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, 2022
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
Commission Company Name: SUPERIOR ENERGY SERVICES, INC

SUPERIOR ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**87-4613576** **(I.R.S. Employer Identification No.)**
1001 Louisiana Street, Suite 2900 **Houston, TX** **(Address of principal executive offices)**	**77002** **(Zip Code)**

Registrant's telephone number, including area code: (713) 654-2200

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

Title of each class	Trading symbol	Name of each exchange on which registered
None	**N/A**	**None**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No

The number of shares of the registrant's Class A common stock outstanding on October 31, 2022 was 19,998,695.
The number of shares of the registrant's Class B common stock outstanding on October 31, 2022 was 76,269.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (the "Form 10-Q") and other documents filed by us with the Securities and Exchange Commission (the "SEC") contain, and future oral or written statements or press releases by us and our management may contain, forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks" and "estimates," variations of such words and similar expressions identify forward-looking statements. All statements, other than statements of historical fact, included in this Form 10-Q regarding our financial position, financial performance, liquidity, strategic alternatives, market outlook, future capital needs, capital allocation plans, 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 their experience and prevailing circumstances on the date such statements are made. Such forward-looking statements, and the assumptions on which they are based, are inherently speculative and are subject to a number of risks and uncertainties that could cause our actual results to differ materially from such statements. Such risks and uncertainties include, but are not limited to:

- risks and uncertainties regarding the continuing effects of residual bankruptcy proceedings on us and our various constituents; attendant risks associated with restrictions on our ability to pursue our business strategies;
- the difficulty to predict our long-term liquidity requirements and the adequacy of our capital resources;
- restrictive covenants in the Credit Facility (as defined below) could limit our growth and our ability to finance our operations, fund our capital needs, respond to changing conditions and engage in other business activities that may be in our best interests;
- the conditions in the oil and gas industry;
- U.S. and global market and economic conditions, including impacts relating to inflation and supply chain disruptions;
- the effects of public health threats, pandemics and epidemics, and the adverse impact thereof on our growth, operating costs, supply chain, labor availability, logistical capabilities, customer demand and industry demand generally, margins, utilization, cash position, taxes, the price of our securities, and our ability to access capital markets, including the macroeconomic effects from the continuing COVID-19 pandemic;
- the ability of the members of Organization of Petroleum Exporting Countries ("OPEC+") to agree on and to maintain crude oil price and production controls;
- operating hazards, including the significant possibility of accidents resulting in personal injury or death, or property damage for which we may have limited or no insurance coverage or indemnification rights;
- the possibility of not being fully indemnified against losses incurred due to catastrophic events;
- claims, litigation or other proceedings that require cash payments or could impair financial condition;
- credit risk associated with our customer base;
- the effect of regulatory programs and environmental matters on our operations or prospects;
- the impact that unfavorable or unusual weather conditions could have on our operations;
- the potential inability to retain key employees and skilled workers;
- political, legal, economic and other uncertainties associated with our international operations could materially restrict our operations or expose us to additional risks;
- potential changes in tax laws, adverse positions taken by tax authorities or tax audits impacting our operating results;
- changes in competitive and technological factors affecting our operations;
- risks associated with the uncertainty of macroeconomic and business conditions worldwide;
- risks to our operations from potential cyber-attacks;
- counterparty risks associated with reliance on key suppliers;
- challenges with estimating our potential liabilities related to our oil and natural gas property;
- risks associated with potential changes of Bureau of Ocean Energy Management ("BOEM") security and bonding requirements for offshore platforms;
- the likelihood that the interests of our significant stockholders may conflict with the interests of our other stockholders;
- the risks associated with owning our Class A Common Stock, par value $0.01 per share (the "Class A Common Stock"), for which there is no public market; and
- the likelihood that our stockholders agreement may prevent certain transactions that could otherwise be beneficial to our stockholders.

These risks and other uncertainties related to our business are described in detail in our Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K") and this Form 10-Q Part II, Item 1A, "Risk Factors". We undertake no obligation to update any of our forward-looking statements in this discussion. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements and Notes

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except per share data)
(unaudited)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 453,682	$ 314,974
Accounts receivable, net	222,646	182,432
Income taxes receivable	5,527	5,099
Prepaid expenses	16,029	15,861
Inventory	69,962	60,603
Investment in equity securities	16,888	25,735
Other current assets	5,790	6,701
Assets held for sale	18,314	37,528
Total current assets	808,838	648,933
Property, plant and equipment, net	283,906	356,274
Note receivable	66,078	60,588
Restricted cash	79,757	79,561
Other long-term assets, net	48,636	54,152
Total assets	$ 1,287,215	$ 1,199,508
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 51,398	$ 43,080
Accrued expenses	107,972	108,610
Income taxes payable	15,900	8,272
Liabilities held for sale	3,666	5,607
Total current liabilities	178,936	165,569
Decommissioning liability	144,781	190,380
Deferred income taxes	21,761	12,441
Other long-term liabilities	80,616	89,385
Total liabilities	426,094	457,775
Stockholders' equity (deficit):		
Class A common stock $0.01 par value; 50,000 shares authorized; 19,999 shares issued and outstanding at September 30, 2022 and December 31, 2021	200	200
Class B common stock $0.01 par value; 2,000 shares authorized; 114 shares issued and 76 shares outstanding at September 30, 2022 and December 31, 2021	1	1
Class A Additional paid-in capital	902,486	902,486
Class B Additional paid-in capital	4,743	1,224
Accumulated deficit	(46,309)	(162,178)
Total stockholders' equity	861,121	741,733
Total liabilities and stockholders' equity	$ 1,287,215	$ 1,199,508

See accompanying notes to unaudited condensed consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

(unaudited)

	For the Three Months Ended September 30, 2022	
	2022	**2021**
Revenues:		
Services	$ 99,763	$ 85,667
Rentals	80,173	59,420
Product sales	42,351	33,496
Total revenues	222,287	178,583
Cost of revenues:		
Services	66,205	71,688
Rentals	25,816	26,011
Product sales	24,060	28,371
Total cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	116,081	126,070
Depreciation, depletion, amortization and accretion:		
Services	8,266	28,426
Rentals	6,749	19,717
Product sales	5,493	11,065
Total depreciation, depletion, amortization and accretion	20,508	59,208
General and administrative expenses	31,841	33,671
Restructuring expenses	1,223	4,712
Other (gains) and losses, net	(13,397)	(1,097)
Income (loss) from operations	66,031	(43,981)
Other income (expense):		
Interest income, net	3,373	647
Other income (expense)	(6,838)	(6,224)
Income (loss) from continuing operations before income taxes	62,566	(49,558)
Income tax (expense) benefit	(14,058)	9,518
Net income (loss) from continuing operations	48,508	(40,040)
Income (loss) from discontinued operations, net of income tax	17	(5,161)
Net income (loss)	$ 48,525	$ (45,201)
Income (loss) per share - basic:		
Net income (loss) from continuing operations	$ 2.42	$ (2.00)
Income (loss) from discontinued operations, net of income tax	-	(0.26)
Net income (loss)	$ 2.42	$ (2.26)
Income (loss) per share - diluted:		
Net income (loss) from continuing operations	$ 2.41	$ (2.00)
Income (loss) from discontinued operations, net of income tax	0.01	(0.26)
Net income (loss)	$ 2.42	$ (2.26)
Weighted-average shares outstanding - basic	20,024	19,999
Weighted-average shares outstanding - diluted	20,090	19,999

See accompanying notes to unaudited condensed consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

(unaudited)

