with a specific property is fully extinguished when the property is abandoned. The recorded liability is first reduced by all cash expenses incurred to abandon and decommission the property. If the recorded liability exceeds (or is less than) the Company's total costs, then the difference is reported as income (or loss) within revenue during the period in which the work is performed.

The Company reviews the adequacy of its decommissioning liabilities whenever indicators suggest that the estimated cash flows needed to satisfy the liability have changed materially. The Company reviews its estimates for the timing of these expenditures on a quarterly basis. As a result of continuing development activities, the Company revised its estimates during the second quarter of 2012 relating to the timing of decommissioning work on its Bullwinkle assets, including a 10 year postponement of the platform decommissioning. This change in estimate resulted in a significant reduction in the present value of decommissioning liabilities.

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In connection with the acquisition of Complete in February 2012, the Company assumed approximately \$3.6 million of estimated decommissioning liabilities associated with costs to plug and abandon disposal wells at the end of the service lives of the assets.

The following table summarizes the activity for the Company's decommissioning liabilities for the nine month periods ended September 30, 2012 and 2011 (in thousands):

	Nine Months Ended September 30,	
	2012	2011
Decommissioning liabilities, December 31, 2011 and 2010, respectively	\$ 123,176	\$ 117,716
Liabilities acquired and incurred	3,573	—
Liabilities settled	(4,624)	—
Accretion	3,260	5,038
Revision in estimated liabilities	(34,373)	(292)
Total decommissioning liabilities, September 30, 2012 and 2011, respectively	91,012	122,462
Less: current portion of decommissioning liabilities at September 30, 2012 and 2011, respectively	—	17,090
Long-term decommissioning liabilities, September 30, 2012 and 2011, respectively	<u>\$ 91,012</u>	<u>\$ 105,372</u>

(12) Notes Receivable

Notes receivable consist of a commitment from the seller of oil and gas properties towards the abandonment of the acquired property. Pursuant to an agreement with the seller, the Company will invoice the seller an agreed upon amount at the completion of certain decommissioning activities. The gross amount of this obligation totaled \$115.0 million and is recorded at present value using an effective interest rate of 6.58%. The related discount is amortized to interest income based on the expected timing of the platform's removal. During the second quarter of 2012, the Company revised its timing estimate for the Bullwinkle platform removal, resulting in a significant reduction of the present value of the notes receivable (see note 11). The Company recorded interest income related to notes receivable of \$2.1 million and \$3.4 million for nine months ended September 30, 2012 and 2011, respectively.

(13) Segment Information

Business Segments

On March 30, 2012, the Company sold 18 liftboats and related assets that comprised its marine segment. Additionally, on February 15, 2012 the Company sold a derrick barge that was formerly reported within the subsea and well enhancement segment. The operating results from these businesses have been included in discontinued operations on the condensed consolidated statement of operations. The prior year segment presentation has been revised to reflect these changes. The Company's reportable segments are now as follows: (1) subsea and well enhancement and (2) drilling products and services. The subsea and well enhancement segment provides completion and production-related services used to enhance, extend and maintain oil and gas production, which include horizontal well fracturing, fluids management, well service rigs, integrated subsea services and engineering services, mechanical wireline, hydraulic workover and snubbing, well control, coiled tubing, electric line, pumping and stimulation and wellbore evaluation services; well plug and abandonment services; stimulation and sand control equipment and services; and other oilfield services used to support drilling and production operations. The subsea and well enhancement segment also includes production handling arrangements, as well as the production and sale of oil and gas. The drilling products and services segment rents and sells stabilizers, drill pipe, tubulars and specialized equipment for use with onshore and offshore oil and gas well drilling, completion, production and workover activities. It also provides on-site accommodations and bolting and machining services.

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Certain previously reported segment information has been adjusted due to the disposal of the marine segment and the derrick barge from the subsea and well enhancement segment. Summarized financial information for the Company's segments for the three and nine months ended September 30, 2012 and 2011 is shown in the following tables (in thousands):

Three Months Ended September 30, 2012

	Subsea and Well Enhancement	Drilling Products and Services	Unallocated	Consolidated Total
Revenues	\$ 984,783	\$ 194,882	\$ —	\$1,179,665
Cost of services (exclusive of items shown separately below)	646,649	61,959	—	708,608
Depreciation, depletion, amortization and accretion	90,376	37,784	—	128,160
General and administrative expenses	131,078	32,380	—	163,458
Income from operations	116,680	62,759	—	179,439
Interest income (expense), net	697	—	(28,815)	(28,118)
Loss on early extinguishment of debt	—	—	(2,294)	(2,294)
Income (loss) from continuing operations before income taxes	<u>\$ 117,377</u>	<u>\$ 62,759</u>	<u>\$ (31,109)</u>	<u>\$ 149,027</u>

Three Months Ended September 30, 2011

	Subsea and Well Enhancement	Drilling Products and Services	Unallocated	Consolidated Total
Revenues	\$ 373,586	\$ 163,456	\$ —	\$ 537,042
Cost of services (exclusive of items shown separately below)	226,586	58,538	—	285,124
Depreciation, depletion, amortization and accretion	28,592	33,215	—	61,807
General and administrative expenses	64,950	28,863	—	93,813
Income from operations	53,458	42,840	—	96,298
Interest income (expense), net	1,248	—	(20,142)	(18,894)
Earnings from equity-method investments, net	—	—	8,198	8,198
Income (loss) from continuing operations before income taxes	<u>\$ 54,706</u>	<u>\$ 42,840</u>	<u>\$ (11,944)</u>	<u>\$ 85,602</u>

Nine Months Ended September 30, 2012

	Subsea and Well Enhancement	Drilling Products and Services	Unallocated	Consolidated Total
Revenues	\$2,807,432	\$ 582,389	\$ —	\$3,389,821
Cost of services (exclusive of items shown separately below)	1,775,649	191,010	—	1,966,659
Depreciation, depletion, amortization and accretion	255,072	111,200	—	366,272
General and administrative expenses	396,123	100,875	—	496,998
Income from operations	380,588	179,304	—	559,892
Interest income (expense), net	2,106	—	(90,207)	(88,101)
Loss on early extinguishment of debt	—	—	(2,294)	(2,294)
Losses from equity-method investments, net	—	—	(287)	(287)
Gain on sale of equity-method investment	—	—	17,880	17,880
Income (loss) from continuing operations before income taxes	<u>\$ 382,694</u>	<u>\$ 179,304</u>	<u>\$ (74,908)</u>	<u>\$ 487,090</u>

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Nine Months Ended September 30, 2011

	Subsea and Well Enhancement	Drilling Products and Services	Unallocated	Consolidated Total
Revenues	\$ 961,039	\$ 440,893	\$ —	\$1,401,932
Cost of services (exclusive of items shown separately below)	590,951	161,862	—	752,813
Depreciation, depletion, amortization and accretion	81,424	96,227	—	177,651
General and administrative expenses	183,040	89,203	—	272,243
Income from operations	105,624	93,601	—	199,225
Interest income (expense), net	3,483	—	(50,792)	(47,309)
Earnings from equity-method investments, net	—	—	13,724	13,724
Income (loss) from continuing operations before income taxes	<u>\$ 109,107</u>	<u>\$ 93,601</u>	<u>\$ (37,068)</u>	<u>\$ 165,640</u>

Identifiable Assets

	Subsea and Well Enhancement	Drilling Products and Services	Marine	Unallocated	Consolidated Total
September 30, 2012	<u>\$6,718,059</u>	<u>\$1,051,235</u>	<u>\$ —</u>	<u>\$ 20,324</u>	<u>\$7,789,618</u>
December 31, 2011	<u>\$2,863,550</u>	<u>\$ 947,679</u>	<u>\$164,444</u>	<u>\$ 72,472</u>	<u>\$4,048,145</u>

Geographic Segments

The Company attributes revenue to various countries based on the location where services are performed or the destination of the drilling products or equipment sold or leased. Long-lived assets consist primarily of property, plant and equipment and are attributed to various countries based on the physical location of the asset at the end of a period. The Company's information by geographic area is as follows (in thousands):

Revenues:

	Three Months Ended September 30, 2012	September 30, 2011	Nine Months Ended September 30, 2012	September 30, 2011
United States	\$ 976,984	\$ 397,718	\$ 2,826,544	\$ 1,035,759
Other Countries	202,681	139,324	563,277	366,173
Total	<u>\$ 1,179,665</u>	<u>\$ 537,042</u>	<u>\$ 3,389,821</u>	<u>\$ 1,401,932</u>

Long-Lived Assets:

	September 30, 2012	December 31, 2011
United States	\$2,623,401	\$1,060,483
Other Countries	539,872	446,885
Total, net	<u>\$3,163,273</u>	<u>\$1,507,368</u>

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(14) Guarantee

In accordance with authoritative guidance related to guarantees, the Company has assigned an estimated value of \$2.6 million at September 30, 2012 and December 31, 2011, which is reflected in other long-term liabilities, related to decommissioning activities in connection with oil and gas properties acquired by SPN Resources prior to its sale to Dynamic Offshore. The Company believes that the likelihood of being required to perform these guarantees is remote. In the unlikely event of default on any remaining decommissioning liabilities, the total maximum potential obligation under these guarantees is estimated to be approximately \$115.9 million, net of the contractual right to receive payments from third parties, which is approximately \$24.6 million, as of September 30, 2012. The total maximum potential obligation will decrease over time as the underlying obligations are fulfilled.

(15) Fair Value Measurements

The Company follows the authoritative guidance for fair value measurements relating to financial and nonfinancial assets and liabilities, including presentation of required disclosures herein. This guidance establishes a fair value framework requiring the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets and liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1 such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or model-derived valuations or other inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The following tables provide a summary of the financial assets and liabilities measured at fair value on a recurring basis at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Available-for-sale securities	\$ 20,321	\$ 20,321	—	—
Intangible and other long-term assets				
Non-qualified deferred compensation assets	\$ 11,265	\$ 825	\$ 10,440	—
Interest rate swap	\$ 1,039	—	\$ 1,039	—
Accounts payable				
Non-qualified deferred compensation liabilities	\$ 2,425	—	\$ 2,425	—
Contingent consideration	\$ 10,815	—	—	\$ 10,815
Other long-term liabilities				
Non-qualified deferred compensation liabilities	\$ 13,230	—	\$ 13,230	—
	December 31, 2011	Level 1	Level 2	Level 3
Intangible and other long-term assets				
Non-qualified deferred compensation assets	\$ 10,597	\$ 815	\$ 9,782	—
Interest rate swap	\$ 1,904	—	\$ 1,904	—
Accounts payable				
Non-qualified deferred compensation liabilities	\$ 2,790	—	\$ 2,790	—
Other long-term liabilities				
Non-qualified deferred compensation liabilities	\$ 12,975	—	\$ 12,975	—

Available-for-sale securities is comprised of approximately 2.9 million shares of SandRidge common stock that the Company received as partial consideration for its 10% interest in Dynamic Offshore (see note 6). The securities are reported at fair value based on the stock's closing price as reported on the New York Stock Exchange.

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The Company's non-qualified deferred compensation plans allow officers, certain highly compensated employees and non-employee directors to defer receipt of a portion of their compensation and contribute such amounts to one or more hypothetical investment funds (see note 4). The Company entered into separate trust agreements, subject to general creditors, to segregate assets of each plan and reports the accounts of the trusts in its condensed consolidated financial statements. These investments are reported at fair value based on unadjusted quoted prices in active markets for identifiable assets and observable inputs for similar assets and liabilities, which represent Levels 1 and 2, respectively, in the fair value hierarchy.

In April 2012, the Company entered into an interest rate swap agreement related to its fixed rate debt maturing in 2021 for a notional amount of \$100 million, whereby the Company is entitled to receive semi-annual interest payments at a fixed rate of 7 1/8% per annum and is obligated to make semi-annual interest payments at a floating rate, which is adjusted every 90 days, based on LIBOR plus a fixed margin. The swap agreement, scheduled to terminate on December 15, 2021, is designated as a fair value hedge of a portion of the 7 1/8% unsecured senior notes, as the derivative has been tested to be highly effective in offsetting changes in the fair value of the underlying note. As this derivative is classified as a fair value hedge, the changes in the fair value of the derivative are offset against the changes in the fair value of the underlying note in interest expense, net (see note 16). The Company previously had an interest rate swap agreement for a notional amount of \$150 million related to its fixed rate debt maturing in June 2014 that was designated as a fair value hedge. In February 2012, the Company sold this interest rate swap to the counterparty for approximately \$1.2 million.

Included in current liabilities is \$10.8 million of contingent consideration related to the acquisitions of a hydraulic fracturing and cementing company in 2011 and the acquisition of a wireline and well testing company in 2012. The fair value of the contingent consideration was determined using a probability-weighted discounted cash flow approach at the acquisition and reporting date. The approach is based on significant inputs that are not observable in the market, which are referred to as Level 3 inputs. The fair value is based on the acquired companies reaching specific performance metrics.

In accordance with authoritative guidance, non-financial assets and non-financial liabilities are remeasured at fair value on a non-recurring basis. In determining estimated fair value of acquired goodwill, we use various sources and types of information, including, but not limited to, quoted market prices, replacement cost estimates, accepted valuation techniques such as discounted cash flows, and existing carrying value of acquired assets. As necessary, we utilize third-party appraisal firms to assist us in determining fair value of inventory, identifiable intangible assets, and any other significant assets or liabilities. During the measurement period and as necessary, we adjust the preliminary purchase price allocation if we obtain more information regarding asset valuations and liabilities assumed.

The fair value of the Company's cash equivalents, accounts receivable and current maturities of long-term debt approximates their carrying amounts. The fair value of the Company's long-term debt was approximately \$2,048.3 million and \$1,749.8 million at September 30, 2012 and December 31, 2011, respectively. The fair value of these debt instruments is determined by reference to the market value of the instrument as quoted in an over-the-counter market.

(16) Derivative Financial Instruments

From time to time, the Company may employ interest rate swaps in an attempt to achieve a more balanced debt portfolio. The Company does not use derivative financial instruments for trading or speculative purposes.