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021
Revenues:			
Services	$ 291,268	$ 209,133	$ 19,234
Rentals	224,328	143,972	14,434
Product sales	129,261	97,213	12,260
Total revenues	644,857	450,318	45,928
Cost of revenues:			
Services	199,903	166,801	15,080
Rentals	74,664	60,960	5,876
Product sales	74,862	69,391	8,817
Total cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	349,429	297,152	29,773
Depreciation, depletion, amortization and accretion:			
Services	30,224	73,174	3,500
Rentals	23,278	50,558	2,627
Product sales	24,437	34,524	2,231
Total depreciation, depletion, amortization and accretion	77,939	158,256	8,358
General and administrative expenses	94,090	84,417	11,052
Restructuring expenses	4,441	20,533	1,270
Other (gains) and losses, net	(30,263)	(732)	-
Income (loss) from operations	149,221	(109,308)	(4,525)
Other income (expense):			
Interest income, net	6,011	1,394	202
Reorganization items, net	-	-	335,560
Other income (expense)	(6,362)	(6,499)	(2,105)
Income (loss) from continuing operations before income taxes	148,870	(114,413)	329,132
Income tax (expense) benefit	(32,813)	15,550	(60,003)
Net income (loss) from continuing operations	116,057	(98,863)	269,129
Income (loss) from discontinued operations, net of income tax	(188)	(33,967)	(352)
Net income (loss)	$ 115,869	$ (132,830)	$ 268,777
Income (loss) per share - basic:			
Net income (loss) from continuing operations	$ 5.80	$ (4.94)	$ 18.13
Income (loss) from discontinued operations, net of income tax	(0.01)	(1.70)	(0.02)
Net income (loss)	$ 5.79	$ (6.64)	$ 18.11
Income (loss) per share - diluted:			
Net income (loss) from continuing operations	$ 5.78	$ (4.94)	$ 18.06
Income (loss) from discontinued operations, net of income tax	(0.01)	(1.70)	(0.03)
Net income (loss)	$ 5.77	$ (6.64)	$ 18.03
Weighted-average shares outstanding - basic	20,016	19,997	14,845
Weighted-average shares outstanding - diluted	20,074	19,997	14,905

See accompanying notes to unaudited condensed consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)
(unaudited)

	For the Three Months Ended September 30, 2022	
	2022	**2021**
Net income (loss)	$ 48,525	$ (45,201)
Change in cumulative translation adjustment, net of tax	-	-
Comprehensive income (loss)	$ 48,525	$ (45,201)

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	**For the Period February 3, 2021 through September 30, 2021**	**For the Period January 1, 2021 through February 2, 2021**
Net income (loss)	$ 115,869	$ (132,830)	$ 268,777
Change in cumulative translation adjustment, net of tax	-	-	67,947
Comprehensive income (loss)	$ 115,869	$ (132,830)	$ 336,724

See accompanying notes to unaudited condensed consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit)
(in thousands)
(unaudited)

	Common Stock				Additional paid-in capital					
	Class A		Class B				Treasury	Accumulated other comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Class A	Class B	stock	loss, net	deficit	Total
Balances, December 31, 2020 (Predecessor)	**15,799**	**$ 16**	**-**	**$ -**	**$ 2,756,889**	**$ -**	**$ (4,290)**	**$ (67,947)**	**$ (3,023,315)**	**$ (338,647)**
Net income	-	-	-	-	-	-	-	-	268,777	268,777
Foreign currency translation adjustment	-	-	-	-	-	-	-	67,947	-	67,947
Extinguishment of unrecognized compensation expense	-	-	-	-	988	-	-	-	-	988
Stock-based compensation expense, net	-		-	-	935	-				935
Restricted stock units vested	49	-	-	-	-	-	-	-	-	-
Shares withheld and retired	(15)	-	-	-	-	-				-
Cancellation of Predecessor equity	(15,833)	(16)	-	-	(2,758,812)	-	4,290	-	2,754,538	-
Issuance of Successor Class A common stock	19,996	200	-	-	902,486	-	-	-	-	902,686
Balances, February 2, 2021 (Predecessor)	**19,996**	**$ 200**	**-**	**$ -**	**$ 902,486**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 902,686**
Balances, February 3, 2021 (Successor)	**19,996**	**$ 200**	**-**	**$ -**	**$ 902,486**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 902,686**
Net loss	-	-	-	-	-	-	-	-	(36,630)	(36,630)
Balances, March 31, 2021 (Successor)	**19,996**	**200**	**-**	**-**	**902,486**	**-**	**-**	**-**	**(36,630)**	**866,056**
Net income	-	-	-	-	-	-	-	-	(50,999)	(50,999)
Stock-based compensation expense, net	-		-	-	-	1,570				1,570
Common stock issued	3	-	114	1	-	(1)	-	-	-	-
Share withheld and retired	-	-	(38)	-	-	(1,485)				(1,485)
Balances, June 30, 2021 (Successor)	**19,999**	**200**	**76**	**1**	**902,486**	**84**	**-**	**-**	**(87,629)**	**815,142**
Net income	-	-	-	-	-	-	-	-	(45,201)	(45,201)
Stock-based compensation expense, net	-	-	-	-	-	556	-	-	-	556
Balances, September 30, 2021 (Successor)	**19,999**	**$ 200**	**76**	**$ 1**	**$ 902,486**	**$ 640**	**$ -**	**$ -**	**$ (132,830)**	**$ 770,497**
Balances, December 31, 2021 (Successor)	**19,999**	**$ 200**	**76**	**$ 1**	**$ 902,486**	**$ 1,224**	**$ -**	**$ -**	**$ (162,178)**	**$ 741,733**
Net income	-	-	-	-	-	-	-	-	25,726	25,726
Stock-based compensation expense, net	-	-	-	-	-	585	-	-	-	585
Balances, March 31, 2022 (Successor)	**19,999**	**200**	**76**	**1**	**902,486**	**1,809**	**-**	**-**	**(136,452)**	**768,044**
Net income	-	-	-	-	-	-	-	-	41,618	41,618
Stock-based compensation expense, net	-	-	-	-	-	958	-	-	-	958
Balances, June 30, 2022 (Successor)	**19,999**	**200**	**76**	**1**	**902,486**	**2,767**	**-**	**-**	**(94,834)**	**810,620**
Net income	-	-	-	-	-	-	-	-	48,525	48,525
Stock-based compensation expense, net	-	-	-	-	-	1,976	-	-	-	1,976
Balances, September 30, 2022 (Successor)	**19,999**	**$ 200**	**76**	**$ 1**	**$ 902,486**	**$ 4,743**	**$ -**	**$ -**	**$ (46,309)**	**$ 861,121**

See accompanying notes to unaudited condensed consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	**For the Period February 3, 2021 through September 30, 2021**	**For the Period January 1, 2021 through February 2, 2021**
Cash flows from operating activities:			
Net income (loss)	$ 115,869	$ (132,830)	$ 268,777
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation, depletion, amortization and accretion	77,939	189,758	10,499
Deferred income taxes	7,254	(27,126)	54,322
Amortization of credit facility costs	381	-	-
Stock based compensation expense	3,519	2,126	935
Reorganization items, net	-	-	(354,279)
Bad debt	(106)	(5,303)	(210)
Gain on sale of assets and businesses	-	-	58
Gain on sale of equity securities	(3,611)	-	-
Unrealized gain on investment in equity securities	(908)	1,620	-
Other (gains) and losses, net	(37,148)	10,601	-
Other reconciling items, net	2,454	9,592	1,017
Changes in operating assets and liabilities:			
Accounts receivable	(37,072)	(15,233)	3,602
Prepaid expenses	(279)	4,749	(340)
Inventory and other current assets	(8,641)	15,983	(221)
Accounts payable	(3,296)	4,842	(2,365)
Accrued expenses	(3,726)	(31,439)	23,489
Income taxes	7,200	10,676	340
Other, net	2,196	(1,190)	(241)
Net cash from operating activities	122,025	36,826	5,383
Cash flows from investing activities:			
Payments for capital expenditures	(42,901)	(25,447)	(3,035)
Proceeds from sales of assets	46,414	58,006	775
Proceeds from sales of equity securities	13,366	-	-
Net cash from investing activities	16,879	32,559	(2,260)
Cash flows from financing activities:			
Credit facility costs	-	(14)	(1,920)
Tax withholdings for vested restricted stock units	-	(1,485)	-
Net cash from financing activities	-	(1,499)	(1,920)
Effect of exchange rate changes on cash	-	-	311
Net change in cash, cash equivalents, and restricted cash	138,904	67,886	1,514
Cash, cash equivalents, and restricted cash at beginning of period	394,535	269,698	268,184
Cash, cash equivalents, and restricted cash at end of period	$ 533,439	$ 337,584	$ 269,698

See accompanying notes to unaudited condensed consolidated financial statements

(1) Basis of Presentation

Certain information and footnote disclosures normally included 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 (the "SEC"); however, management believes the disclosures that are made are adequate to make the information presented not misleading.

As used herein, "we," "us" and similar terms refer to (i) prior to the Emergence Date (as defined below), SESI Holdings, Inc. (formerly known as Superior Energy Services, Inc.) and its subsidiaries ("Predecessor") and (ii) after the Emergence Date, Superior Energy Services, Inc. (formerly known as Superior Newco, Inc.) and its subsidiaries ("Successor"). Due to our adoption of fresh start accounting, discussed below, our operations for the nine months ended September 30, 2021 are separated by the operations which occurred from January 1, 2021 through February 2, 2021 (the "Predecessor Period") and the operations that occurred from February 3, 2021 through September 30, 2021 (the "Successor Period").

These financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K. As described below, as a result of the application of fresh start accounting and the effects of the implementation of the Plan (as defined below), the financial statements after the Emergence Date are not comparable with the consolidated financial statements on or before that date.

In the opinion of management, the accompanying unaudited condensed financial statements contain all adjustments, consisting primarily of normal recurring adjustments, necessary for a fair statement of our financial position as of September 30, 2022, and our results of operations for the three and nine months ended September 30, 2022 and 2021 and cash flows for the nine months ended September 30, 2022 and 2021. The balance sheet as of December 31, 2021, was derived from our audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

Emergence from Voluntary Reorganization under Chapter 11

On December 7, 2020, certain of our direct and indirect wholly-owned domestic subsidiaries (the "Affiliate Debtors") filed petitions for reorganization under the provisions of Chapter 11 of the Bankruptcy Code and, in connection therewith, filed the proposed Joint Prepackaged Plan of Reorganization (as amended, modified or supplemented from time to time, the "Plan"). On February 2, 2021 (the "Emergence Date"), the conditions to the effectiveness of the Plan were satisfied and we emerged from Chapter 11.

On the Emergence Date, we qualified for and adopted fresh start accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 852 – Reorganizations, which specifies the accounting and financial reporting requirements for entities reorganizing through Chapter 11 bankruptcy proceedings. The application of fresh start accounting resulted in a new basis of accounting and we became a new entity for financial reporting purposes. As a result of the implementation of the Plan and the application of fresh start accounting, our historical financial statements on or before the Emergence Date are not a reliable indicator of our results of operations for any period after our adoption of fresh start accounting.

Use of Estimates

In preparing the accompanying financial statements, we make various estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities reported as of the dates of the balance sheets and the amounts of revenues and expenses reported for the periods shown in the income statements and statements of cash flows. All estimates, assumptions, valuations and financial projections related to fresh start accounting, including the fair value adjustments, the enterprise value and equity value projections, are inherently subject to significant uncertainties and the resolution of contingencies beyond our control.

(2) Revenue

Disaggregation of Revenue

The following table presents our revenues by segment disaggregated by geography (in thousands):

	For the Three Months Ended September 30, 2022	
	2022	2021
U.S. land		
Rentals	$ 39,673	$ 25,627
Well Services	9,808	6,638
Total U.S. land	49,481	32,265
U.S. offshore		
Rentals	37,829	28,997
Well Services	23,609	22,756
Total U.S. offshore	61,438	51,753
International		
Rentals	27,055	21,593
Well Services	84,313	72,972
Total International	111,368	94,565
Total Revenues	$ 222,287	$ 178,583

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021
U.S. land			
Rentals	$ 117,426	$ 57,525	$ 4,917
Well Services	18,507	15,545	3,379
Total U.S. land	135,933	73,070	8,296
U.S. offshore			
Rentals	106,913	76,290	8,196
Well Services	84,499	68,751	7,371
Total U.S. offshore	191,412	145,041	15,567
International			
Rentals	72,703	52,087	5,226
Well Services	244,809	180,120	16,839
Total International	317,512	232,207	22,065
Total Revenues	$ 644,857	$ 450,318	$ 45,928

The following table presents our revenues by segment disaggregated by type (in thousands):

	For the Three Months Ended September 30, 2022	
	2022	2021
Services		
Rentals	$ 15,301	$ 8,735
Well Services	84,462	76,932
Total Services	99,763	85,667
Rentals		
Rentals	77,561	56,743
Well Services	2,612	2,677
Total Rentals	80,173	59,420
Product Sales		
Rentals	11,695	10,739
Well Services	30,656	22,757
Total Product Sales	42,351	33,496
Total Revenues	$ 222,287	$ 178,583

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021
Services			
Rentals	$ 39,113	$ 24,591	$ 2,005
Well Services	252,155	184,542	17,229
Total Services	291,268	209,133	19,234
Rentals			
Rentals	216,371	133,231	14,082
Well Services	7,957	10,741	352
Total Rentals	224,328	143,972	14,434
Product Sales			
Rentals	41,558	28,080	2,252
Well Services	87,703	69,133	10,008
Total Product Sales	129,261	97,213	12,260
Total Revenues	$ 644,857	$ 450,318	$ 45,928

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount or the earned amount but not yet invoiced and do not bear interest. We maintain our allowance for doubtful accounts at net realizable value. The allowance for doubtful accounts is based on our best estimate of probable uncollectible amounts in existing accounts receivable. We assess individual customers and overall receivables balances to identify amounts that are believed to be uncertain of collection. The aging of the receivable balance as well as economic factors concerning the customer factor into the judgment and estimation of allowances, which often involve significant dollar amounts. Adjustments to the allowance in future periods may be made based on changing customer conditions. Our allowance for doubtful accounts as of September 30, 2022 and December 31, 2021 was approximately $5.3 million and $2.2 million, respectively.

(3) Inventory

Inventories are stated at the lower of cost or net realizable value. We apply net realizable value and obsolescence to the gross value of inventory. 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 the services provided to our customers. The components of inventory balances are as follows (in thousands):

	September 30, 2022	December 31, 2021
Finished goods	$ 36,838	$ 26,187
Raw materials	9,562	9,753
Work-in-process	5,398	4,253
Supplies and consumables	18,164	20,410
Total	$ 69,962	$ 60,603

(4) Decommissioning Liability

We account for our decommissioning liability under ASC 410 – *Asset Retirement Obligations*. Our decommissioning liability is associated with our oil and gas property and includes costs related to the plugging of wells, decommissioning of the related platform and equipment and site restoration. We review the adequacy of our decommissioning liability whenever indicators suggest that the estimated cash flows and/or relating timing needed to satisfy the liability have changed materially.

During the second quarter of 2022, we undertook an initiative to alter our decommissioning program, whereby we intend to convert the platform into an artificial reef (“reef-in-place”) and no longer expect to fully decommission the platform. The reef-in-place program would involve severing the top portion of the structure at a permitted navigation depth and placing the severed structure on the sea floor next to the base of the remaining structure.

In connection with the changes in the decommissioning program, we have revised the timing and estimates for the plugging and abandonment of the associated wells, as well as the timing to complete the decommissioning of the platform under a reef-in-place program such that we now expect all decommissioning activities to be completed by the second quarter of 2031.

The changes in estimates under a reef-in-place program resulted in a reduction in the carrying value of our decommissioning liability and related note receivable, as well as impacted the carrying value of our oil and gas producing assets. Due to the reduction in both costs and timing, our decommissioning liability was reduced by $53.0 million and the related note receivable was increased by $2.6 million. Additionally, in accordance with ASC 410, the carrying value of our oil and gas producing assets, which included capitalized oil and gas reserves and capitalized asset retirement costs, was reduced by $38.2 million, which represented the net book value of all of our oil and gas assets at the time of the reduction. In connection with these changes, we recognized a gain of approximately $17.4 million, which is included in other (gains) and losses, net in our statement of operations.

The following table presents our decommissioning liability as of the periods indicated:

	September 30, 2022	December 31, 2021
Wells	$ 83,167	$ 97,810
Platform	61,614	92,570
Decommissioning Liability	144,781	190,380
Less: Note Receivable	(66,078)	(60,588)
Decommissioning Liability, net of Note Receivable	$ 78,703	$ 129,792

Accretion expense for the three and nine months ended September 30, 2022 was $2.0 million and $7.4 million respectively. Accretion expense for the three months ended September 30, 2021, the Successor Period and Predecessor Period was $1.4 million, $3.6 million and $0.5 million, respectively.

(5) Note Receivable

We have a decommissioning liability related to the acquisition of a single oil and gas property. Our note receivable arises from a commitment from the seller of the oil and gas property for costs associated with the abandonment of the property. Pursuant to an agreement with the seller, we invoice the seller an agreed upon amount at the completion of certain decommissioning activities.

During the second quarter of 2022, changes in estimates regarding the timing and the cost of decommissioning our oil and gas property under a reef-in-place program resulted in a reduction in the carrying value of our decommissioning liability and related note receivable, as well as impacted the carrying value of our oil and gas producing assets. Due to the reduction in both costs and timing, our decommissioning liability was reduced by $53.0 million and the related note receivable was increased by $2.6 million. Additionally, in accordance with ASC 410-20, the carrying value of our oil and gas producing assets, which included capitalized oil and gas reserves and capitalized asset retirement costs, was reduced by $38.2 million, which represented the net book value of all of our oil and gas assets at the time of the reduction. In connection with these changes, we recognized a gain of approximately $17.4 million, which is included in other (gains) and losses, net in our statement of operations.