In April 2012, the Company entered into an interest rate swap for a notional amount of \$100 million related to its fixed rate debt maturing in December 2021. This transaction is designated as a fair value hedge since the swap hedges against the change in fair value of fixed rate debt resulting from changes in interest rates. The Company recorded a derivative asset of \$1.0 million within intangible and other long term assets in the consolidated balance sheet at September 30, 2012. The change in fair value of the interest rate swap is included in the adjustments to reconcile net income to net cash provided by operating activities in the consolidated statement of cash flows.

The Company had an interest rate swap agreement for a notional amount of \$150 million related to its fixed rate debt maturing in June 2014. This transaction was designated as a fair value hedge since the swap hedged against the change in fair value of fixed rate debt resulting from changes in interest rates. The Company recorded a derivative asset of \$1.9 million within intangible and other long-term assets in the consolidated balance sheet as of December 31, 2011. In February 2012, the Company sold this interest rate swap to the counterparty for \$1.2 million.

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The location and effect of the derivative instrument on the condensed consolidated statement of operations for the three and nine months ended September 30, 2012 and 2011, presented on a pre-tax basis, is as follows (in thousands):

	Location of (gain) loss recognized	Amount of (gain) loss recognized	
		Three Months Ended September 30, 2012	Three Months Ended September 30, 2011
Interest rate swap	Interest expense, net	\$ (1,079)	\$ 350
Hedged item—debt	Interest expense, net	682	(788)
		<u>\$ (397)</u>	<u>\$ (438)</u>

	Location of (gain) loss recognized	Three Months Ended	Three Months Ended
		September 30, 2012	September 30, 2011
Interest rate swap	Interest expense, net	\$ (4,235)	\$ 230
Hedged item—debt	Interest expense, net	3,196	(1,409)
		<u>\$ (1,039)</u>	<u>\$ (1,179)</u>

For the nine months ended September 30, 2012 and 2011, approximately \$1.0 million and \$1.2 million, respectively, of interest income was related to the ineffectiveness associated with these fair value hedges. Hedge ineffectiveness represents the difference between the changes in fair value of the derivative instruments and the changes in fair value of the fixed rate debt attributable to changes in the benchmark interest rate.

(17) Income Taxes

The Company follows authoritative guidance surrounding accounting for uncertainty in income taxes. It is the Company's policy to recognize interest and applicable penalties, if any, related to uncertain tax positions in income tax expense. The Company had approximately \$25.5 million and \$21.7 million of unrecorded tax benefits at September 30, 2012 and December 31, 2011, respectively, all of which would impact the Company's effective tax rate if recognized.

In addition to its U.S. federal tax return, the Company files income tax returns in various state and foreign jurisdictions. The number of years that are open under the statute of limitations and subject to audit varies depending on the tax jurisdiction. The Company remains subject to U.S. federal tax examinations for years after 2008.

(18) Commitments and Contingencies

The Company's wholly owned subsidiary, Hallin Marine, is the lessee of a dynamically positioned subsea vessel under a capital lease expiring in 2019 with a two year renewal option. Hallin Marine owns a 5% equity interest in the entity that owns this leased asset. The lessor's debt is non-recourse to the Company. The amount of the asset and liability under this capital lease is recorded at the present value of the lease payments. The vessel's gross asset value under the capital lease was approximately \$37.6 million at inception and accumulated depreciation through September 30, 2012 and December 31, 2011 was approximately \$11.2 million and \$8.0 million, respectively. At September 30, 2012 and December 31, 2011, the Company had approximately \$26.6 million and \$29.5 million, respectively, included in other long-term liabilities, and approximately \$3.5 million and \$3.6 million, respectively, included in accounts payable related to the obligations under this capital lease. The future minimum lease payments under this capital lease are approximately \$0.9 million, \$3.9 million, \$4.2 million, \$4.6 million, \$5.0 million and \$5.4 million for the three months ending December 31, 2012 and the years ending December 31, 2013, 2014, 2015, 2016 and 2017, respectively, exclusive of interest at an annual rate of 8.5%. For the nine months ended September 30, 2012 and 2011, the Company recorded interest expense of approximately \$2.0 million and \$2.2 million, respectively, in connection with this capital lease.

Due to the nature of the Company's business, the Company is involved, from time to time, in routine litigation or subject to disputes or claims regarding its business activities. Legal costs related to these matters are expensed as incurred. In management's opinion, none of the pending litigation, disputes or claims is expected to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

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(19) Related Party Disclosures

The Company believes all transactions with related parties have terms and conditions no less favorable than transactions with unaffiliated parties. Subsequent to the acquisition of Complete, the Company purchases services, products and equipment from companies affiliated with an officer of one of its subsidiaries. For the three and nine months ended September 30, 2012, these purchases totaled approximately \$54.8 million and \$188.0 million, respectively. For the three months ended September 30, 2012, approximately \$27.1 million was purchased from ORTEQ Energy Services, a heavy equipment construction company which also manufactures pressure pumping equipment, approximately \$1.9 million was purchased from Ortowski Construction, primarily related to the manufacture of pressure pumping units, approximately \$3.0 million was purchased from Resource Transport, approximately \$18.0 million was purchased from Texas Specialty Sands, LLC primarily for the purchase of sand used for pressure pumping activities, approximately \$3.7 million was purchased from ProFuel, LLC, and approximately \$1.1 million was related to facilities leased from Timber Creek Real Estate Partners. For the nine months ended September 30, 2012, approximately \$90.9 million was purchased from ORTEQ Energy Services, approximately \$4.0 million was purchased from Ortowski Construction, approximately \$8.0 million was purchased from Resource Transport, approximately \$70.6 million was purchased from Texas Specialty Sands, LLC, approximately \$13.4 million was purchased from ProFuel, LLC, and approximately \$1.1 million was related to facilities leased from Timber Creek Real Estate Partners. As of September 30, 2012, the Company's trade accounts payable includes amounts due to these companies totaling approximately \$16.8 million, of which approximately \$6.1 million was due ORTEQ Energy Services, approximately \$1.9 million was due Ortowski Construction, approximately \$1.1 million was due Resource Transport, approximately \$5.9 million was due Texas Specialty Sands, approximately \$1.5 million was due ProFuel, LLC, and approximately \$0.3 million was due Timber Creek Real Estate Partners.

In May 2012, the Company's President and Chief Executive Officer was appointed as an independent director of the board of Linn Energy, LLC (Linn), an independent oil and natural gas development company with focus areas in the mid-continent, including the Permian Basin, the Hugoton Basin, the Powder River Basin, the Williston Basin, Michigan, as well as California. The Company recorded revenues from Linn of approximately \$6.0 million and approximately \$14.7 million for the three and nine month periods ended September 30, 2012, respectively. The Company had trade receivables from Linn of approximately \$3.5 million as of September 30, 2012.

(20) Subsequent Events

In accordance with authoritative guidance, the Company has evaluated and disclosed all material subsequent events that occurred after the balance sheet date, but before financial statements were issued.

(21) Financial Information Related to Guarantor Subsidiaries

SESI, L.L.C. (Issuer), a 100% owned subsidiary of Superior Energy Services, Inc. (Parent), has \$500 million of unsecured 6 3/8% senior notes due 2019 and \$800 million of unsecured 7 1/8% senior notes due 2021. The Parent, along with certain of its 100% owned domestic subsidiaries, fully and unconditionally guaranteed the senior notes, and such guarantees are joint and several. Domestic income taxes are paid by the Parent through a consolidated tax return and are accounted for by the Parent. The Company has revised the comparative condensed consolidating financial information to reflect the Parent's and Issuer's investments in subsidiaries using the equity-method. The following tables present the condensed consolidating balance sheets as of September 30, 2012 and December 31, 2011, and the condensed consolidating statements of operations and cash flows for the three and nine months ended September 30, 2012 and 2011.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Balance Sheets

September 30, 2012

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ —	\$ 5,347	\$ 20,707	\$ 53,032	\$ —	\$ 79,086
Accounts receivable, net	—	703	957,210	232,004	(60,203)	1,129,714
Deferred Income Taxes	31,306	—	—	—	—	31,306
Income taxes receivable	—	—	—	1,802	(1,802)	—
Prepaid expenses	85	8,905	47,710	45,506	—	102,206
Inventory and other current assets	—	1,675	153,994	24,528	—	180,197
Available-for-sale securities	—	20,321	—	—	—	20,321
Total current assets	31,391	36,951	1,179,621	356,872	(62,005)	1,542,830
Property, plant and equipment, net	—	6,603	2,526,831	629,839	—	3,163,273
Goodwill	—	—	2,119,477	408,835	—	2,528,312
Notes receivable	—	—	44,129	—	—	44,129
Investments in subsidiaries	2,108,911	4,776,411	577,825	—	(7,463,147)	—
Intangible and other long-term assets, net	—	59,511	372,614	78,949	—	511,074
Total assets	<u>\$ 2,140,302</u>	<u>\$ 4,879,476</u>	<u>\$ 6,820,497</u>	<u>\$ 1,474,495</u>	<u>\$ (7,525,152)</u>	<u>\$ 7,789,618</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	\$ —	\$ 5,487	\$ 207,140	\$ 111,032	\$ (54,847)	\$ 268,812
Accrued expenses	139	72,792	212,310	80,839	(5,433)	360,647
Income taxes payable	150,659	—	—	—	(1,802)	148,857
Current maturities of long-term debt	—	20,000	—	—	—	20,000
Total current liabilities	150,798	98,279	419,450	191,871	(62,082)	798,316
Deferred income taxes	709,077	—	—	17,957	—	727,034
Decommissioning liabilities	—	—	88,797	2,215	—	91,012
Long-term debt, net	—	1,909,416	—	—	—	1,909,416
Intercompany payables/(receivables)	(2,874,432)	730,801	2,706,197	(42,265)	(520,301)	—
Other long-term liabilities	5,790	32,069	24,811	52,101	—	114,771
Stockholders' equity:						
Preferred stock of \$.01 par value	—	—	—	—	—	—
Common stock of \$.001 par value	157	—	782	4,212	(4,994)	157
Additional paid in capital	2,846,236	124,271	687,939	1,118,727	(1,930,937)	2,846,236
Accumulated other comprehensive income (loss), net	(20,432)	(20,432)	1,073	(19,790)	39,149	(20,432)
Retained earnings (accumulated deficit)	1,323,108	2,005,072	2,891,448	149,467	(5,045,987)	1,323,108
Total stockholders' equity (deficit)	4,149,069	2,108,911	3,581,242	1,252,616	(6,942,769)	4,149,069
Total liabilities and stockholders' equity	<u>\$ 2,140,302</u>	<u>\$ 4,879,476</u>	<u>\$ 6,820,497</u>	<u>\$ 1,474,495</u>	<u>\$ (7,525,152)</u>	<u>\$ 7,789,618</u>

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Balance Sheets

December 31, 2011

(in thousands)

(audited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ —	\$ 29,057	\$ 6,272	\$ 44,945	\$ —	\$ 80,274
Accounts receivable, net	—	531	437,963	143,444	(41,336)	540,602
Income taxes receivable	—	—	—	698	(698)	—
Prepaid expenses	34	3,893	9,796	20,314	—	34,037
Inventory and other current assets	—	1,796	214,381	12,132	—	228,309
Total current assets	34	35,277	668,412	221,533	(42,034)	883,222
Property, plant and equipment, net	—	2,758	1,096,036	408,574	—	1,507,368
Goodwill	—	—	437,614	143,765	—	581,379
Notes receivable	—	—	73,568	—	—	73,568
Investments in subsidiaries	1,650,049	2,833,659	20,062	—	(4,503,770)	—
Equity-method investments	—	70,614	—	1,858	—	72,472
Intangible and other long-term assets, net	—	828,447	71,625	30,064	—	930,136
Total assets	<u>1,650,083</u>	<u>3,770,755</u>	<u>2,367,317</u>	<u>805,794</u>	<u>(4,545,804)</u>	<u>4,048,145</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	\$ —	\$ 4,307	\$ 128,996	\$ 86,723	\$ (41,381)	\$ 178,645
Accrued expenses	164	54,000	105,512	38,503	(605)	197,574
Income taxes payable	1,415	—	—	—	(698)	717
Deferred income taxes	831	—	—	—	—	831
Current portion of decommissioning liabilities	—	—	14,956	—	—	14,956
Current maturities of long-term debt	—	—	—	810	—	810
Total current liabilities	2,410	58,307	249,464	126,036	(42,684)	393,533
Deferred income taxes	285,871	—	—	11,587	—	297,458
Decommissioning liabilities	—	—	108,220	—	—	108,220
Long-term debt, net	—	1,673,351	—	11,736	—	1,685,087
Intercompany payables/(receivables)	(96,989)	356,668	(253,053)	(7,276)	650	—
Other long-term liabilities	5,192	32,380	26,704	45,972	—	110,248
Stockholders' equity:						
Preferred stock of \$.01 par value	—	—	—	—	—	—
Common stock of \$.001 par value	80	—	—	4,212	(4,212)	80
Additional paid in capital	447,007	124,271	—	517,209	(641,480)	447,007
Accumulated other comprehensive income (loss), net	(26,936)	(26,936)	—	(26,936)	53,872	(26,936)
Retained earnings (accumulated deficit)	1,033,448	1,552,714	2,235,982	123,254	(3,911,950)	1,033,448
Total stockholders' equity (deficit)	<u>1,453,599</u>	<u>1,650,049</u>	<u>2,235,982</u>	<u>617,739</u>	<u>(4,503,770)</u>	<u>1,453,599</u>
Total liabilities and stockholders' equity	<u>\$1,650,083</u>	<u>\$3,770,755</u>	<u>\$2,367,317</u>	<u>\$805,794</u>	<u>\$ (4,545,804)</u>	<u>\$4,048,145</u>