Due to the reduction in estimated costs under the reef-in-place program, the gross amount of the seller's obligation was reduced to $106.9 million as of June 30, 2022. As of September 30, 2022 the carrying value of the note receivable was $66.1 million.

The discount on the note receivable, which is currently based on an effective interest rate of 5.6%, is amortized to interest income over the expected timing of the completion of the decommissioning activities, which are now expected to be completed during the second quarter of 2031. Interest receivable is considered paid in kind and is compounded into the carrying amount of the note.

Non-cash interest income for the three and nine months ended September 30, 2022 was $0.9 million and $2.9 million respectively. Non-cash interest income for the three months ended September 30, 2021, the Successor Period and Predecessor Period was $1.2 million, $3.1 million and $0.4 million, respectively. As the interest income on the note receivable is non-cash, it is included in other reconciling items, net in the condensed consolidated statements of cash flows.

(6) Property, Plant and Equipment, Net

A summary of property, plant and equipment, net is as follows (in thousands):

	September 30, 2022	December 31, 2021
Machinery and equipment	$ 379,849	$ 360,353
Buildings, improvements and leasehold improvements	71,965	75,374
Automobiles, trucks, tractors and trailers	6,326	6,450
Furniture and fixtures	19,563	19,668
Construction-in-progress	6,696	6,700
Land	26,796	28,671
Oil and gas producing assets	178	44,700
Total	511,373	541,916
Accumulated depreciation and depletion	(227,467)	(185,642)
Property, plant and equipment, net	$ 283,906	$ 356,274

Depreciation and depletion expense associated with our property, plant and equipment for the three and nine months ended September 30, 2022 was $18.2 million and $69.8 million respectively. Depreciation and depletion expense, excluding depreciation and depletion related to assets held for sale, for the three months ended September 30, 2021, the Successor Period and Predecessor Period was $57.7 million, $154.2 million and $7.8 million, respectively.

Gains and losses on disposals of assets are recognized within other (gains) and losses, net in our statement of operations. Prior to emergence from bankruptcy, we recognized gains and losses on the disposal of assets within general and administrative expenses.

Other (gains) and losses, net for the three and nine months ended September 30, 2022 totaled $13.4 million and $30.3 million, respectively and for the three months ended September 30, 2021 and the Successor Period were $1.1 million and $0.7 million, respectively. Gains on the disposal of assets included in other (gains) and losses, net during the three and nine months ended September 30, 2022 were $13.4 million and $12.9 million, respectively and primarily relate to disposals of non-core businesses and assets within our Well Services segment.

During the second quarter of 2022, changes in estimates regarding the timing and the cost of decommissioning our oil and gas property under a reef-in-place program resulted in a reduction in the carrying value of our decommissioning liability and related note receivable, as well as impacted the carrying value of our oil and gas producing assets. In accordance with ASC 410, the carrying value of our oil and gas producing assets, which included capitalized oil and gas reserves and capitalized asset retirement costs, was reduced by $38.2 million, which represented the net book value of all of our oil and gas assets at the time of the reduction. In connection with these changes, we recognized a gain of approximately $17.4 million which is included in other (gains) and losses, net.

(7) Debt

On the Emergence Date, pursuant to the Plan, we entered into a Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders and letter of credit issuers named therein providing for a $120.0 million asset-based secured revolving Credit Facility, all of which is available for the issuance of letters of credit (the “Credit Facility”). The issuance of letters of credit reduces availability under the Credit Facility on a dollar-for-dollar basis. The Credit Facility will mature on December 9, 2024.

As of September 30, 2022, our borrowing base, as defined in the Credit Agreement, was approximately $120.0 million, and we had $40.3 million of letters of credit outstanding that reduced the borrowing availability. We had no outstanding borrowings under the Credit Facility as of September 30, 2022.

Unless all loans are paid off and letters of credit outstanding are cash collateralized and the Credit Facility terminated, the Credit Facility requires, subject to permitted exceptions, compliance with various covenants, including, but not limited to, limitations on the incurrence of indebtedness, permitted investments, liens on assets, making distributions, transactions with affiliates, mergers, consolidations, dispositions of assets and other provisions customary in similar types of agreements. The Credit Facility also requires compliance with a fixed charge coverage ratio of 1.0 to 1.0 if (a) an event of default has occurred and is continuing or (b) availability under the Credit Facility is less than the greater of $20.0 million or 15% of the lesser of the aggregate commitments and the borrowing base. We were in compliance with all required covenants as of September 30, 2022.

(8) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used in determining fair value are characterized according to a hierarchy that prioritizes those inputs based on the degree to which they are observable. The three input levels of the fair value hierarchy are 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 (in thousands):

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Non-qualified deferred compensation assets and liabilities				
Other long-term assets, net	$ -	$ 14,873	$ -	$ 14,873
Accrued expenses	-	1,780	-	1,780
Other long-term liabilities	-	15,205	-	15,205
Investment in equity securities	$ 16,888	$ -	$ -	$ 16,888

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Non-qualified deferred compensation assets and liabilities				
Other long-term assets, net	$ -	$ 15,896	$ -	$ 15,896
Accrued expenses	-	2,250	-	2,250
Other long-term liabilities	-	19,218	-	19,218
Investment in equity securities	$ 25,735	$ -	$ -	$ 25,735

Our non-qualified deferred compensation plans 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 a Level 2 in the fair value hierarchy. Investment in equity securities relates to our ownership of common stock of Select Energy Services, Inc. ("Select") and is reported at fair value based on unadjusted quoted prices which are readily determinable, which represents a Level 1 in the fair value hierarchy.

The carrying amount of cash equivalents, accounts receivable, accounts payable and accrued expenses, as reflected in the consolidated balance sheets, approximates fair value due to the short maturities.

(9) Other income (expense)

Other income (expense) primarily relate to re-measurement gains and losses associated with our foreign currencies and realized and unrealized gains and losses on our investment in equity securities.

As of September 30, 2022, we held 2.4 million shares of Select common stock. During the three and nine months ended September 30, 2022, we recognized unrealized gains of $0.4 million and $0.9 million, respectively from our investment in equity securities. During the nine months ended September 30, 2022, we disposed of 1.7 million shares of Select for $13.4 million, and we recognized gains totaling $3.6 million, respectively, in connection with these transactions. No shares were disposed of during the three months ended September 30, 2022.

Losses on foreign currencies during the three and nine months ended September 30, 2022 were $7.0 million and $11.9 million, respectively. Losses on foreign currencies for the three months ended September 30, 2021, the Successor Period and the Predecessor Period were $4.5 million, $4.3 million, and $2.1 million respectively. Losses on foreign currencies during the nine months ended September 30, 2022 include an expense of $2.7 million which represents a correction of an immaterial error relating to a period prior to our emergence from bankruptcy. Gains and losses on foreign currencies are primarily related to our operations in Brazil and Argentina.

(10) Segment Information

Business Segments

The products and service offerings of our Rentals segment are comprised of value-added engineering and design services, rental of premium drill strings, tubing, landing strings, completion tubulars and handling accessories, manufacturing and rental of bottom hole assemblies, and rentals of accommodation units.

The products and service offerings of our Well Services segment are comprised of risk management, well control and training solutions, hydraulic workover and snubbing services, engineering and manufacturing of premium sand control tools, and onshore international production services. The Well Services segment also includes the operations of our offshore oil and gas property.

We evaluate the performance of our reportable segments based on income or loss from operations. The segment measure is calculated as segment revenues less segment operating expenses, including general and administrative expenses, depreciation, depletion, amortization and accretion expense, restructuring expenses and other gains and losses. We use this segment measure to evaluate our reportable segments as it is the measure that is most consistent with how we organize and manage our business operations. Corporate and other costs primarily include expenses related to support functions, including salaries and benefits for corporate employees.

Summarized financial information for our segments is as follows (in thousands):

For the three months ended September 30, 2022	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 104,557	$ 117,730	$ -	$ 222,287
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	33,638	82,443	-	116,081
Depreciation, depletion, amortization and accretion	12,554	6,900	1,054	20,508
General and administrative expenses	7,020	10,220	14,601	31,841
Restructuring expenses	-	-	1,223	1,223
Other (gains) and losses, net	(4,946)	(8,082)	(369)	(13,397)
Income (loss) from operations	$ 56,291	$ 26,249	$ (16,509)	$ 66,031

For the three months ended September 30, 2021	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 76,217	$ 102,366	$ -	$ 178,583
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	32,638	93,432	-	126,070
Depreciation, depletion, amortization and accretion	41,641	15,615	1,952	59,208
General and administrative expenses	7,184	13,445	13,042	33,671
Restructuring expenses	-	-	4,712	4,712
Other (gains) and losses, net	800	(1,897)	-	(1,097)
Income (loss) from operations	$ (6,046)	$ (18,229)	$ (19,706)	$ (43,981)

For the nine months ended September 30, 2022 (Successor)	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 297,042	$ 347,815	$ -	$ 644,857
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	101,250	248,179	-	349,429
Depreciation, depletion, amortization and accretion	46,099	28,290	3,550	77,939
General and administrative expenses	20,944	32,823	40,323	94,090
Restructuring expenses	-	-	4,441	4,441
Other (gains) and losses, net	(4,886)	(25,008)	(369)	(30,263)
Income (loss) from operations	$ 133,635	$ 63,531	$ (47,945)	$ 149,221

For the Period February 3, 2021 through September 30, 2021 (Successor)	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 185,902	$ 264,416	$ -	$ 450,318
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	75,433	221,719	-	297,152
Depreciation, depletion, amortization and accretion	111,781	41,991	4,484	158,256
General and administrative expenses	16,986	35,029	32,402	84,417
Restructuring expenses	-	-	20,533	20,533
Other (gains) and losses, net	1,360	(2,092)	-	(732)
Income (loss) from operations	$ (19,658)	$ (32,231)	$ (57,419)	$ (109,308)

For the Period January 1, 2021 through February 2, 2021 (Predecessor)	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 18,339	$ 27,589	$ -	$ 45,928
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	7,839	21,934	-	29,773
Depreciation, depletion, amortization and accretion	4,271	3,666	421	8,358
General and administrative expenses	2,027	4,111	4,914	11,052
Restructuring expenses	-	-	1,270	1,270
Income (loss) from operations	$ 4,202	$ (2,122)	$ (6,605)	$ (4,525)

Identifiable Assets

	Rentals	Well Services	Corporate and Other	Consolidated Total
September 30, 2022	$ 526,759	$ 607,840	$ 152,616	$ 1,287,215
December 31, 2021	379,453	636,256	183,799	1,199,508

Geographic Segments

We operate in the U.S. and in various other countries throughout the world. Our international operations are primarily focused in Latin America, Asia-Pacific and the Middle East regions. We attribute revenue to various countries based on the location where services are performed or the destination of the drilling products or equipment sold or rented. Long-lived assets consist 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.

Our revenue attributed to the U.S. and to other countries and the value of our long-lived assets by those locations are as follows (in thousands):

<u>*Revenues*</u>

	For the Three Months Ended September 30, 2022	
	2022	2021
United States	$ 110,919	$ 84,018
Other countries	111,368	94,565
Total	$ 222,287	$ 178,583

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021
United States	$ 327,345	$ 218,111	$ 23,863
Other countries	317,512	232,207	22,065
Total	$ 644,857	$ 450,318	$ 45,928

<u>*Long-Lived Assets*</u>

	September 30, 2022	December 31, 2021
United States	$ 209,008	$ 231,388
Other countries	74,898	124,886
Total	$ 283,906	$ 356,274

(11) Stock-Based Compensation Plans

Our Management Incentive Plan (“MIP”) provides the issuance of up to 1,999,869 shares of our Class B common stock, par value $0.01 per share (the “Class B Common Stock”) for the grant of share-based and cash-based awards.

Approval of Forms of Award Agreement and Equity Awards

On March 28, 2022, the Board and the Compensation Committee approved new forms of restricted stock unit (“RSU”) award agreements and forms of performance stock unit (“PSU”) award agreements (collectively, the “Award Agreements”) under the MIP, and approved a special grant of 72,050 RSUs and 288,199 PSUs which was intended to satisfy stock awards for the next three years. Additional grants will be issued for new hires and promotions.

Awards made under the forms of RSU award agreements for our employees generally vest in three equal annual installments over the three-year period, subject to terms and conditions set forth in the forms of RSU award agreements. Awards made under the forms PSU award agreements may be earned between 25% and 100% of the target award based on achievement of share price goals set forth in the forms of PSU award agreements and will vest to the extent that share price goals are achieved based on the terms and conditions set forth in the forms of PSU award agreements.

On July 18, 2022, the Board and the Compensation Committee approved an RSU award agreement for 79,375 RSUs. The RSUs generally vest in three equal annual installments over a three-year period commencing on the first anniversary of January 20, 2022, subject to terms and conditions set forth in the forms of RSU award agreements.

Additionally, on July 18, 2022, the Board and the Compensation Committee approved accelerated vesting with respect to 15,642 outstanding restricted shares of our Class B common stock granted by us on June 1, 2021.

During the three and nine months ended September 30, 2022, we recognized $2.0 million and $3.5 million, respectively, in compensation expense associated with grants of restricted stock awards and RSUs. During the nine months ended September 30, 2021 and the Successor Period, we recognized $2.3 million and $2.1 million, respectively, in compensation cost associated with grants of restricted stock and RSUs.

As a result of the consummation of the Plan, restricted stock units issued prior to the Emergence Date were cancelled for zero consideration. We recognized $0.9 million in compensation costs during the Predecessor Period prior to cancellation of the pre-Emergence outstanding restricted stock units.

(12) Income Taxes

The effective tax rate for the three and nine months ended September 30, 2022 was 22.5% and 22.0%, respectively, on income from continuing operations. The effective tax rate is different from the U.S. federal statutory rate of 21.0% primarily from non-deductible items, foreign tax rates that differ from the U.S. federal statutory rate, the release of valuation allowance primarily based on current period income in certain jurisdictions and foreign losses for which no tax benefit is being recorded.

In recording deferred income tax assets, we consider whether it is more likely than not some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income of the appropriate character during the periods in which those deferred income tax assets would be deductible. Our annualized effective tax rate for the nine months ended September 30, 2022 includes a tax benefit of $18.5 million related to the release of a valuation allowance previously recorded against U.S. foreign tax credit and general business credit carryforwards. We previously considered these credit carryforwards to be unrealizable primarily due to our cumulative history of losses in the U.S. in recent years and tax attribute utilization limits under Section 382 resulting from bankruptcy. This was significant negative evidence that outweighed positive evidence from forecasts of future taxable income. However, based on recognized built in gains that have increased our limit under Section 382, year to date income in the U.S., and certain attributes promoting use of the foreign tax credit carryovers, when combined with our view on the remaining 2022 outlook, we determined there is now significant positive evidence for our ability to utilize available U.S. foreign tax credit carryforwards and general business credits in 2022. The amount of valuation allowance released in the U.S. recognizes foreign tax credit deferred tax assets that we estimate will offset U.S. taxes payable in 2022. After the valuation allowance release, we have $38.2 million of U.S. foreign tax credit deferred tax assets that continue to have a valuation allowance against them. We will continue to evaluate the realizability of our U.S. foreign tax credit carryforwards and may have additional valuation allowance releases in future periods if we achieve positive cumulative U.S. income results of appropriate character and timing to do so.

On August 16, 2022, the Inflation Reduction Act (the IRA) was signed into law in the U.S. Among other changes, the IRA introduced a corporate minimum tax on certain corporations with average adjusted financial statement income over a three-tax year period in excess of $1.0 billion and an excise tax on certain stock repurchases by certain covered corporations for taxable years beginning after December 31, 2022 and several tax incentives to promote clean energy. Based on our current analysis and pending future guidance to be issued by Treasury, we do not believe these provisions will have a material impact on our consolidated financial statements.

The effective tax rate for the three months ended September 30, 2021, the Successor Period and the Predecessor Period was 19.2%, 13.6% and 18.2%, respectively, on income from
continuing operations. The tax rate during the three months ended September 30, 2021 and the Successor Period is different from the U.S. federal statutory rate of 21.0% primarily from non-deductible items and foreign losses for which no tax benefit is being recorded. The tax rate in the Predecessor Period is different from the U.S. federal statutory rate of 21.0% primarily due the adoption of fresh start accounting during the period.

We had $15.2 million and $15.0 million of unrecognized tax benefits as of September 30, 2022 and December 31, 2021, respectively, all of which would impact our effective tax rate if recognized except for $1.6 million offset in deferred income taxes. It is reasonably possible $11.4 million of unrecognized tax benefits could be settled in the next twelve months due to the conclusion of tax audits or statutes of limitations expiration. It is our policy to recognize interest and applicable penalties, if any, related to uncertain tax positions in income tax expense.