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Operations
Three Months Ended September 30, 2012
(in thousands)
(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ —	\$ —	\$1,003,373	\$198,277	\$ (21,985)	\$1,179,665
Cost of services (exclusive of items shown separately below)	—	—	597,931	132,617	(21,940)	708,608
Depreciation, depletion, amortization and accretion	—	158	103,838	24,164	—	128,160
General and administrative expenses	83	31,229	102,073	30,118	(45)	163,458
Income (loss) from operations	(83)	(31,387)	199,531	11,378	—	179,439
Other income (expense):						
Interest expense, net	—	(28,592)	1,253	(779)	—	(28,118)
Loss on early extinguishment of debt	—	(2,294)	—	—	—	(2,294)
Earnings (losses) from consolidated subsidiaries	146,257	208,530	8,110	—	(362,897)	—
Income (loss) from continuing operations before income taxes	146,174	146,257	208,894	10,599	(362,897)	149,027
Income taxes	52,288	—	—	2,852	—	55,140
Net income (loss) from continuing operations	93,886	146,257	208,894	7,747	(362,897)	93,887
Discontinued operations, net of income tax	—	—	—	—	—	—
Net income (loss)	\$ 93,886	\$146,257	\$ 208,894	\$ 7,747	\$(362,897)	\$ 93,887

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Comprehensive Income
Three Months Ended September 30, 2012
(in thousands)
(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 93,886	\$146,257	\$208,894	\$ 7,747	\$(362,897)	\$ 93,887
Unrealized net loss on investment securities, net of tax	2,198	2,198	—	—	(2,198)	2,198
Change in cumulative translation adjustment	7,216	7,216	1,529	7,216	(15,961)	7,216
Comprehensive income (loss)	\$103,300	\$155,671	\$210,423	\$ 14,963	\$(381,056)	\$ 103,301

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Operations
 Three Months Ended September 30, 2011 *
 (in thousands)
 (unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ —	\$ —	\$450,186	\$104,476	\$ (17,620)	\$ 537,042
Cost of services (exclusive of items shown separately below)	—	—	222,930	79,716	(17,522)	285,124
Depreciation, depletion, amortization and accretion	—	131	51,634	10,042	—	61,807
General and administrative expenses	81	17,880	58,426	17,524	(98)	93,813
Income (loss) from operations	(81)	(18,011)	117,196	(2,806)	—	96,298
Other income (expense):						
Interest expense, net	—	(20,631)	1,253	484	—	(18,894)
Intercompany interest income (expense)	—	6,822	—	(6,822)	—	—
Earnings (losses) from consolidated subsidiaries	94,682	118,768	881	—	(214,331)	—
Earnings (losses) from equity-method investments, net	—	8,198	—	—	—	8,198
Income (loss) from continuing operations before income taxes	94,601	95,146	119,330	(9,144)	(214,331)	85,602
Income taxes	32,268	—	—	(1,465)	—	30,803
Net income (loss) from continuing operations	62,333	95,146	119,330	(7,679)	(214,331)	54,799
Discontinued operations, net of income tax	(2,753)	(464)	8,073	(75)	—	4,781
Net income (loss)	<u>\$59,580</u>	<u>\$ 94,682</u>	<u>\$127,403</u>	<u>\$ (7,754)</u>	<u>\$(214,331)</u>	<u>\$ 59,580</u>

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Comprehensive Income
 Three Months Ended September 30, 2011 *
 (in thousands)
 (unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$59,580	\$94,682	\$127,403	\$ (7,754)	\$(214,331)	\$ 59,580
Change in cumulative translation adjustment	(6,027)	(6,027)	—	(6,027)	12,054	(6,027)
Comprehensive income (loss)	<u>\$53,553</u>	<u>\$88,655</u>	<u>\$127,403</u>	<u>\$(13,781)</u>	<u>\$(202,277)</u>	<u>\$ 53,553</u>

* As adjusted for discontinued operations

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Operations
 Nine Months Ended September 30, 2012
 (in thousands)
 (unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ —	\$ —	\$2,933,132	\$562,010	\$ (105,321)	\$3,389,821
Cost of services (exclusive of items shown separately below)	—	—	1,693,002	378,848	(105,191)	1,966,659
Depreciation, depletion, amortization and accretion	—	527	306,161	59,584	—	366,272
General and administrative expenses	311	117,485	302,567	76,765	(130)	496,998
Income (loss) from operations	(311)	(118,012)	631,402	46,813	—	559,892
Other income (expense):						
Interest expense, net	—	(88,322)	2,446	(2,225)	—	(88,101)
Loss on early extinguishment of debt	—	(2,294)	—	—	—	(2,294)
Earnings (losses) from consolidated subsidiaries	452,358	645,368	36,311	—	(1,134,037)	—
Earnings (losses) from equity-method investments, net	—	(287)	—	—	—	(287)
Gain on sale of equity-method investment	—	17,880	—	—	—	17,880
Income (loss) from continuing operations before income taxes	452,047	454,333	670,159	44,588	(1,134,037)	487,090
Income taxes	164,857	—	—	15,366	—	180,223
Net income (loss) from continuing operations	287,190	454,333	670,159	29,222	(1,134,037)	306,867
Discontinued operations, net of income tax	2,470	(1,975)	(14,693)	(3,009)	—	(17,207)
Net income (loss)	<u>\$289,660</u>	<u>\$ 452,358</u>	<u>\$ 655,466</u>	<u>\$ 26,213</u>	<u>\$(1,134,037)</u>	<u>\$ 289,660</u>

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Comprehensive Income
 Nine Months Ended September 30, 2012
 (in thousands)
 (unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$289,660	\$452,358	\$655,466	\$ 26,213	\$(1,134,037)	\$ 289,660
Unrealized net loss on investment securities, net of tax	(642)	(642)	—	—	642	(642)
Change in cumulative translation adjustment	7,146	7,146	1,073	7,146	(15,365)	7,146
Comprehensive income (loss)	<u>\$296,164</u>	<u>\$458,862</u>	<u>\$656,539</u>	<u>\$ 33,359</u>	<u>\$(1,148,760)</u>	<u>\$ 296,164</u>

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Operations
 Nine Months Ended September 30, 2011 *
 (in thousands)
 (unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ —	\$ —	\$1,176,163	\$279,475	\$ (53,706)	\$1,401,932
Cost of services (exclusive of items shown separately below)	—	—	600,340	205,954	(53,481)	752,813
Depreciation, depletion, amortization and accretion	—	388	145,731	31,532	—	177,651
General and administrative expenses	611	56,360	162,817	52,680	(225)	272,243
Income (loss) from operations	(611)	(56,748)	267,275	(10,691)	—	199,225
Other income (expense):						
Interest expense, net	—	(50,691)	3,523	(141)	—	(47,309)
Intercompany interest income (expense)	—	19,633	—	(19,633)	—	—
Earnings (losses) from consolidated subsidiaries	190,643	267,082	2,062	—	(459,787)	—
Earnings (losses) from equity-method investments, net	—	12,598	—	1,126	—	13,724
Income (loss) from continuing operations before income taxes	190,032	191,874	272,860	(29,339)	(459,787)	165,640
Income taxes	57,057	—	—	2,532	—	59,589
Net income (loss) from continuing operations	132,975	191,874	272,860	(31,871)	(459,787)	106,051
Discontinued operations, net of income tax	(9,783)	(1,231)	28,289	(134)	—	17,141
Net income (loss)	<u>\$123,192</u>	<u>\$190,643</u>	<u>\$301,149</u>	<u>\$ (32,005)</u>	<u>\$(459,787)</u>	<u>\$123,192</u>

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Comprehensive Income
 Nine Months Ended September 30, 2011 *
 (in thousands)
 (unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$123,192	\$190,643	\$301,149	\$(32,005)	\$(459,787)	\$123,192
Change in cumulative translation adjustment	2,539	2,539	—	2,539	(5,078)	2,539
Comprehensive income (loss)	<u>\$125,731</u>	<u>\$193,182</u>	<u>\$301,149</u>	<u>\$(29,466)</u>	<u>\$(464,865)</u>	<u>\$125,731</u>

* As adjusted for discontinued operations

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Cash Flows

Nine Months Ended September 30, 2012

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net income (loss)	\$ 289,660	\$ 452,358	\$ 655,466	\$ 26,213	\$ (1,134,037)	\$ 289,660
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation, depletion, amortization and accretion	—	527	307,270	59,721	—	367,518
Deferred income taxes	(18,204)	—	—	3,459	—	(14,745)
Excess tax benefit from stock-based compensation	(1,537)	—	—	—	—	(1,537)
Gain on sale of equity-method investment	—	(17,880)	—	—	—	(17,880)
Stock-based and performance share unit compensation expense	—	27,845	—	—	—	27,845
Retirement and deferred compensation plan expense	—	1,455	—	—	—	1,455
(Earnings) losses from consolidated subsidiaries	(452,358)	(645,368)	(36,311)	—	1,134,037	—
(Earnings) losses from equity-method investments, net of cash received	—	2,787	—	553	—	3,340
Amortization of debt acquisition costs and note discount	—	7,439	—	—	—	7,439
Loss on sale of businesses	—	—	6,649	—	—	6,649
Write-off of debt acquisition costs and discount	—	2,714	—	746	—	3,460
Other reconciling items, net	—	3,139	(1,780)	223	—	1,582
Changes in operating assets and liabilities, net of acquisitions and dispositions:						
Accounts receivable	—	(172)	(126,960)	(17,184)	—	(144,316)
Inventory and other current assets	—	121	90,221	(5,223)	—	85,119
Accounts payable	—	1,180	(8,524)	6,587	—	(757)
Accrued expenses	(24)	9,049	(52,395)	13,535	—	(29,835)
Decommissioning liabilities	—	—	(4,566)	(58)	—	(4,624)
Income taxes	145,424	—	—	(3,508)	—	141,916
Other, net	(51)	(4,087)	(6,379)	(15,184)	—	(25,701)
Net cash provided by (used in) operating activities	(37,090)	(158,893)	822,691	69,880	—	696,588
Cash flows from investing activities:						
Payments for capital expenditures	—	(5,041)	(799,330)	(113,822)	—	(918,193)
Sale of available-for-sale securities	—	31,150	—	—	—	31,150
Acquisitions of businesses, net of cash acquired	—	(1,229,327)	106,952	49,843	—	(1,072,532)
Change in restricted cash held for acquisition of business	—	785,280	—	—	—	785,280
Cash proceeds from sale of businesses	—	183,094	—	—	—	183,094
Cash proceeds from the sale of equity-method investment	—	34,087	—	—	—	34,087
Other	—	—	25,022	3,416	—	28,438
Intercompany receivables/payables	19,834	108,725	(140,900)	12,341	—	—
Net cash provided by (used in) investing activities	19,834	(92,032)	(808,256)	(48,222)	—	(928,676)
Cash flows from financing activities:						
Net payments on revolving line of credit	—	15,000	—	—	—	15,000
Proceeds from long-term debt	—	400,000	—	—	—	400,000
Principal payments on long-term debt	—	(160,000)	—	(12,546)	—	(172,546)
Payment of debt acquisition costs	—	(25,266)	—	—	—	(25,266)
Proceeds from exercise of stock options	13,915	—	—	—	—	13,915
Excess tax benefit from stock-based compensation	1,537	—	—	—	—	1,537
Proceeds from issuance of stock through employee benefit plans	2,193	—	—	—	—	2,193
Other	(389)	(2,519)	—	(2,935)	—	(5,843)
Net cash provided by (used in) financing activities	17,256	227,215	—	(15,481)	—	228,990
Effect of exchange rate changes on cash	—	—	—	1,910	—	1,910
Net increase (decrease) in cash and cash equivalents	—	(23,710)	14,435	8,087	—	(1,188)
Cash and cash equivalents at beginning of period	—	29,057	6,272	44,945	—	80,274
Cash and cash equivalents at end of period	\$ —	\$ 5,347	\$ 20,707	\$ 53,032	\$ —	\$ 79,086

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Cash Flows

Nine Months Ended September 30, 2011

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net income (loss)	\$ 123,192	\$ 190,643	\$ 301,149	\$ (32,005)	\$ (459,787)	\$ 123,192
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation, depletion, amortization and accretion	—	388	154,827	32,337	—	187,552
Deferred income taxes	39,503	—	—	(603)	—	38,900
Excess tax benefit from stock-based compensation	(10,262)	—	—	—	—	(10,262)
Stock-based and performance share unit compensation expense	—	10,273	—	—	—	10,273
Retirement and deferred compensation plan expense	—	1,994	—	—	—	1,994
(Earnings) losses from consolidated subsidiaries	(190,643)	(267,082)	(2,062)	—	459,787	—
(Earnings) losses from equity-method investments, net of cash received	—	(11,061)	—	(1,126)	—	(12,187)
Amortization of debt acquisition costs and note discount	—	19,321	—	12	—	19,333
Gain on sale of businesses	—	—	(8,558)	—	—	(8,558)
Other reconciling items, net	—	(1,279)	(3,380)	—	—	(4,659)
Changes in operating assets and liabilities, net of acquisitions and dispositions:						
Accounts receivable	—	(1,072)	(23,515)	(4,012)	—	(28,599)
Inventory and other current assets	—	99	14,281	(2,965)	—	11,415
Accounts payable	—	(2,956)	2,830	3,190	—	3,064
Accrued expenses	(13)	9,810	11,034	6,376	—	27,207
Income taxes	5,444	—	—	(4,667)	—	777
Other, net	(44)	(4,798)	8,395	(870)	—	2,683
Net cash provided by (used in) operating activities	(32,823)	(55,720)	455,001	(4,333)	—	362,125
Cash flows from investing activities:						
Payments for capital expenditures	—	(70)	(263,983)	(65,176)	—	(329,229)
Purchases of short-term investments, net	—	(223,491)	—	—	—	(223,491)
Acquisitions of businesses, net of cash acquired	—	—	(200)	(548)	—	(748)
Cash proceeds from sale of businesses	—	—	22,349	—	—	22,349
Other	—	—	(720)	—	—	(720)
Intercompany receivables/payables	10,648	123,465	(212,895)	78,782	—	—
Net cash provided by (used in) investing activities	10,648	(100,096)	(455,449)	13,058	—	(531,839)
Cash flows from financing activities:						
Net payments on revolving line of credit	—	(175,000)	—	—	—	(175,000)
Proceeds from issuance of long-term debt	—	500,000	—	—	—	500,000
Principal payments on long-term debt	—	—	—	(405)	—	(405)
Payment of debt acquisition costs	—	(9,558)	—	—	—	(9,558)
Proceeds from exercise of stock options	10,211	—	—	—	—	10,211
Excess tax benefit from stock-based compensation	10,262	—	—	—	—	10,262
Proceeds from issuance of stock through employee benefit plans	1,702	—	—	—	—	1,702
Other	—	(6,100)	—	(2,353)	—	(8,453)
Net cash provided by (used in) financing activities	22,175	309,342	—	(2,758)	—	328,759
Effect of exchange rate changes on cash	—	—	—	409	—	409
Net increase (decrease) in cash and cash equivalents	—	153,526	(448)	6,376	—	159,454
Cash and cash equivalents at beginning of period	—	—	5,493	45,234	—	50,727
Cash and cash equivalents at end of period	\$ —	\$ 153,526	\$ 5,045	\$ 51,610	\$ —	\$ 210,181