(13) Earnings per Share

Our common equity consists of Class A Common Stock and Class B Common Stock (the “Common Stock”).

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of Common Stock outstanding during the period plus any potentially dilutive Common Stock, such as restricted stock awards, restricted stock units, and performance-based units calculated using the treasury stock method.

The following table presents the reconciliation between the weighted average number of shares for basic and diluted earnings per share.

	Successor				Predecessor
	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021
Weighted-average shares outstanding - basic	20,024	19,999	20,016	19,997	14,845
Potentially dilutive stock awards and units	66	-	58	-	60
Weighted-average shares outstanding - diluted	20,090	19,999	20,074	19,997	14,905

(14) Contingencies

Due to the nature of our business, we are involved, from time to time, in various routine litigation or subject to disputes or claims or actions, including those commercial in nature, regarding our business activities in the ordinary course of business. Legal costs related to these matters are expensed as incurred. Adjustments for legal costs and reserves are included as a component of cost of revenues in our consolidated statement of operations. Management is of the opinion that none of the claims and actions will have a material adverse impact on our financial position, results of operations or cash flows. Commencement of the Chapter 11 Cases automatically stayed certain proceedings and actions, and these cases have continued after the Emergence Date.

A subsidiary of ours is involved in legal proceedings with two former employees regarding the payment of royalties for a patentable product paid for by the subsidiary and developed while they worked for the subsidiary. Those former employees have filed two lawsuits in the Harris County District Court, in which the former employees allege that the royalty payments they had invoiced at 25% and for which they received payments in the invoiced amounts since 2010, instead should have been paid at a rate of 50%. The first lawsuit (the “First Case”), filed in May 2018, sought to recover alleged unpaid royalties from May 2014 through May 2019. The second lawsuit (the “Second Case”) was filed in the same district court against the same subsidiary of ours, brought the same claims, and sought damages post-judgment from the First Case until the discontinuation of the leasing of the product at issue by the subsidiary at the end of 2019.

In both lawsuits, the district court ruled against our subsidiary and entered final judgments, which we fully secured with a bond. We strongly disagreed with the result and believed the district court committed several legal errors that should be corrected by reversal of the judgments. Accordingly, we pursued separate appeals in the Fourteenth Court of Appeals.

In August 2022, in the appeal from the First Case, the Fourteenth Court of Appeals ruled in favor of our subsidiary on the plaintiffs’ claims for a combined 50% royalty. The Court of Appeals ruled that because the plaintiffs invoiced our subsidiary for a combined 25% royalty and accepted payments in that amount every month since 2010, the plaintiffs forever waived any claim to any royalties in any amount other than a combined 25% royalty, net of expenses. The Court of Appeals reversed the judgment in the First Case and remanded to the trial court to assess damages, if any, owed for royalties between January 2018 and May 2019.

The appeal from the judgment in the Second Case was abated by the Fourteenth Court of Appeals pending the resolution of the appeal in the First Case.

On October 7, 2022, our subsidiary reached a confidential settlement with the plaintiffs to resolve any and all disputes between them. At the request of both parties in the appeals from both the First Case and the Second Case, the Fourteenth Court of Appeals has reversed the respective judgments entered by the district court. Our subsidiary is in the process of filing appropriate motions in the district court to enter take-nothing judgments and to release the supersedeas bonds filed by our subsidiary in both cases.

Our Indian subsidiary, SES Energy Services India Pvt. Ltd, entered into a contract with an Indian oil and gas company to provide an offshore vessel for well stimulation. A dispute arose over the performability of the terms of the contract. The contract was terminated by the customer. The maximum liability under the contract is capped at approximately $7.3 million, of which approximately $3.5 million has been claimed via revocation of performance bank guarantees.

In October 2022, we had a hearing before the Washington State Board of Tax Appeals (the “Tax Board”) in relation to a dispute arising in April 2019 pertaining to a use tax assessment from 2016 as a result of the construction of a vessel by one of our subsidiaries. As of September 30, 2022, the assessment, including interest and penalties, totaled $26.8 million. While we are confident that the assessment is legally insupportable, if the Tax Board upholds the assessment we will be responsible for payment of the full assessment within thirty days of the decision. Although we are unable to estimate the probability of the outcome of this matter or the range of reasonably possible loss, if any, we have reserved an amount we believe to be adequate to cover any final assessment levied by the state.

(15) Discontinued Operations

The following table summarizes the components of discontinued operations, net of tax (in thousands):

	For the Three Months Ended September 30, 2022	
	2022	2021
Revenues	$ -	$ 16,985
Cost of services	-	17,543
Depreciation, depletion, amortization and accretion	-	146
General and administrative expenses	289	2,379
Other (gains) and losses, net	(303)	3,815
Loss from operations	14	(6,898)
Other income (expense)	-	238
Loss from discontinued operations before tax	14	(6,660)
Income tax benefit (expense)	3	1,499
Income (loss) from discontinued operations, net of income tax	$ 17	$ (5,161)

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021
Revenues	$ -	$ 85,351	$ 10,719
Cost of services	-	77,936	10,398
Depreciation, depletion, amortization and accretion	-	31,502	2,141
General and administrative expenses	5,742	8,597	1,119
Other (gains) and losses, net	(5,496)	11,333	-
Loss from operations	(246)	(44,017)	(2,939)
Other income (expense)	-	188	2,485
Loss from discontinued operations before tax	(246)	(43,829)	(454)
Income tax benefit (expense)	58	9,862	102
Income (loss) from discontinued operations, net of income tax	$ (188)	$ (33,967)	$ (352)

The following summarizes the assets and liabilities related to discontinued operations (in thousands):

	September 30, 2022	December 31, 2021
Assets:		
Accounts receivable, net	$ 2,111	$ 7,469
Property, plant and equipment, net	16,042	29,328
Other assets	161	731
Total assets held for sale	$ 18,314	$ 37,528
Liabilities:		
Accounts payable	$ 134	$ 652
Accrued expenses	3,309	4,268
Other liabilities	223	687
Total liabilities held for sale	$ 3,666	$ 5,607

Significant operating non-cash items and cash flows from investing activities for our discontinued operations were as follows (in thousands):

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021
Cash flows from discontinued operating activities:			
(Gain)/loss on sale of assets	$ -	$ -	$ (43)
Other (gains) and losses, net	(5,496)	11,333	-
Depreciation, depletion, amortization and accretion	-	31,502	2,141
Cash flows from discontinued investing activities:			
Proceeds from sales of assets	18,782	53,225	486

(16) Supplemental Cash Flow Information

The table below is a reconciliation of cash, cash equivalents and restricted cash for the beginning and the end of the period for all periods presented:

	Successor		Predecessor
	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021
Cash, cash equivalents, and restricted cash, beginning of period			
Cash and cash equivalents	$ 314,974	$ 172,768	$ 188,006
Restricted cash-current	-	16,751	-
Restricted cash-non-current	79,561	80,179	80,178
Cash, cash equivalents, and restricted cash, beginning of period	$ 394,535	$ 269,698	$ 268,184
Cash, cash equivalents, and restricted cash, end of period			
Cash and cash equivalents	$ 453,682	$ 258,024	$ 172,768
Restricted cash-current	-	-	16,751
Restricted cash-non-current	79,757	79,560	80,179
Cash, cash equivalents, and restricted cash, end of period	$ 533,439	$ 337,584	$ 269,698

(17) New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13 - Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). This update improves financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope by using the Current Expected Credit Losses (the “CECL”) model. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses on financial instruments at the time the asset is originated or acquired. This update will apply to receivables arising from revenue transactions. The new standard is effective for us beginning on January 1, 2023. We have concluded that the adoption of ASU 2016-13 will not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform — Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). This update provides an optional expedient and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates (“IBORs”) and, particularly, the risk of cessation of the London Interbank Offered Rate (“LIBOR”), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. In January 2021, the FASB issued ASU No. 2021-01, which clarifies that certain provisions in Topic 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. The amendments in these ASUs are effective for all entities as of March 12, 2020 through December 31, 2022. As our credit agreement allows for alternative benchmark rates to be applied to any borrowings, we do not expect the cessation of LIBOR to have a material impact on our financial position, results of operations, cash flows or disclosures.

(18) Subsequent Events

On October 7, 2022, our subsidiary reached a confidential settlement with the plaintiffs to resolve any and all disputes between them. At the request of both parties in the appeals from both the First Case and the Second Case, the Fourteenth Court of Appeals has reversed the respective judgments entered by the district court. Our subsidiary is in the process of filing appropriate motions in the district court to enter take-nothing judgments and to release the supersedeas bonds filed by our subsidiary in both cases.

In October 2022, we had a hearing before the Washington State Board of Tax Appeals (the “Tax Board”) in relation to a dispute arising in April 2019 pertaining to a use tax assessment from 2016 as a result of the construction of a vessel by one of our subsidiaries. As of September 30, 2022, the assessment, including interest and penalties, totaled $26.8 million. While we are confident that the assessment is legally insupportable, if the Tax Board upholds the assessment we will be responsible for payment of the full assessment within thirty days of the decision. Although we are unable to estimate the probability of the outcome of this matter or the range of reasonably possible loss, if any, we have reserved an amount we believe to be adequate to cover any final assessment levied by the state.

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

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. In addition, the following discussion and analysis and information contains forward-looking statements about our business, operations and financial performance based on our current expectations that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors. including, but not limited to, those identified below and those discussed in the sections titled "Risk Factors" and under the heading "Information Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q.

Executive Summary

General

We serve major, national and independent oil and natural gas exploration and production companies around the world and offer products and services with respect to the various phases of a well's economic life cycle.

Historically, we provided a wide variety of services and products to many markets within the energy industry. Our core businesses focus on products and services that we believe meet the criteria of:

- being critical to our customers' oil and gas operations,
- limits competition from the three largest global oilfield service companies,
- requires deep technical expertise through the design or use of our products or services, such as premium drill pipe and drilling bottom hole assembly accessory rentals,
- unlikely to become a commoditized product or service to our customers, and
- provide strong cash flow generation capacity and opportunities.

The result of this approach is a portfolio of business lines grounded in our core mission of providing high quality products and services while maintaining the trust and serving the needs of our customers, with an emphasis on free cash flow generation and capital efficiency.

Industry Trends

The oil and gas industry is both cyclical and seasonal. The level of spending by oil and gas companies is highly influenced by current and expected demand and future prices of oil and natural gas. Changes in spending result in an increased or decreased demand for our services and products. Rig count is an indicator of the level of spending by oil and gas companies. Our financial performance is significantly affected by the rig count in the U.S. land and offshore market areas as well as oil and natural gas prices and worldwide rig activity, which are summarized in the tables below.

	Three months ended			Nine months ended		
	September 30, 2022	June 30, 2022	% Change	September 30, 2022	September 30, 2021	% Change
Worldwide Rig Count [1]						
U.S.:						
Land	745	704	5.8%	692	437	58.4%
Offshore	16	15	6.7%	15	13	15.4%
Total	761	719	5.8%	707	450	57.1%
International [2]	857	816	5.0%	832	735	13.2%
Worldwide Total	1,618	1,535	5.4%	1,539	1,185	29.9%
Commodity Prices (average)						
Crude Oil (West Texas Intermediate)	$ 93.06	$ 108.83	(14.5%)	$ 98.96	$ 65.05	52.1%
Natural Gas (Henry Hub)	$ 7.99	$ 7.48	6.8%	$ 6.71	$ 3.62	85.4%

(1) Estimate of drilling activity as measure by the average active drilling rigs based on Baker Hughes Co. rig count information

(2) Excludes Canadian rig count

Comparison of the Results of Operations for the Three Months Ended September 30, 2022 and June 30, 2022

We reported net income from continuing operations for the three months ended September 30, 2022 (the "Current Quarter") of $48.5 million on revenue of $222.3 million. This compares to a net income from continuing operations for the three months ended June 30, 2022 (the "Prior Quarter") of $43.6 million on revenues of $224.6 million. Net income from continuing operations for the Current Quarter includes net gains of $13.4 million from the disposal of assets and $6.8 million of expense primarily related to foreign currency losses during the quarter. Net income from continuing operations for the Prior Quarter includes a $17.4 million gain from revisions to estimates related to our decommissioning liability and $13.5 million of expense primarily related to foreign currency losses during the quarter totaling $10.5 million and both realized and unrealized losses, net of $4.1 million on our investment in equity securities of Select Energy Services, Inc ("Select").

	Three months ended		Change	
	September 30, 2022	June 30, 2022	$	%
Revenues:				
Rentals	$ 104,557	$ 103,729	$ 828	0.8%
Well Services	117,730	120,911	(3,181)	(2.6%)
Total revenues	222,287	224,640	(2,353)	
Cost of revenues:				
Rentals	33,638	35,860	(2,222)	(6.2%)
Well Services	82,443	85,108	(2,665)	(3.1%)
Total cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	116,081	120,968	(4,887)	
Depreciation, depletion, amortization and accretion	20,508	23,346	(2,838)	(12.2%)
General and administrative expenses	31,841	30,231	1,610	5.3%
Restructuring expenses	1,223	1,663	(440)	(26.5%)
Other (gains) and losses, net	(13,397)	(18,013)	4,616	**
Income (loss) from operations	66,031	66,445	(414)	
Other income (expense):				
Interest income, net	3,373	1,459	1,914	131.2%
Other income (expense)	(6,838)	(13,471)	6,633	**
Income (loss) from continuing operations before income taxes	62,566	54,433	8,133	
Income tax (expense) benefit	(14,058)	(10,871)	(3,187)	29.3%
Net income (loss) from continuing operations	48,508	43,562	4,946	
Income (loss) from discontinued operations, net of income tax	17	(1,944)	1,961	(100.9%)
Net income (loss)	$ 48,525	$ 41,618	$ 6,907	

** Not a meaningful percentage

Revenues and Cost of Revenues

Revenues from our Rentals segment increased $0.8 million, or 0.8%, in the Current Quarter as compared to the Prior Quarter. Cost of revenues decreased $2.2 million, or 6.2%, in the Current Quarter as compared to the Prior Quarter. Increase in utilization contributed to a slight increase in gross margin which was 67.8% for the Current Quarter as compared to 65.4% in the Prior Quarter.

Revenues from our Well Services segment decreased $3.2 million, or 2.6%, in the Current Quarter as compared to the Prior Quarter. Cost of revenues decreased $2.7 million, or 3.1%, in the Current Quarter as compared to the Prior Quarter. Gross margin for the Current Quarter increased to 30.0% as compared to 29.6% for the Prior Quarter due to changes in revenue mix in our completions applications, increases in service revenues with higher margins and a reduction in pass through and mobilization projects with lower margins. Additionally, the strategic shift of our more labor-intensive service businesses to U.S. offshore and international operations reduces our exposure to the most significant wage inflation pressures in this segment given our lower U.S. land headcount.

Both segments are experiencing supply chain tightness and inflation, particularly for raw materials associated with downhole completion and drilling bottom hole accessory components. This primarily impacts our ability to bring new tools to market in late 2022 and beyond as we experience long delivery lead times and increased pricing for capital expenditures.

Depreciation, Depletion, Amortization and Accretion

Depreciation, depletion, amortization and accretion expense for the Current Quarter decreased $2.8 million, or 12.2%, as compared to the Prior Quarter. Depreciation expense is impacted by the valuation process under fresh start accounting, where certain fully depreciated assets were assigned a new estimated fair value and a new remaining useful life of less than 36 months. Depreciation, depletion, amortization and accretion expense for 2022 is expected to be approximately $102.8 million as compared to $228.2 million for the full year 2021.

General and Administrative Expenses

General and administrative expenses for the Current Quarter increased $1.6 million, or 5.3%, as compared to the Prior Quarter. The increase is primarily related to an increase in professional fees for accounting and consulting services, partially offset by a decrease in employee related costs, including benefits and incentive compensation.

Other (gains) and losses, net

Other (gains) and losses, net for the Current Quarter were $13.4 million compared to $18.0 million for the Prior Quarter. Other (gains) and losses, net primarily relate to charges recorded as part of our strategic disposal of low margin assets in line with our efforts to reconfigure our organization both operationally and financially (the “Transformation Project”) and includes gains/losses on the disposal of assets, as well as impairments, if any, related to long-lived assets. Other (gains) and losses, net for the Current Quarter include net gains of $13.4 million primarily related to disposals of non-core businesses and assets within our Well Services segment. Other (gains) and losses, net for the Prior Quarter includes a gain of $17.4 million from revisions in estimates related to our decommissioning liability.

Interest Income, Net

Interest income, net for the Current Quarter was $3.4 million compared to $1.5 million for the Prior Quarter. The increase in interest income was driven by interest derived on overnight money market accounts primarily in Argentina and the United States.