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements which involve risks and uncertainties. All statements other than statements of historical fact included in this section regarding our financial position and liquidity, strategic alternatives, future capital needs, business strategies and other plans and objectives of our management for future operations and activities are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current market and industry conditions, expected future developments and other factors it believes are appropriate under the circumstances. Such forward-looking statements are subject to uncertainties that could cause our actual results to differ materially from such statements. Such uncertainties include, but are not limited to: risks inherent in acquiring businesses, including the ability to successfully integrate Complete's operations into our legacy operations and the costs incurred in doing so; the effect of regulatory programs and environmental matters on our performance, including the risk that future changes in the regulation of hydraulic fracturing could reduce or eliminate demand for our pressure pumping services; risks associated with business growth outpacing the capabilities of our infrastructure and workforce; risks associated with the uncertainty of macroeconomic and business conditions worldwide; the cyclical nature and volatility of the oil and gas industry, including the level of offshore exploration, production and development activity and the volatility of oil and gas prices; changes in competitive factors affecting our operations; political, economic and other risks and uncertainties associated with international operations; the lingering impact on exploration and production activities in the U.S. coastal waters following the Deepwater Horizon incident; the impact that unfavorable or unusual weather conditions could have on our operations; the potential shortage of skilled workers; our dependence on certain customers; the risks inherent in long-term fixed-price contracts; and, operating hazards, including the significant possibility of accidents resulting in personal injury or death, property damage or environmental damage. These risks and other uncertainties related to our business are described in detail in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Investors are cautioned that many of the assumptions on which our forward-looking statements are based are likely to change after our forward-looking statements are made, including for example the market prices of oil and natural gas and regulations affecting oil and gas operations, which we cannot control or anticipate. Further, we may make changes to our business plans that could or will affect our results. We undertake no obligation to update any of our forward-looking statements and we do not intend to update our forward-looking statements more frequently than quarterly, notwithstanding any changes in our assumptions, changes in our business plans, our actual experience, or other changes. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Executive Summary

On February 7, 2012, we closed our acquisition of Complete Production Services, Inc. (Complete). Our third quarter includes results from the legacy Complete businesses for the entire quarter. Given the substantial nature of this acquisition and its impact on our financial performance, comparisons between our results for three and nine months ended September 30, 2012 and 2011 may not be meaningful.

For the quarter ended September 30, 2012, revenue was \$1,179.7 million, net income from continuing operations was \$93.9 million and diluted earnings per share from continuing operations was \$0.59. These results include a \$2.3 million pre-tax loss on early extinguishment of debt.

In the subsea and well enhancement segment, U.S. land revenue was \$702.6 million, which represents an 11% sequential decrease due primarily to contraction in the market for completion and intervention services. As a result, we experienced lower utilization of pressure pumping, coiled tubing and fluid management assets. Gulf of Mexico revenue, although adversely impacted by downtime associated with Hurricane Isaac, increased 16% to approximately \$127.8 million primarily due to an increase in end of life services and sand control completion tools and services. International revenue increased 9% to approximately \$154.4 million as a result of an acquisition of a business that provides wireline and well testing services in South America, coupled with an increase in sales of completion tools in the Asia Pacific region.

Third quarter 2012 revenue for the drilling products and services segment was \$194.9 million, as compared with \$163.5 million in the third quarter of 2011, a 19% year-over-year improvement, and \$198.2 million in the second quarter of 2012, a 2% sequential decline. Gulf of Mexico revenue increased 1% sequentially to approximately \$61.6 million primarily due to increased rentals of bottom hole assemblies. U.S. land market area revenue decreased sequentially to \$85.0 million due to decrease in demand for bottom hole assemblies and premium drill pipe. International revenue was essentially unchanged sequentially at approximately \$48.3 million.

Our third quarter 2012 income from continuing operations as a percentage of revenue ("operating margin") declined 20% sequentially to 15% due to lower revenue associated with a decline in utilization for completion and intervention services in the U.S. land market area, downtime associated with Hurricane Isaac in the Gulf of Mexico and delays on the completion of a spill containment system for a customer in Alaska. We expect this spill containment system to be completed and working for our customer during the 2013 arctic drilling season.

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Comparison of the Results of Operations for the Three Months Ended September 30, 2012 and 2011

For the three months ended September 30, 2012, our revenues were \$1,179.7 million, resulting in net income from continuing operations of \$93.9 million, or \$0.59 diluted earnings per share from continuing operations. These results include a \$2.3 million pretax loss on early extinguishment of debt. For the three months ended September 30, 2011, revenues were \$537.0 million and net income from continuing operations was \$54.8 million, or \$0.67 diluted earnings per share from continuing operations. Revenues for the three months ended September 30, 2012 were substantially higher in the subsea and well enhancement segment primarily due to the contribution of \$582.2 million from the legacy Complete businesses, coupled with increases related to well control projects, platform decommissioning and sales of completion tools in our legacy product service lines. Revenue also increased in the drilling products and services segment primarily due to increased rentals of bottom hole assemblies and premium drill pipe.

The following table compares our operating results for the three months ended September 30, 2012 and 2011 (in thousands, except percentages). Cost of services excludes depreciation, depletion, amortization and accretion.

	Revenue			Cost of Services				
	2012	2011	Change	2012	%	2011	%	Change
Subsea and Well Enhancement	\$ 984,783	\$373,586	\$611,197	\$646,649	66%	\$226,586	61%	\$420,063
Drilling Products and Services	194,882	163,456	31,426	61,959	32%	58,538	36%	3,421
Total	<u>\$1,179,665</u>	<u>\$537,042</u>	<u>\$642,623</u>	<u>\$708,608</u>	60%	<u>\$285,124</u>	53%	<u>\$423,484</u>

The following provides a discussion of our results on a segment basis:

Subsea and Well Enhancement

Revenue from our subsea and well enhancement segment was \$984.8 million for the three months ended September 30, 2012, as compared with \$373.6 million for the same period in 2011. This segment's revenue increase is attributable to the contribution of \$582.2 million from the legacy Complete businesses, along with increases related to well control projects, platform decommissioning and sales of completion tools in our legacy product service lines. The cost of services percentage increased to 66% of segment revenue for the three months ended September 30, 2012 from 61% for the same period in 2011 due to changes in business mix as a result of the Complete acquisition. Revenue from our U.S. land market area attributable to our legacy businesses was essentially unchanged. We experienced a decrease in demand for our coiled tubing services that was offset with an increase in demand for our pressure control tools. Revenue from our international market areas increased approximately 68% due to the addition of Complete's coiled tubing operations in Mexico, our recent acquisition of a wireline and well testing company in Argentina, increases in sales of sand control completion tools and demand for well control services. Revenue from our Gulf of Mexico market area was essentially unchanged.

Drilling Products and Services Segment

Revenue from our drilling products and services segment for the three months ended September 30, 2012 was \$194.9 million, as compared to \$163.5 million for the same period in 2011. Cost of rentals and sales decreased to 32% of segment revenue for the three months ended September 30, 2012 as compared to 36% for the same period in 2011 as a result of revenue growth and business mix. Revenue in our U.S. land market area increased approximately 13% for the three month period ended September 30, 2012 over the same period in 2011 primarily due to increased demand for premium drill pipe. Revenue generated in our international market areas increased 2% during the quarter ended September 30, 2012 over the same period in 2011 primarily due to increases in rentals of premium drill pipe and bottom hole assemblies. Revenue from our Gulf of Mexico market area increased approximately 50% due to substantial increases in rentals of bottom hole assemblies and premium drill pipe as a result of the ongoing recovery of the deepwater market.

Depreciation, Depletion, Amortization and Accretion

Depreciation, depletion, amortization and accretion increased to \$128.2 million in the three months ended September 30, 2012 from \$61.8 million for the same period in 2011. Depreciation, depletion, amortization and accretion expense related to our subsea and well enhancement segment for the three months ended September 30, 2012 increased approximately \$61.8 million from the same period in 2011. This increase is primarily due to the Complete acquisition, along with 2011 and 2012 capital expenditures. Depreciation and amortization expense increased within our drilling products and services segment by \$4.6 million, or 14%, from the same period in 2011 due to 2011 and 2012 capital expenditures.

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General and Administrative Expenses

General and administrative expenses were \$163.5 million for the three months ended September 30, 2012 compared to \$93.8 million for the same period in 2011. The change is primarily related to our 2012 acquisitions, coupled with additional infrastructure to support our growth strategy.

Comparison of the Results of Operations for the Nine Months Ended September 30, 2012 and 2011

For the nine months ended September 30, 2012, our revenues were \$3,389.8 million, resulting in net income from continuing operations of \$306.9 million, or \$2.07 diluted earnings per share from continuing operations. Included in the results for the nine months ended September 30, 2012 were approximately \$30.6 million of acquisition related costs, \$3.1 million in unrealized pre-tax hedging losses from our equity-method investment in Dynamic Offshore, a pre-tax gain of approximately \$17.9 million from the sale of that equity-method investment and a \$2.3 million pre-tax loss on early extinguishment of debt. For the nine months ended September 30, 2011, revenues were \$1,401.9 million and net income from continuing operations was \$106.1 million, or \$1.31 diluted earnings per share from continuing operations. Revenues for the nine months ended September 30, 2012 were substantially higher in the subsea and well enhancement segment primarily due to the contribution of \$1,637.6 million from the legacy Complete businesses, coupled with increases in our legacy well control, decommissioning, hydraulic workover and snubbing, subsea inspection, repair and maintenance, remedial pumping service lines. Revenue also increased in the drilling products and services segment primarily due to increased rentals of accommodation units, bottom hole assemblies and premium drill pipe.

The following table compares our operating results for the nine months ended September 30, 2012 and 2011 (in thousands, except percentages). Cost of services excludes depreciation, depletion, amortization and accretion.

	Revenue			Cost of Services				
	2012	2011	Change	2012	%	2011	%	Change
Subsea and Well Enhancement	\$2,807,432	\$ 961,039	\$1,846,393	\$1,775,649	63%	\$590,951	61%	\$1,184,698
Drilling Products and Services	582,389	440,893	141,496	191,010	33%	161,862	37%	29,148
Total	\$3,389,821	\$1,401,932	\$1,987,889	\$1,966,659	58%	\$752,813	54%	\$1,213,846

The following provides a discussion of our results on a segment basis:

Subsea and Well Enhancement Segment

Revenue from our subsea and well enhancement segment was \$2,807.4 million for the nine months ended September 30, 2012, as compared with \$961.0 million for the same period in 2011. Cost of services increased slightly to 63% of segment revenue for the nine months ended September 30, 2012 as compared to 61% in the same period in 2011 primarily due to changes in business mix resulting from the Complete acquisition. This segment's revenue increase is attributable to the \$1,637.6 million contribution from the legacy Complete businesses, and to increases in our legacy well control, coiled tubing, hydraulic workover and snubbing, and completion tools product service lines. Revenue from our U.S. land market area attributable to our legacy businesses increased approximately 24%, primarily related to increases in demand for pressure control tools and remedial pumping services. Revenue from our international market areas increased approximately 77% due to the addition of Complete's coiled tubing services in Mexico, our recent acquisition of a wireline and well testing company in Argentina, and increases in demand for hydraulic workover and snubbing, subsea inspection, repair and maintenance and emergency well control services. Revenue from our Gulf of Mexico market area increased approximately 5% primarily due to increases in demand for end of life services, marine engineering projects, and hydraulic workover and snubbing services.

Drilling Products and Services Segment

Revenue from our drilling products and services segment for the nine months ended September 30, 2012 was \$582.4 million, as compared to \$440.9 million for the same period in 2011. Cost of rentals and sales as a percentage of revenue decreased to 33% of segment revenue for the six months ended September 30, 2012 from 37% in the same period in 2011 as a result of revenue growth and business mix. Revenue in our U.S. land market area increased approximately 29% for the nine month period ended September 30, 2012 over the same period in 2011. The increase in revenue for this geographic market area is attributable to overall growth in most of our product lines within this segment despite recent contraction in demand for products and services in the U.S. land market. Revenue generated from our international market areas increased approximately 11% for the nine months ended September 30, 2012 as compared to the same period in 2011 due primarily to an increase in demand for premium drill pipe in Brazil. Revenue from our Gulf of Mexico market area increased approximately 64% due to a substantial increase in rentals of bottom hole assemblies and premium drill pipe as a result of the ongoing recovery of the deepwater market.

Depreciation, Depletion, Amortization and Accretion

Depreciation, depletion, amortization and accretion increased to \$366.3 million in the nine months ended September 30, 2012 from \$177.7 million for the same period in 2011. Depreciation, depletion, amortization and accretion expense related to our subsea and well enhancement segment for the nine months ended September 30, 2012 increased approximately \$173.7 million from the same period in 2011, which is primarily attributable to the acquisition of Complete, along with 2011 and 2012 capital expenditures. Depreciation and amortization expense for the nine months ended September 30, 2012 increased within our drilling products and services segment by \$15.0 million, or 16%, from the same period in 2011 due to 2011 and 2012 capital expenditures.

General and Administrative Expenses

General and administrative expenses were \$497.0 million for the nine months ended September 30, 2012 compared to \$272.2 million for the same period in 2011. The change is primarily related to our 2012 acquisitions, including acquisition related expenses of approximately \$30.6 million, coupled with additional infrastructure to support our growth strategy.

Liquidity and Capital Resources

In the nine months ended September 30, 2012, we generated net cash from operating activities of \$697.6 million as compared to \$362.1 million in the same period of 2011. Our primary liquidity needs are for working capital and to fund capital expenditures, debt service and acquisitions. Our primary sources of liquidity are cash flows from operations and available borrowings under the revolving portion of our bank credit facility. We had cash and cash equivalents of \$79.1 million at September 30, 2012 compared to \$80.3 million at December 31, 2011. At September 30, 2012, approximately \$52.4 million of our cash balance was held outside the U.S. Cash balances held in foreign jurisdictions can be repatriated to the U.S.; however, they would be subject to federal income taxes, less applicable foreign tax credits. The Company has not provided U.S. income tax expense on earnings of its foreign subsidiaries, other than foreign subsidiaries acquired in the Complete acquisition, because it expects to reinvest the undistributed earnings indefinitely.

On February 15, 2012, we sold a derrick barge for approximately \$44.5 million, inclusive of selling costs. On March 30, 2012, we sold 18 liftboats and related assets comprising our marine segment for approximately \$138.6 million, inclusive of working capital and selling costs. In connection with the sale, we repaid \$12.5 million in U.S. Government guaranteed long-term financing. We also paid approximately \$4.0 million of make-whole premiums as a result of this repayment. A portion of the proceeds from these dispositions was used to repay the balance on the revolving portion of our credit facility. In April 2012, we received approximately \$34.1 million in cash as partial consideration for our 10% interest in Dynamic Offshore. As a result of these dispositions, the deferred tax liabilities previously recorded to reflect financial accounting and tax accounting differences have reversed and resulted in current tax payable. We estimate that the tax due on these transactions will be approximately \$74.0 million. Additionally, we sold approximately 5.6 million shares of SandRidge stock that we received as partial consideration for our 10% interest in Dynamic Offshore for approximately \$41.9 million. We also expect to collect approximately \$100.0 million during the remainder of 2012 in connection with the large-scale platform decommissioning project in the Gulf of Mexico. Because these amounts were billed in the third quarter of 2012, approximately \$38.0 million of deferred tax previously recorded to reflect financial accounting and tax accounting differences have reversed and resulted in a current tax payable. As such, we estimate that we will pay approximately \$160.0 million in U.S. income tax in the first quarter of 2013, most of which was delayed due to the extension granted to areas affected by Hurricane Isaac.

We spent \$918.2 million of cash on capital expenditures during the nine months ended September 30, 2012. Approximately \$727.1 million was used to expand and maintain the asset base of our subsea and well enhancement segment and approximately \$191.1 million was used to expand and maintain our drilling products and services equipment inventory.

On February 7, 2012, in connection with the Complete acquisition, we amended our bank credit facility to increase the revolving borrowing capacity to \$600 million from \$400 million, and to include a \$400 million term loan. The principal balance of the term loan is payable in installments of \$5.0 million on the last day of each fiscal quarter, which began on June 30, 2012. Any amounts outstanding on the bank revolving credit facility and the term loan are due on February 7, 2017. At September 30, 2012, we had \$90.0 million outstanding under the revolving credit facility with a weighted average interest rate of 2.67% per annum. The average amount outstanding during third quarter was approximately \$131.6 million with a weighted average interest rate of 2.83% per annum. The maximum amount outstanding during the third quarter was \$150.0 million, as this amount was borrowed for the partial redemption of our \$300 million 6 7/8% unsecured notes due 2014. As of November 2, 2012, we had approximately \$105.0 million outstanding under the revolving credit facility along with \$49.0 million of letters of credit outstanding at November 2, 2012, which reduces our borrowing capacity under this credit facility. Borrowings under the bank credit facility bear interest at LIBOR plus margins that depend on our leverage ratio. Indebtedness under the bank credit facility is secured by substantially all of our assets, including the pledge of the stock of our principal domestic subsidiaries. The bank credit facility contains customary events of default and requires that we satisfy various financial covenants. It also limits our ability to pay dividends or make other distributions, make acquisitions, create liens or incur additional indebtedness. At September 30, 2012, we were in compliance with all such covenants.

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In August 2012, we redeemed \$150 million, or 50%, of the principal amount of our \$300 million 6 7/8% unsecured senior notes due 2014 at 100% of face value. This redemption resulted in a loss on early extinguishment of debt of approximately \$2.3 million related to the writeoff of a portion of debt acquisition costs and note discount. The indenture governing the remaining \$150 million 6 7/8% senior notes outstanding requires semi-annual interest payments on June 1st and December 1st of each year through the maturity date of June 1, 2014. The indenture contains certain covenants that, among other things, limit us from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions. At September 30, 2012, we were in compliance with all such covenants.

We have outstanding \$500 million of 6 3/8% unsecured senior notes due 2019. The indenture governing the senior notes requires semi-annual interest payments on May 1st and November 1st of each year through the maturity date of May 1, 2019. The indenture contains certain covenants that, among other things, limit us from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions. At September 30, 2012, we were in compliance with all such covenants.

We also have outstanding \$800 million of 7 1/8% unsecured senior notes due 2021. The indenture governing the 7 1/8% senior notes requires semi-annual interest payments on June 15th and December 15th of each year through the maturity date of December 15, 2021. The indenture contains certain covenants that, among other things, limit us from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions. At September 30, 2012, we were in compliance with all such covenants.

Our current long-term issuer credit rating is BBB- by Standard and Poor's and Ba1 by Moody's. Moody's upgraded our corporate credit rating from Ba2 to Ba1 with a stable outlook on October 10, 2012.

The following table summarizes our projected contractual cash obligations and commercial commitments at September 30, 2012 (amounts in thousands). We do not have any other material obligations or commitments.

Description	Remaining Three Months 2012	2013	2014	2015	2016	Thereafter
Long-term debt, including estimated interest payments	59,168	139,056	283,050	127,044	126,194	2,061,593
Capital lease obligations, including estimated interest payments	1,556	6,225	6,225	6,225	6,225	12,969
Decommissioning liabilities, undiscounted	—	3,898	33,138	3,517	3,517	128,617
Operating leases	16,586	50,950	35,184	21,613	15,223	37,791
Vessel construction	29,833	14,917	—	—	—	—
Other long-term liabilities	—	16,633	16,488	14,315	6,466	34,253
Total	\$ 107,143	\$231,679	\$374,085	\$172,714	\$157,625	\$2,275,223

We currently believe that we will spend approximately \$200 million to \$250 million on capital expenditures, excluding acquisitions, during the remaining three months of 2012. We believe that our current working capital, cash generated from our operations and availability under the revolving portion of our credit facility will provide sufficient funds for our identified capital projects.

We are currently constructing a compact semi-submersible vessel. This vessel is designed for both shallow and deepwater conditions and will be capable of performing subsea construction, inspection, repairs and maintenance work, as well as subsea light well intervention and abandonment work. This vessel is expected to be delivered during the first half of 2013.

We intend to continue implementing our growth strategy of increasing our scope of services through both internal growth and strategic acquisitions. We expect to continue to make the capital expenditures required to implement our growth strategy in amounts consistent with the amount of cash generated from operating activities, the availability of additional financing and under our credit facility. Depending on the size of any future acquisitions, we may require additional equity or debt financing in excess of our current working capital and amounts available under our credit facility.

Off-Balance Sheet Financing Arrangements

We have no off-balance sheet financing arrangements other than potential additional consideration that may be payable as a result of the future operating performance of certain acquired businesses. At September 30, 2012, the maximum additional consideration payable was approximately \$14.0 million, of which \$3.0 million is attributable to an acquisition that occurred before we adopted the revised authoritative guidance for business combinations. Therefore, this \$3.0 million is not classified as a liability and is not reflected in our condensed consolidated financial statements until this amount is fixed and determinable. When this amount is determined, it will be capitalized as part of the purchase price of the related acquisition.

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In accordance with authoritative guidance related to guarantees, we have assigned an estimated value of \$2.6 million at September 30, 2012 and December 31, 2011, which is reflected in other long-term liabilities, related to decommissioning activities in connection with oil and gas properties acquired by SPN Resources prior to its sale to Dynamic Offshore. The Company believes that the likelihood of being required to perform these guarantees is remote. In the unlikely event of default on any remaining decommissioning liabilities, the total maximum potential obligation under these guarantees is estimated to be approximately \$115.9 million, net of the contractual right to receive payments from third parties, which is approximately \$24.6 million, as of September 30, 2012. The total maximum potential obligation will decrease over time as the underlying obligations are fulfilled.

Hedging Activities

In April 2012, we entered into an interest rate swap related to our debt maturing in December 2021 for a notional amount of \$100 million, whereby we are entitled to receive semi-annual interest payments at a fixed rate of 7 1/8% per annum and are obligated to make semi-annual interest payments at a variable rate. The variable interest rate, which is adjusted every 90 days, is based on LIBOR plus a fixed margin and is scheduled to terminate on December 15, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in currency exchange rates, interest rates, equity prices, and oil and gas prices as discussed below.

Foreign Currency Exchange Rates

Because we operate in a number of countries throughout the world, we conduct a portion of our business in currencies other than the U.S. dollar. The functional currency for our international operations, other than certain operations in the United Kingdom, Europe and Canada, is the U.S. dollar, but a portion of the revenues from our foreign operations is paid in foreign currencies. The effects of foreign currency fluctuations are partly mitigated because local expenses of such foreign operations are also generally denominated in the same currency. We continually monitor the currency exchange risks associated with all contracts not denominated in the U.S. dollar. Any gains or losses associated with such fluctuations have not been material.

We do not hold derivatives for trading purposes or use derivatives with complex features. Assets and liabilities of our subsidiaries whose functional currency is not the U.S. dollar are translated at end of period 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 of accumulated other comprehensive loss in stockholders' equity.

Interest Rate Risk

At September 30, 2012, our debt was comprised of the following (in thousands):

	<u>Fixed Rate Debt</u>	<u>Variable Rate Debt</u>
Bank credit facility term loan due 2017	\$ —	\$390,000
Revolving credit facility due 2017	—	90,000
6 7/8 % Senior notes due 2014	150,000	—
6 3/8 % Senior notes due 2019	500,000	—
7 1/8 % Senior notes due 2021	700,000	100,000
Total Debt	<u>\$1,350,000</u>	<u>\$580,000</u>

Based on the amount of this debt outstanding at September 30, 2012, a 10% increase in the variable interest rate would increase our interest expense for the nine months ended September 30, 2012 by approximately \$1.2 million, while a 10% decrease would decrease our interest expense by approximately \$1.2 million.

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Commodity Price Risk

Our revenues, profitability and future rate of growth significantly depend upon the market prices of oil and natural gas. Lower prices may also reduce the amount of oil and gas that can economically be produced.

For additional discussion of the notes, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in Part I, Item 2.

Item 4. Controls and Procedures

- a. Evaluation of disclosure controls and procedures. As of the end of the period covered by this quarterly report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation, that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) are effective for ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Commission’s rules and forms.
- b. Changes in internal control. There has been no change in our internal control over financial reporting that occurred during the three months ended September 30, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. On February 7, 2012, we acquired Complete. For purposes of determining the effectiveness of our disclosure controls and procedures and any change in our internal control over financial reporting for the period covered by this quarterly report on Form 10-Q, management has excluded Complete from its evaluation of these matters. The acquired business represented approximately 46% of our consolidated total assets at September 30, 2012. Management will continue to evaluate our internal controls over financial reporting

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased ⁽¹⁾</u>	<u>Average Price Paid per Share</u>
July 1—31, 2012	739	\$ 21.79
August 1—31, 2012	423	\$ 20.68
September 1—30, 2012	1,409	\$ 22.34
Total	<u>2,571</u>	<u>\$ 21.91</u>

⁽¹⁾ Through our stock incentive plans, 2,571 shares were delivered to us by our employees to satisfy their tax withholding requirements upon vesting of restricted stock.

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Item 6. Exhibits

(a) The following exhibits are filed with this Form 10-Q:

2.1	Agreement and Plan of Merger Agreement and Plan of Merger, dated October 9, 2011, by and among Superior Energy Services, Inc., SPN Fairway Acquisition, Inc. and Complete Production Services, Inc. (incorporated herein by reference to the Company's Current Report on Form 8-K filed October 12, 2011).
3.1	Composite Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-K filed on February 28, 2012).
3.2	Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed on March 12, 2012).
10.1^*	Superior Energy Services, Inc. Amended and Restated Legacy CPX 2008 Incentive Award Plan.
31.1*	Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed with this Form 10-Q

^ Management contract or compensatory plan or arrangement

SIGNATURE

Pursuant to the requirements 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.

Date: November 8, 2012

By: /s/ Robert S. Taylor
Robert S. Taylor
Executive Vice President, Treasurer and
Chief Financial Officer
(Principal Financial and Accounting Officer)

SUPERIOR ENERGY SERVICES, INC.

AMENDED AND RESTATED
LEGACY CPX 2008 INCENTIVE AWARD PLAN

Superior Energy Services, Inc., a Delaware corporation, has assumed this Complete Production Services, Inc., 2008 Incentive Award Plan, as amended, which plan has been renamed the “Superior Energy Services, Inc. Amended and Restated Legacy CPX 2008 Incentive Award Plan,” as it may be amended or restated from time to time (the “Plan”).

The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of the members of the Board, Employees, and Consultants to those of the Company’s stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company’s stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent. The Plan succeeds the Complete Production Services, Inc. Amended and Restated 2001 Stock Incentive Plan, as amended from time to time.

ARTICLE I.

DEFINITIONS

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

1.1 “*Administrator*” shall mean the entity that conducts the general administration of the Plan as provided in Article XI. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 11.6, or as to which the Board has assumed, the term “Administrator” shall refer to such person(s) unless the Committee or the Board has revoked such delegation or the Board has terminated the assumption of such duties.

1.2 “*Award*” shall mean an Option, a Restricted Stock award, a Restricted Stock Unit award, a Performance Award, a Dividend Equivalents award, a Deferred Stock award, a Stock Payment award or a Stock Appreciation Right, which may be awarded or granted under the Plan (collectively, “Awards”).

1.3 “*Award Agreement*” shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

1.4 "Award Limit" shall mean 1,079,924 shares of Common Stock, as adjusted pursuant to Section 11.3; provided, however, that each share of Common Stock subject to an Award shall be counted as one share against the Award Limit. Solely with respect to Performance Awards granted pursuant to Section 8.1(b) and payable in cash, "Award Limit" shall mean \$4,000,000.

1.5 "Board" shall mean the Board of Directors of the Company.

1.6 "Change of Control" shall mean the following, unless a different definition is provided in the Award Agreement:

(a) the acquisition by any person of beneficial ownership of 50% or more of the outstanding shares of the Common Stock or 50% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

(i) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under Section 1.6(c) hereof) of Common Stock directly from the Company;

(ii) any acquisition of Common Stock by the Company;

(iii) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(iv) any acquisition of Common Stock by any corporation or other entity pursuant to a Business Combination that does not constitute a Change of Control under Section 1.6(c) hereof.

(b) individuals who, as of February 7, 2012, constituted the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(c) consummation of a reorganization, share exchange, merger or consolidation (including any such transaction involving any direct or indirect subsidiary of Superior) or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination:

(i) the individuals and entities who were the beneficial owners of the Company's outstanding Common Stock and the Company's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct

or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if applicable, the ultimate parent company thereof (the "Post-Transaction Corporation"); and

(ii) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either the Company, the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 25% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 25% or more of the combined voting power of the then outstanding voting securities of such corporation; and

(iii) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either the Company, the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 25% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 25% or more of the combined voting power of the then outstanding voting securities of such corporation; and

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

For purposes of this Section 1.6, the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

1.7 "Change of Control Value" shall mean the amount determined by whichever of the following items is applicable:

(a) the per share price to be paid to stockholders of the Company in any such merger, consolidation or other reorganization;

(b) the price per share offered to stockholders of the Company in any tender offer or exchange offer whereby a Change of Control takes place;

(c) in all other events, the Fair Market Value per share of Common Stock into which such Options being converted are exercisable, as determined by the Committee as of the date determined by the Committee to be the date of conversion of such Options; or

(d) in the event that the consideration offered to stockholders of the Company in any transaction described in this Section 1.7 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered that is other than cash.

1.8 “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.9 “Committee” shall mean the Compensation Committee of the Board, or another committee or subcommittee comprised solely of independent members of the Board, appointed as provided in Section 10.1.

1.10 “Common Stock” shall mean the common stock of the Company, par value \$0.001 per share.

1.11 “Company” shall mean Superior Energy Services, Inc., a Delaware corporation.

1.12 “Consultant” shall mean any consultant or adviser that qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

1.13 “Deferred Stock” shall mean a right to receive Common Stock awarded under Section 8.5.

1.14 “Director” shall mean a member of the Board as constituted from time to time.

1.15 “Dividend Equivalent” shall mean a right to receive the equivalent value (in cash or Common Stock) of dividends paid on Common Stock, awarded under Section 8.3.

1.16 “DRO” shall mean a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

1.17 “Effective Date” shall mean the date the Plan is approved by the Board, subject to approval of the Plan by the Company’s stockholders.

1.18 “Eligible Individual” means any person who is an Employee, Consultant or a Non-Employee Director, as determined by the Administrator, and who, after February 7, 2012, is eligible to receive Awards under this Plan under New York Stock Exchange Rule 303A.08.

1.19 “Employee” shall mean any officer or other employee (as determined in accordance with Section 3401(c) of the Code and the Treasury Regulations thereunder) of the Company or of any Subsidiary.

1.20 “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time

1.21 “Fair Market Value” means, as of any date, the value of a share of Common Stock determined as follows:

(a) If the Common Stock is listed on any established stock exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select

Market) or national market system, its Fair Market Value shall be the closing sales price for a share of Common Stock as quoted on such exchange or system for such date or, if there is no closing sales price for a share of Common Stock on the date in question, the closing sales price for a share of Common Stock on the last preceding date for which such quotation exists, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(b) If the Common Stock is not listed on an established stock exchange or national market system, but the Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a share of Common Stock on such date, the high bid and low asked prices for a share of Common Stock on the last preceding date for which such information exists, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(c) If the Common Stock is neither listed on an established stock exchange or a national market system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in good faith.

1.22 “Holder” shall mean a person who has been granted an Award.

1.23 “Incentive Stock Option” shall mean an option is intended to qualify as an incentive stock option and conforms to the applicable provisions of Section 422 of the Code.

1.24 “Non-Employee Director” shall mean a member of the Board who is not an Employee.

1.25 “Non-Qualified Stock Option” shall mean an Option that is not an Incentive Stock Option.

1.26 “Option” shall mean a right to purchase shares of Common Stock at a specified exercise price, granted under Article V. An Option shall be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to Non-Employee Directors and Consultants shall be Non-Qualified Stock Options.

1.27 “Performance Award” shall mean a cash bonus award, stock bonus award, performance award or incentive award that is paid in cash, Common Stock or a combination of both, awarded under Section 8.1.

1.28 “Performance-Based Compensation” means any compensation that is intended to qualify as “performance-based compensation” as described in Section 162(m)(4)(C) of the Code.

1.29 “Performance Criteria” means the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as following:

(a) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation and (D) amortization), (ii) gross or net sales

or revenue, (iii) net income (either before or after taxes), (iv) operating earnings or profit, (v) cash flow (including, but not limited to, operating cash flow and free cash flow), (vi) return on assets, (vii) return on capital, (viii) return on stockholders' equity, (ix) return on sales, (x) gross or net profit or operating margin, (xi) costs, (xii) funds from operations, (xiii) expenses, (xiv) working capital, (xv) earnings per share, (xvi) price per share of Common Stock, (xvii) regulatory body approval for commercialization of a product, (xviii) implementation or completion of critical projects, (xix) various safety statistics including any of (a) total reportable incident rates (TRIR), (b) loss time incident rates (LTIR) or (c) workers comp experience modifier and (xx) market share, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group.

The Administrator may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under United States generally accepted accounting principles ("GAAP"); (ix) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company's core, on-going business activities; or (xiv) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions. For all Awards intended to qualify as Performance-Based Compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

1.30 "Performance Goals" means, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual. The achievement of each Performance Goal shall be determined in accordance with GAAP to the extent applicable.

1.31 "Performance Period" means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Holder's right to, and the payment of, a Performance Award.

1.32 "Plan" means this Superior Energy Services, Inc. Amended and Restated Legacy CPX 2008 Incentive Award Plan, as amended or restated from time to time.

1.33 "Prior Award" means a stock option or restricted stock award granted under the Prior Plan.

1.34 "Prior Plan" shall mean the Complete Production Services, Inc. Amended and Restated 2001 Stock Incentive Plan, as amended.

1.35 "Restricted Stock" shall mean Common Stock awarded under Article VII that is subject to certain restrictions and to risk of forfeiture or repurchase.

1.36 "Restricted Stock Units" shall mean rights to receive Common Stock awarded under Section 8.5.

1.37 "Rule 16b-3" shall mean Rule 16b-3 promulgated under the Exchange Act, as such Rule may be amended from time to time.

1.38 "Securities Act" shall mean the Securities Act of 1933, as amended from time to time.

1.39 "Stock Appreciation Right" shall mean a stock appreciation right granted under Article IX.

1.40 "Stock Payment" shall mean: (a) a payment in the form of shares of Common Stock, or (b) an option or other right to purchase shares of Common Stock, as part of a bonus, deferred compensation or other arrangement awarded under Section 8.3.

1.41 "Subsidiary" means any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

1.42 "Substitute Award" shall mean an Option granted under this Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock; provided, however, that in no event shall the term "Substitute Award" be construed to refer to an award made in connection with the cancellation and repricing of an Option.

1.43 "Greater Than 10% Stockholder" shall mean an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary corporation (as defined in Section 424(f) of the Code) or parent corporation thereof (as defined in Section 424(e) of the Code).

1.44 "Termination of Service" shall mean,

(a) As to a Consultant, the time when the engagement of a Holder as a Consultant to the Company or a Subsidiary is terminated for any reason, with or without cause, including, without limitation, by resignation, discharge, death or retirement, but excluding terminations where the Consultant simultaneously commences or remains in employment or service with the Company or any Subsidiary.

(b) As to a Non-Employee Director, the time when a Holder who is a Non-Employee Director ceases to be a Director for any reason, including, without limitation, a termination by resignation, failure to be elected, death or retirement, but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company or any Subsidiary.

(c) As to an Employee, the time when the employee-employer relationship between a Holder and the Company or any Subsidiary is terminated for any reason, including, without limitation, a termination by resignation, discharge, death, disability or retirement; but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company or any Subsidiary.

The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to Terminations of Service, including, without limitation, the question of whether a Termination of Service resulted from a discharge for cause and all questions of whether particular leaves of absence constitute a Termination of Service; provided, however, that, with respect to Incentive Stock Options, unless the Administrator otherwise provides in the terms of the Award Agreement or otherwise, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Service only if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. For purposes of the Plan, a Holder's employee-employer relationship or consultancy relations shall be deemed to be terminated in the event that the Subsidiary employing or contracting with such Holder ceases to remain a Subsidiary following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off).

ARTICLE II.

SHARES SUBJECT TO PLAN

2.1 Shares Subject to Plan.

(a) Subject to Section 12.2(a) and Section 2.1(b), effective February 7, 2012, the aggregate number of shares of Common Stock that may be issued or transferred pursuant to Awards under the Plan shall be equal to five million forty thousand nine hundred forty-eight (5,040,948) ("Authorized Shares"). Effective as of May 21, 2009, the aggregate number of shares of Common Stock available for issuance under the Plan shall be reduced by (i) 1.3 shares for each share of Common Stock delivered in settlement of any Full Value Award (as defined below), and (ii) 1.0 shares for each share of Common Stock delivered in settlement of any Option, Stock Appreciation Right or any other Award that is a not a Full Value Award. In the event of any cancellation, termination, expiration or forfeiture of any Prior Award during the term of the Plan (including any unvested shares of Common Stock that are forfeited by the holder or repurchased by the Company pursuant to the terms of the applicable award agreement at a price not greater than the original purchase price paid by the holder), the number of shares of Common Stock that may be issued or transferred pursuant to Awards under the Plan shall be automatically increased by one share for each share subject to such Prior Award that is so

cancelled, terminated, expired, forfeited or repurchased (collectively, the "Cancelled Prior Award Shares"). In the event of any cancellation, termination, expiration or forfeiture of any Full Value Award that is granted after May 21, 2009 under this Plan, the number of shares of Common Stock that may be issued or transferred pursuant to Awards under the Plan shall be automatically increased by 1.3 shares for each share subject to such Full Value Award that is so cancelled, terminated, expired, forfeited or repurchased. In no event, however, shall the aggregate number of shares available for issuance pursuant to Incentive Stock Options under the Plan after February 7, 2012 exceed 5,040,948. For these purposes, a "Full Value Award" shall mean any Award other than (i) an Option, (ii) a Stock Appreciation Right or (iii) any other Award for which the Holder pays the intrinsic value existing as of the date of grant (whether directly or by forgoing a right to receive a payment from the Company or any Subsidiary).

(b) To the extent that an Award terminates, expires, lapses, settles in cash, or is forfeited for any reason, any shares of Common Stock then subject to such Award shall again be available for the grant of an Award pursuant to the Plan. If any shares of Restricted Stock are surrendered by the Holder or repurchased by the Company pursuant to Section 7.4 hereof, such shares may again be granted or awarded hereunder. To the extent exercised, the full number of shares subject to an Option or Stock Appreciation Right shall be counted for purposes of calculating the aggregate number of shares of Common Stock available for issuance under the Plan and for purposes of calculating the share limitation set forth in Section 3.7, regardless of the actual number of shares issued or transferred upon any net exercise of an Option (in which Common Stock is withheld to satisfy the exercise price or taxes) or upon exercise of any Stock Appreciation Right for Common Stock or cash. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the shares available for issuance under the Plan. To the extent permitted by applicable law or any exchange rule, shares of Common Stock issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Subsidiary shall not be counted against shares of Common Stock available for grant pursuant to this Plan, but shall be available under the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business. Notwithstanding the provisions of this Section 2.1(b), no shares of Common Stock may again be awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code. Notwithstanding the provisions of this Section 2.1(b), no shares shall become available pursuant to this Section 2.1 to the extent that such return of shares would constitute a "material revision" of the Plan subject to stockholder approval under then applicable rules of the New York Stock Exchange (or any other applicable exchange or quotation system).

2.2 Stock Distributed. Any Common Stock distributed pursuant to an Award shall consist, in whole or in part, of authorized and unissued Common Stock, shares of Common Stock held in treasury or shares of Common Stock purchased on the open market.

ARTICLE III. GRANTING OF AWARDS

3.1 Participation. The Administrator shall, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. No Eligible Individual shall have any right to be granted an Award pursuant to the Plan.

3.2 Award Agreement. Each Award shall be evidenced by an Award Agreement. Award Agreements evidencing Awards intended to qualify as Performance-Based Compensation shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

3.3 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.4 At-Will Employment. Nothing in the Plan or in any Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a Director or Consultant for, the Company or any Subsidiary, or shall interfere with or restrict in any way the rights of the Company and any Subsidiary, which rights are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Holder and the Company or any Subsidiary.

3.5 Foreign Holders. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any foreign stock exchange, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable foreign laws or listing requirements of any such foreign stock exchange; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Sections 2.1 and 3.7; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any such foreign stock exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Code, the Exchange Act, the Securities Act or any other securities law or governing statute or any other applicable law.

3.6 *Stand-Alone and Tandem Awards*. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

3.7 *Award Limits*. Notwithstanding any provision in the Plan to the contrary, and subject to Section 12.2(a), the maximum number of shares of Common Stock with respect to one or more Awards that may be granted to any Eligible Individual during any calendar year shall not exceed the applicable Award Limit. To the extent required by Section 162(m) of the Code, shares subject to Awards which are canceled shall continue to be counted against the Award Limit. In addition, the maximum cash payment with respect to one or more Performance Awards granted pursuant to Section 8.1(b) and payable in cash that may be granted to any Eligible Individual during any calendar year shall not exceed the Award Limit.

ARTICLE IV.

PROVISIONS APPLICABLE TO AWARDS INTENDED TO QUALIFY AS PERFORMANCE-BASED COMPENSATION.

4.1 *Purpose*. The Committee, in its sole discretion, may determine whether an Award is to qualify as Performance-Based Compensation. If the Committee, in its sole discretion, decides to grant such an Award to an Eligible Individual that is intended to qualify as Performance-Based Compensation, then the provisions of this Article IV shall control over any contrary provision contained in this Plan. The Administrator may in its sole discretion grant Awards to Eligible Individuals that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article IV and that are not intended to qualify as Performance-Based Compensation.

4.2 *Applicability*. The grant of an Award to an Eligible Individual for a particular Performance Period shall not require the grant of an Award to such Individual in any subsequent Performance Period and the grant of an Award to any one Eligible Individual shall not require the grant of an Award to any other Eligible Individual in such period or in any other period.

4.3 *Types of Awards*. Notwithstanding anything in the Plan to the contrary, the Committee may grant any type of Award to an Eligible Individual intended to qualify as Performance-Based Compensation, including, without limitation, Restricted Stock the restrictions with respect to which lapse upon the attainment of specified Performance Goals and any performance or incentive Awards described in Article VIII that vest or become exercisable or payable upon the attainment of one or more specified Performance Goals.

4.4 *Procedures with Respect to Performance-Based Awards*. To the extent necessary to comply with the requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under Articles VII or VIII to one or more Eligible Individuals that is intended to qualify as Performance-Based Compensation, no later than 90 days following the commencement of any Performance Period or any designated fiscal period or period of service (or such earlier time as may be required under Section 162(m) of the Code), the Committee shall, in writing, (a)

designate one or more Eligible Individuals, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period based on the Performance Criteria, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Holder for such Performance Period. Following the completion of each Performance Period, the Committee shall certify in writing whether and the extent to which the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned under such Awards, the Committee shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Period.

4.5 Payment of Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement, as to an Award that is intended to qualify as Performance-Based Compensation, the Holder must be employed by the Company or a Subsidiary throughout the Performance Period. Furthermore, a Holder shall be eligible to receive payment pursuant to such Awards for a Performance Period only if and to the extent the Performance Goals for such period are achieved.

4.6 Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to an Eligible Individual and is intended to qualify as Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code or any regulations or rulings issued thereunder that are requirements for qualification as Performance-Based Compensation, and the Plan and the Award Agreement shall be deemed amended to the extent necessary to conform to such requirements.

ARTICLE V. GRANTING OF OPTIONS

5.1 Granting of Options to Eligible Individuals.

(a) The Administrator shall from time to time, in its sole discretion, and, subject to applicable limitations of the Plan:

(i) Select from among the Eligible Individuals (including Eligible Individuals who have previously received Awards under the Plan) such of them as in its opinion should be granted Options;

(ii) Subject to Section 3.7, determine the number of shares to be subject to such Options granted to the selected Eligible Individuals;

(iii) Subject to Section 5.2, determine whether such Options are to be Incentive Stock Options or Non-Qualified Stock Options; and

(iv) Determine the terms and conditions of such Options, which shall not be inconsistent with the Plan.

(b) Upon the selection of an Eligible Individual to be granted an Option, the Administrator shall instruct the Secretary of the Company to issue the Option and may impose such conditions on the grant of the Option as it deems appropriate.

5.2 Qualification of Incentive Stock Options. No Incentive Stock Option shall be granted to any person who is not an Employee of the Company or any subsidiary corporation of the Company (as defined in Section 424(f) of the Code). Any Incentive Stock Option granted under the Plan may be modified by the Administrator, with the consent of the Holder, to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code. To the extent that the aggregate fair market value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a Holder during any calendar year under the Plan, and all other plans of the Company and any subsidiary corporation (as defined in Section 424(f) of the Code) or parent corporation thereof (as defined in Section 424(e) of the Code), exceeds \$100,000, the Options shall be treated as Non-Qualified Stock Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options and other "incentive stock options" into account in the order in which they were granted and the fair market value of stock shall be determined as of the time the respective options were granted.

5.3 Option Exercise Price. The exercise price per share of Common Stock subject to each Option shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or, as to Incentive Stock Options, on the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code). In addition, in the case of Incentive Stock Options granted to a Greater Than 10% Stockholder, such price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code).

5.4 Option Term. The term of each Option shall be set by the Administrator in its sole discretion; provided, however, that the term shall not be more than ten (10) years from the date the Option is granted, or five (5) years from the date an Incentive Stock Option is granted to a Greater Than 10% Stockholder. The Administrator shall determine the time period, including the time period following a Termination of Service, during which the Holder has the right to exercise the vested Options, which time period may not extend beyond the term of the Option term. Except as limited by the requirements of Section 409A or Section 422 of the Code and regulations and rulings thereunder, the Administrator may extend the term of any outstanding Option, and may extend the time period during which vested Options may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Option relating to such a Termination of Service.

5.5 Option Vesting.

(a) The period during which the right to exercise, in whole or in part, an Option vests in the Holder shall be set by the Administrator and the Administrator may determine that an Option may not be exercised in whole or in part for a specified period after it is granted. Such vesting may be based on service with the Company or any Subsidiary, any of the Performance Criteria, or any other criteria selected by the Administrator. At any time after grant of an Option, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests.

(b) No portion of an Option which is unexercisable at the Holder's Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Award Agreement or by action of the Administrator following the grant of the Option.

5.6 Substitute Awards. Notwithstanding the foregoing provisions of this Article V to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

5.7 Substitution of Stock Appreciation Rights. The Administrator may provide in the Award Agreement evidencing the grant of an Option that the Administrator, in its sole discretion, shall have the right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option; provided, that such Stock Appreciation Right shall be exercisable with respect to the same number of shares of Common Stock for which such substituted Option would have been exercisable.

ARTICLE VI.

EXERCISE OF OPTIONS

6.1 Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may require that, by the terms of the Option, a partial exercise must be with respect to a minimum number of shares.

6.2 Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 10.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option; and

(d) Full payment of the exercise price and applicable withholding taxes to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised, in a manner permitted by Section 10.1.

6.3 Notification Regarding Disposition. The Holder shall give the Company prompt notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option within (a) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Holder, or (b) one year after the transfer of such shares to such Holder.

ARTICLE VII.

AWARD OF RESTRICTED STOCK

7.1 Award of Restricted Stock.

(a) The Administrator shall determine the terms and conditions, including the restrictions applicable to each award of Restricted Stock, which terms and conditions shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

(b) The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that such purchase price shall be no less than the par value of the Common Stock to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

7.2 Rights as Stockholders. Subject to Section 7.4, upon issuance of Restricted Stock, the Holder shall have, unless otherwise provided by the Administrator, all the rights of a stockholder with respect to said shares, subject to the restrictions in his or her Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that, in the sole discretion of the Administrator, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 7.3.

7.3 Restrictions. All shares of Restricted Stock (including any shares received by Holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Award Agreement, be subject to such restrictions and vesting requirements as the Administrator shall provide. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability and such restrictions may lapse separately or in combination at such times and

pursuant to such circumstances or based on such criteria as selected by the Administrator, including, without limitation, criteria based on the Holder's duration of employment, directorship or consultancy with the Company, the Performance Criteria, Company performance, individual performance or other criteria selected by the Administrator. By action taken after the Restricted Stock is issued, the Administrator may, on such terms and conditions as it may determine to be appropriate, accelerate the vesting of such Restricted Stock by removing any or all of the restrictions imposed by the terms of the Award Agreement, or continue to vest such Restricted Stock in accordance with the terms of the Award Agreement following a Termination of Service. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire.

7.4 Repurchase or Forfeiture of Restricted Stock. If no price was paid by the Holder for the Restricted Stock, upon a Termination of Service the Holder's rights in unvested Restricted Stock then subject to restrictions shall lapse, and such Restricted Stock shall be surrendered to the Company and cancelled without consideration. If a price was paid by the Holder for the Restricted Stock, upon a Termination of Service the Company shall have the right to repurchase from the Holder the unvested Restricted Stock then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Stock. The Administrator in its sole discretion may provide, in the Award Agreement or by action after the Restricted Stock is issued, that in the event of certain events, including a Change of Control, the Holder's death, retirement or disability or any other specified Termination of Service or any other event, the Holder's rights in unvested Restricted Stock shall not lapse, such Restricted Stock shall either vest immediately upon the occurrence of such specified event or continue to vest in accordance with the terms of the Award Agreement and, if applicable, the Company shall not have a right of repurchase.

7.5 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing shares of Restricted Stock must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, in its sole discretion, retain physical possession of any stock certificate until such time as all applicable restrictions lapse.

7.6 Section 83(b) Election. If a Holder makes an election under Section 83(b) of the Code, or any successor section thereto, to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Holder would otherwise be taxable under Section 83(a) of the Code, the Holder shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service.

ARTICLE VIII.

**AWARD OF PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS,
DEFERRED STOCK, STOCK PAYMENTS, RESTRICTED STOCK UNITS**

8.1 Performance Awards.

(a) The value of Performance Awards may be linked to any one or more of the Performance Criteria or other specific criteria determined by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. In making such determinations, the Administrator shall consider (among such other factors as it deems relevant in light of the specific type of Award) the contributions, responsibilities and other compensation of the particular Eligible Individual. Performance Awards may be paid in cash, shares of Common Stock, or both, as determined by the Administrator.

(b) Without limiting Section 8.1(a), the Administrator may grant to any Employee Performance Awards intended to qualify as Performance Based Compensation, payable in cash based upon the attainment of objective Performance Goals which are established by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator, and which comply with Article IV.

8.2 Dividend Equivalents.

(a) Dividend Equivalents may be granted by the Administrator based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date an Award is granted to a Holder and the date such Award vests, is exercised, is distributed or expires, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Administrator.

(b) Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights.

8.3 Stock Payments. The number or value of shares of any Stock Payment shall be determined by the Administrator and may be based upon one or more Performance Criteria or any other specific criteria, including service to the Company or any Subsidiary, determined by the Administrator. Stock Payments may, but are not required to be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to such Eligible Individual.

8.4 Deferred Stock. The number of shares of Deferred Stock shall be determined by the Administrator and may be based on one or more Performance Criteria or other specific criteria, including service to the Company or any Subsidiary, as the Administrator determines, in each case on a specified date or dates or over any period or periods determined by the Administrator. Common Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or other conditions or criteria set by the Administrator. Unless otherwise provided by the Administrator, a Holder of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Award has vested and the Common Stock underlying the Award has been issued to the Holder.

8.5 *Restricted Stock Units*. The number and terms and conditions of Restricted Stock Units shall be determined by the Administrator. The Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including conditions based on one or more Performance Criteria or other specific criteria, including service to the Company or any Subsidiary, in each case on a specified date or dates or over any period or periods, as the Administrator determines. The Administrator shall specify, or permit the Holder to elect, the conditions and dates upon which the shares of Common Stock underlying the Restricted Stock Units which shall be issued, which dates shall not be earlier than the date as of which the Restricted Stock Units vest and become nonforfeitable and which conditions and dates shall be subject to compliance with Section 409A of the Code. On the distribution dates, the Company shall issue to the Holder one unrestricted, fully transferable share of Common Stock for each vested and nonforfeitable Restricted Stock Unit.

8.6 *Term*. The term of a Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award shall be set by the Administrator in its sole discretion.

8.7 *Exercise or Purchase Price*. The Administrator may establish the exercise or purchase price of a Performance Award, shares of Deferred Stock, shares distributed as a Stock Payment award or shares distributed pursuant to a Restricted Stock Unit award; provided, however, that value of the consideration shall not be less than the par value of a share of Common Stock, unless otherwise permitted by applicable state law.

8.8 *Exercise Upon Termination of Service*. A Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award is exercisable or distributable only while the Holder is an Employee, Director or Consultant, as applicable. The Administrator, however, in its sole discretion may provide that the Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award may be exercised or distributed subsequent to a Termination of Service in certain events, including a Change of Control, the Holder's death, retirement or disability or any other specified Termination of Service.

ARTICLE IX.

AWARD OF STOCK APPRECIATION RIGHTS

9.1 *Grant of Stock Appreciation Rights*. A Stock Appreciation Right may be granted: (a) in connection and simultaneously with the grant of an Option, or (b) independent of an Option. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Administrator shall impose.

9.2 Coupled Stock Appreciation Rights.

(a) A Coupled Stock Appreciation Right (“CSAR”) shall be related to a particular Option and shall be exercisable only when and to the extent the related Option is exercisable.

(b) A CSAR may be granted to the Holder for no more than the number of shares subject to the simultaneously granted Option to which it is coupled.

(c) A CSAR shall entitle the Holder (or other person entitled to exercise the Option pursuant to the Plan) to surrender to the Company unexercised a portion of the Option to which the CSAR relates (to the extent then exercisable pursuant to its terms) and to receive from the Company in exchange therefor an amount determined by multiplying (i) the difference obtained by subtracting the exercise price per share of the CSAR from (ii) the Fair Market Value of a share of Common Stock on the date of exercise of the CSAR by the number of shares of Common Stock with respect to which the CSAR shall have been exercised, subject to any limitations the Administrator may impose.

9.3 Independent Stock Appreciation Rights.

(a) An Independent Stock Appreciation Right (“ISAR”) shall be unrelated to any Option and shall have a term set by the Administrator in its sole discretion, which term shall not be more than ten years following the date of grant of the ISAR. An ISAR shall be exercisable in such installments as the Administrator may determine. An ISAR shall cover such number of shares of Common Stock as the Administrator may determine. The exercise price per share of Common Stock subject to each ISAR shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the ISAR is granted. An ISAR is exercisable only while the Holder is an Employee, Non-Employee Director or Consultant; provided, that the Administrator may determine that the ISAR may be exercised subsequent to Termination of Service or following a Change of Control, or because of the Holder’s retirement, death or disability, or termination without cause, or otherwise to the extent not inconsistent with the terms of any employment agreement or other commitments made by the Company.

(b) An ISAR shall entitle the Holder (or other person entitled to exercise the ISAR pursuant to the Plan) to exercise all or a specified portion of the ISAR (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying (i) the difference obtained by subtracting the exercise price per share of the ISAR from the Fair Market Value of a share of Common Stock on the date of exercise of the ISAR by (ii) the number of shares of Common Stock with respect to which the ISAR shall have been exercised, subject to any limitations the Administrator may impose.

9.4 Payment. Payment of the amounts determined under Section 9.2(c) and 9.3(b) above shall be in cash, shares of Common Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised), or a combination of both, as determined by the Administrator.

ARTICLE X.

ADDITIONAL TERMS OF AWARDS

10.1 *Payment.* The Administrator shall determine the methods by which payments with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) shares of Common Stock (including, in the case of payment of the exercise price of an Award, shares of Common Stock issuable pursuant to the exercise of the Award) or shares of Common Stock held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) delivery of a notice that the Holder has placed a market sell order with a broker with respect to shares of Common Stock then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required, provided, that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) any other form of legal consideration acceptable to the Administrator. The Administrator shall also determine the methods by which shares of Common Stock shall be delivered or deemed to be delivered to Holders. Notwithstanding any other provision of the Plan to the contrary, no Holder who is a Director or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

10.2 *Tax Withholding.* The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Holder to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder’s FICA or employment tax obligation) required by law to be withheld with respect to any taxable event concerning a Holder arising as a result of this Plan. The Administrator may in its sole discretion and in satisfaction of the foregoing requirement allow a Holder to elect to have the Company withhold shares of Common Stock otherwise issuable under an Award (or allow the surrender of shares of Common Stock). The number of shares of Common Stock which may be so withheld or surrendered shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The Administrator shall determine the fair market value of the Common Stock, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker-assisted cashless option exercise involving the sale of shares to pay the option exercise price or tax withholding obligation.

10.3 *Transferability of Awards.*

(a) Except as otherwise provided in Section 10.3(b):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed;

(ii) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and

(iii) During the lifetime of the Holder, only the Holder may exercise an Award (or any portion thereof) granted to him under the Plan, unless it has been disposed of pursuant to a DRO; after the death of the Holder, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Holder's will or under the then applicable laws of descent and distribution.

(b) Notwithstanding Section 10.3(a), the Administrator, in its sole discretion, may determine to permit a Holder to transfer a Non-Qualified Stock Option to any one or more Permitted Transferees (as defined below), subject to the following terms and conditions: (i) a Non-Qualified Stock Option transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) any Non-Qualified Stock Option which is transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Non-Qualified Stock Option as applicable to the original Holder (other than the ability to further transfer the Non-Qualified Stock Option); and (iii) the Holder and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal, state and foreign securities laws and (C) evidence the transfer. For purposes of this Section 10.3(b), " Permitted Transferee " shall mean, with respect to a Holder, any "family member" of the Holder, as defined under the instructions to use of the Form S-8 Registration Statement under the Securities Act, or any other transferee specifically approved by the Administrator after taking into account any state, federal, local or foreign tax and securities laws applicable to transferable Non-Qualified Stock Options.

(c) Notwithstanding Section 10.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Holder, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Holder is married and resides in a community property state, a designation of a person other than the Holder's spouse as his or her beneficiary with respect to more than 50% of the Holder's interest in the Award shall not be effective without the prior written consent of the Holder's spouse. If no beneficiary

has been designated or survives the Holder, payment shall be made to the person entitled thereto pursuant to the Holder's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Holder at any time provided the change or revocation is filed with the Administrator prior to the Holder's death.

10.4 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing shares of Common Stock pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance of such shares is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Common Stock are listed or traded, and the shares of Common Stock are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Board may require that a Holder make such reasonable covenants, agreements, and representations as the Board, in its sole discretion, deems advisable in order to comply with any such laws, regulations, or requirements.

(b) All Common Stock certificates delivered pursuant to the Plan and all shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign securities or other laws, rules and regulations and the rules of any securities exchange or automated quotation system on which the Common Stock is listed, quoted, or traded. The Administrator may place legends on any Common Stock certificate or book entry to reference restrictions applicable to the Common Stock.

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) No fractional shares of Common Stock shall be issued and the Administrator shall determine, in its sole discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

10.5 Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in the terms of Awards made under the Plan, or to require a Holder to agree by separate written instrument, that: (a)(i) any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Common Stock underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (b)(i) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (ii) the Holder at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Administrator or (iii) the Holder incurs a Termination of Service for "cause" (as such term is defined in the sole discretion of the Administrator, or as set forth in a written agreement relating to such Award between the Company and the Holder).

10.6 Prohibition on Repricing. Subject to Section 12.2, the Administrator shall not, without the approval of the stockholders of the Company, authorize the amendment of any outstanding Award to reduce its price per share. Furthermore, no Award shall be canceled and replaced with the grant of an Award having a lesser price per share without the further approval of stockholders of the Company. Subject to Section 12.2, the Administrator shall have the authority, without the approval of the stockholders of the Company, to amend any outstanding award to increase the price per share or to cancel and replace an Award with the grant of an Award having a price per share that is greater than or equal to the price per share of the original Award.

ARTICLE XI.
ADMINISTRATION

11.1 Administrator. The Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall administer the Plan (except as otherwise permitted herein) and shall consist solely of two or more Non-Employee Directors appointed by and holding office at the pleasure of the Board, each of whom is intended to qualify as both a “non-employee director” as defined by Rule 16b-3 of the Exchange Act or any successor rule, an “outside director” for purposes of Section 162(m) of the Code and an “independent director” under the rules of the New York Stock Exchange (or other principal securities market on which shares of Common Stock are traded); provided, that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 11.1 or otherwise provided in any charter of the Committee. Except as may otherwise be provided in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may only be filled by the Board. Notwithstanding the foregoing, (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors and (b) the Board or Committee may delegate its authority hereunder to the extent permitted by Section 11.6.

11.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Award Agreement, provided that the rights or obligations of the holder of the Award that is the subject of any such Award Agreement are not affected adversely by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 12.10. Any such grant or award under the Plan need not be the same with respect to each holder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its sole discretion, the Board may at any time and from time to time exercise any and all

rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule, or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

11.3 Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

11.4 Authority of Administrator. Subject to any specific designation in the Plan, the Administrator has the exclusive power, authority and sole discretion to:

(a) Designate Eligible Individuals to receive Awards;

(b) Determine the type or types of Awards to be granted to each Holder;

(c) Determine the number of Awards to be granted and the number of shares of Common Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Common Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Holder;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

11.5 *Decisions Binding.* The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

11.6 *Delegation of Authority.* To the extent permitted by applicable law, the Board or Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards; provided, however, that in no event shall an officer be delegated the authority to grant awards to, or amend awards held by, the following individuals: (a) individuals who are subject to Section 16 of the Exchange Act, (b) any Employee who is a "covered employee" within the meaning of Section 162(m) of the Code, or (c) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation, and the Board may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 11.6 shall serve in such capacity at the pleasure of the Board and the Committee.

ARTICLE XII.

MISCELLANEOUS PROVISIONS

12.1 *Amendment, Suspension or Termination of the Plan.* Except as otherwise provided in this Section 12.1, the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator. However, without approval of the Company's stockholders given within twelve (12) months before or after the action by the Administrator, no action of the Administrator may, except as provided in Section 12.2, (i) increase the limits imposed in Section 2.1 on the maximum number of shares which may be issued under the Plan, or (ii) decrease the exercise price of any outstanding Option or Stock Appreciation Right granted under the Plan. Except as provided in Section 12.10, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides. No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and in no event may any Award be granted under the Plan after February 21, 2018.

12.2 *Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.*

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of Common Stock or the share price of the Common Stock, the Administrator shall make equitable adjustments, if any, to reflect such change with respect to (i) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section

2.1 on the maximum number and kind of shares which may be issued under the Plan, and adjustments of the Award Limit); (ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iv) the grant or exercise price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code or any successor provision.

(b) In the event of any transaction or event described in Section 12.2(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Holder's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Holder's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 12.2 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion having an aggregate value not exceeding the amount that could have been attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Notice; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) Change of Control.

(i) Effective February 7, 2012, upon a Change of Control of the type described in Section 1.6(a) or (b) or immediately prior to any Change of Control of the type described in Section 1.6(c) or (d), and if determined by the Committee and so provided in the Award Agreement, all outstanding Awards granted pursuant to this Plan shall automatically become fully vested and exercisable, all restrictions or limitations on any Awards shall automatically lapse and, unless otherwise provided in the applicable Award Agreement, all performance criteria and other conditions relating to the payment of Awards shall be deemed to be achieved at the target level without the necessity of action by any person. As used in the immediately preceding sentence, 'immediately prior' to the Change of Control shall mean sufficiently in advance of the Change of Control to permit the grantee to take all steps reasonably necessary (i) if an optionee, to exercise any such option fully and (ii) to deal with the shares purchased or acquired under any such option or other Award and any formerly restricted shares on which restrictions have lapsed so that all types of shares may be treated in the same manner in connection with the Change of Control as the shares of Common Stock of other stockholders.

(ii) No later than 30 days after a Change of Control of the type described in Section 1.6(a) or (b) and no later than 30 days after the approval by the Board of a Change of Control of the type described in Section 1.6(c) or (d), the Committee, acting in its sole discretion without the consent or approval of any participant (and notwithstanding any removal or attempted removal of some or all of the members thereof as directors or Committee members), may act to effect one or more of the alternatives listed below, which may vary among individual participants and which may vary among Awards held by any individual participant:

(A) require that all outstanding Options or Stock Appreciation Right awards be exercised on or before a specified date (before or after such Change of Control) fixed by the Committee, after which specified date all such unexercised Awards and all rights of participants thereunder shall terminate;

(B) make such equitable adjustments to Awards then outstanding as the Committee deems appropriate to reflect such Change of Control (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary);

(C) provide for mandatory conversion of some or all of the outstanding Awards held by some or all participants as of a date, before or after such Change of Control, specified by the Committee, in which event such Awards shall be deemed automatically cancelled and the Company shall pay, or cause to be paid, to each such participant an amount of cash per share equal to the excess, if any, of the Change of Control Value of the

shares subject to such Award, over the exercise or base price of such Award, if applicable, or, in lieu of such cash payment, the issuance of Common Stock or securities of an acquiring entity having a Fair Market Value equal to such excess; provided, however, that no such mandatory conversion shall occur if it would result in the imposition of a penalty on the participant under Section 409A of the Code as a result of such cash payment or issuance of securities; or

(D) provide that thereafter, upon any exercise or payment of an Award that entitles the holder to receive Common Stock, the holder shall be entitled to purchase or receive under such Award in lieu of the number of shares of Common Stock then covered by the Award, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the holder would have been entitled pursuant to the terms of the agreement providing for the reorganization, share exchange, merger, consolidation or asset sale, if, immediately prior to such Change of Control, the holder had been the record owner of the number of shares of Common Stock then covered by such Award.

(d) The Administrator may, in its sole discretion, include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of this Plan.

(e) With respect to Awards which are intended to qualify as Performance-Based Compensation, no adjustment or action described in this Section 12.2 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify as Performance-Based Compensation, unless the Administrator determines that the Award should not so qualify. No adjustment or action described in this Section 12.2 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b) (1) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.

(f) The existence of the Plan, the Award Agreement and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(g) No action shall be taken under this Section 12.2 which shall cause an Award to fail to comply with Section 409A of the Code or the Treasury Regulations thereunder, to the extent applicable to such Award.

12.3 Approval of Plan by Stockholders. The Plan will be submitted for the approval of the Company's stockholders within twelve (12) months after the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval, provided that such Awards shall not be exercisable, shall not vest and the restrictions thereon shall not lapse and no shares of Common Stock shall be issued pursuant thereto prior to the time when the Plan is approved by the stockholders, and provided further that if such approval has not been obtained at the end of said twelve (12) month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

12.4 No Stockholders Rights. Except as otherwise provided herein, a Holder shall have none of the rights of a stockholder with respect to shares of Common Stock covered by any Award until the Holder becomes the record owner of such shares of Common Stock.

12.5 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

12.6 Effect of Plan Upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in the Plan shall be construed to limit the right of the Company or any Subsidiary: (a) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Subsidiary, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

12.7 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of shares of Common Stock and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all applicable federal, state, local and foreign laws, rules and regulations (including but not limited to state, federal and foreign securities law and margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

12.8 Titles and Headings, References to Sections of the Code. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code shall include any amendment or successor thereto.

12.9 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

12.10 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

12.11 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Holders or any other persons uniformly.

12.12 Unfunded Status of Awards. The Plan is intended to be an “unfunded” plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Holder any rights that are greater than those of a general creditor of the Company or any Subsidiary.

12.13 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; provided he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company’s Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

12.14 Relationship to Other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

12.15 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

* * * * *

This Plan was assumed by Superior in its merger with Complete Production Services, Inc., which became effective February 7, 2012, and adopted by the Board of Directors of Superior in its current amended and restated form on August 31, 2012.

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) / 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, David D. Dunlap, President and Chief Executive Officer of Superior Energy Services, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Superior Energy Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2012

/s/ David D. Dunlap

David D. Dunlap
President and Chief Executive Officer
Superior Energy Services, Inc.

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) / 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Robert S. Taylor, Executive Vice President, Treasurer and Chief Financial Officer of Superior Energy Services, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Superior Energy Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2012

/s/ Robert S. Taylor

Robert S. Taylor
Executive Vice President, Treasurer and
Chief Financial Officer
Superior Energy Services, Inc.

**CERTIFICATION PURSUANT TO
SECTION 1350 OF TITLE 18 OF THE U.S. CODE**

I, David D. Dunlap, President and Chief Executive Officer of Superior Energy Services, Inc. (the "Company"), certify, pursuant to Section 1350 of Title 18 of the U.S. Code, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

1. the quarterly report on Form 10-Q of the Company for the quarter ended September 30, 2012 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Report or as a separate disclosure document.

Date: November 8, 2012

/s/ David D. Dunlap

David D. Dunlap
President and Chief Executive Officer
Superior Energy Services, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
SECTION 1350 OF TITLE 18 OF THE U.S. CODE**

I, Robert S. Taylor, Executive Vice President, Treasurer and Chief Financial Officer of Superior Energy Services, Inc. (the "Company"), certify, pursuant to Section 1350 of Title 18 of the U.S. Code, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

1. the quarterly report on Form 10-Q of the Company for the quarter ended September 30, 2012 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Report or as a separate disclosure document.

Date: November 8, 2012

/s/ Robert S. Taylor

Robert S. Taylor
Executive Vice President, Treasurer and Chief
Financial Officer
Superior Energy Services, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.