Other Income (Expense)

Other income (expense) primarily relate to re-measurement gains and losses associated with our foreign currencies and realized and unrealized gains and losses on our investment in equity securities.

Losses on foreign currencies during the Current Quarter were $7.0 million and primarily related to our operations in Brazil and Argentina. Losses on foreign currencies during the Prior Quarter were $10.5 million primarily related to our operations in Brazil. Losses on foreign currencies during the Prior Quarter include an expense of $2.7 million which represents a correction of an immaterial error relating to a period prior to our emergence from bankruptcy.

Unrealized gains on our investment in equity securities for the Current Quarter were $0.4 million. Unrealized gains on our investment in equity securities for the Prior Quarter were $5.9 million. During the Current Quarter, we did not dispose of any shares. During the Prior Quarter, we disposed of 0.7 million shares for $6.0 million, and recognized gains totaling $1.9 million in connection with these transactions.

Income Taxes

The effective tax rate for the Current Quarter and Prior Quarter was 22.5% and 20.0%, respectively, on income from continuing operations. The effective tax rate for the Current Quarter is different from the U.S. federal statutory rate of 21.0% primarily from non-deductible items, foreign tax rates that differ from the U.S. federal statutory rate, the release of valuation allowance based on current period income in certain jurisdictions and foreign losses for which no tax benefit is being recorded. The tax rate for the Prior Quarter is different from the U.S. federal statutory rate of 21.0% primarily from non-deductible items and foreign losses for which no tax benefit was recorded.

Unrecognized tax benefit as of the Current Quarter and Prior Quarter was $15.2 million and $15.7 million, respectively, all of which would impact our effective tax rate if recognized except for $1.6 million offset in deferred income taxes. It is reasonably possible $11.4 million of unrecognized tax benefits could be settled in the next twelve months due to the conclusion of tax audits or statutes of limitations expiration. It is our policy to recognize interest and applicable penalties, if any, related to uncertain tax positions in income tax expense.

Comparison of the Results of Operations for the Nine Months Ended September 30, 2022 and 2021

The period from February 3, 2021 through September 30, 2021 (the "Successor Period") and the period from January 1, 2021 through February 2, 2021 (the "Predecessor Period") are distinct reporting periods as a result of our emergence from bankruptcy. References in these results of operations to changes in comparison to the nine months ended September 30, 2022 (the "Current Period)" combine the Successor Period and Predecessor Period results for the nine months ended September 30, 2021 (the "Combined Period") in order to provide some comparability of such information. While this combined presentation is not presented according to generally accepted accounting principles in the United States of America ("GAAP") and no comparable GAAP measures are presented, management believes that providing this financial information is the most relevant and useful method for making comparisons to the Current Period as reviewing the Successor Period results in isolation would not be useful in identifying trends in or reaching conclusions regarding our overall operating performance.

We reported net income from continuing operations for the Current Period of $116.1 million on revenue of $644.9 million. This compares to net income from continuing operations for the Combined Period of $170.3 million on revenues of $496.2 million.

	Successor		Predecessor	Non-GAAP	Change	
	For the Nine Months Ended September 30, 2022	For the Period February 3, 2021 through September 30, 2021	For the Period January 1, 2021 through February 2, 2021	For the Combined Nine Months Ended September 30, 2021	$	%
Revenues:						
Rentals	$ 297,042	$ 185,902	$ 18,339	$ 204,241	$ 92,801	45.4%
Well Services	347,815	264,416	27,589	292,005	55,810	19.1%
Total revenues	644,857	450,318	45,928	496,246	148,611	
Cost of revenues:						
Rentals	101,250	75,433	7,839	83,272	17,978	21.6%
Well Services	248,179	221,719	21,934	243,653	4,526	1.9%
Total cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	349,429	297,152	29,773	326,925	22,504	
Depreciation, depletion, amortization and accretion	77,939	158,256	8,358	166,614	(88,675)	(53.2%)
General and administrative expenses	94,090	84,417	11,052	95,469	(1,379)	(1.4%)
Restructuring expenses	4,441	20,533	1,270	21,803	(17,362)	(79.6%)
Other (gains) and losses, net	(30,263)	(732)	-	(732)	(29,531)	**
Income (loss) from operations	149,221	(109,308)	(4,525)	(113,833)	263,054	
Other income (expense):						
Interest income, net	6,011	1,394	202	1,596	4,415	276.6%
Reorganization items, net	-	-	335,560	335,560	(335,560)	(100.0%)
Other income (expense)	(6,362)	(6,499)	(2,105)	(8,604)	2,242	**
Income (loss) from continuing operations before income taxes	148,870	(114,413)	329,132	214,719	(65,849)	
Income tax (expense) benefit	(32,813)	15,550	(60,003)	(44,453)	11,640	(26.2%)
Net income (loss) from continuing operations	116,057	(98,863)	269,129	170,266	(54,209)	
Income (loss) from discontinued operations, net of income tax	(188)	(33,967)	(352)	(34,319)	34,131	(99.5%)
Net income (loss)	$ 115,869	$ (132,830)	$ 268,777	$ 135,947	$ (20,078)	

** Not a meaningful percentage

Revenues and Cost of Revenues

Revenues from our Rentals segment increased $92.8 million, or 45.4%, in the Current Period as compared to the Combined Period. Cost of revenues increased $18.0 million, or 21.6%, in the Current Period as compared to the Combined Period. This increase was due to an increase in both average rig count and commodity prices when compared to the Combined Period. During the Current Period, we experienced increases in utilization and pricing of both premium drill pipe and bottom hole assembly accessories, which contributed to an increase in gross margin which was 65.9% for the Current Period as compared to 59.2% in the Combined Period.

Revenues from our Well Services segment increased $55.8 million, or 19.1%, in the Current Period as compared to the Combined Period. Cost of revenues increased $4.5 million, or 1.9%, in the Current Period as compared to the Combined Period. Gross margin for the Current Period increased to 28.6% as compared to 16.6% for the Combined Period due to changes in revenue mix in our completions applications, increases in service revenues with higher margins and a reduction in pass through and mobilization projects with lower margins. Additionally, the strategic shift of our more labor-intensive service businesses to U.S. offshore and international operations reduces our exposure to the most significant wage inflation pressures in this segment given our lower U.S. land headcount.

Depreciation, Depletion, Amortization and Accretion

Depreciation, depletion, amortization and accretion expense for the Current Period decreased $88.7 million, or 53.2%, as compared to the Combined Period. Depreciation expense is impacted by the valuation process under fresh start accounting, where certain fully depreciated assets were assigned a new estimated fair value and a new remaining useful life of less than 36 months. Depreciation, depletion, amortization and accretion expense for 2022 is expected to be approximately $102.8 million as compared to $228.2 million for the full year 2021.

Restructuring Expenses

Restructuring expenses for the Current Period decreased of $17.4 million, or 79.6%, as compared to the Combined Period, and primarily relate to costs associated with the Transformation Project.

Other (gains) and losses, net

Other (gains) and losses, net for the Current Period were $30.3 million compared to $0.7 million in the Combined Period. Other (gains) and losses, net primarily relate to charges recorded as part of our strategic disposal of low margin assets in line with our Transformation Project and includes gains/losses on the disposal of assets, as well as impairments, if any, related to long-lived assets. Other (gains) and losses, net for the Current Period include net gains of $12.9 million primarily related to disposals of non-core businesses and assets within our Well Services segment and a gain of $17.4 million from revisions in estimates related to our decommissioning liability.

Interest Income, Net

Interest income, net for the Current Period was $6.0 million compared to $1.6 million for the Combined Period. The increase in interest income was driven by interest derived on overnight money market accounts primarily in Argentina and the United States.

Other Income (Expense)

Losses on foreign currencies during the Current Period and Combined Period were $11.9 million and $6.4 million, respectively. Losses on foreign currencies during the Current Period include an expense of $2.7 million which represents a correction of an immaterial error relating to a period prior to our emergence from bankruptcy. Realized and unrealized gains on our investment in equity securities for the Current Period were $4.5 million. During the Current Period, we disposed of 1.7 million shares for $13.4 million.

Income Taxes

The effective tax rate for the Current Period and Combined Period was 22.0% and 20.7%, respectively, on income from continuing operations. The effective tax rate for the Current Period is different from the U.S. federal statutory rate of 21.0% primarily from non-deductible items, foreign tax rates that differ from the U.S. federal statutory rate, the release of valuation allowance based on current period income in certain jurisdictions and foreign losses for which no tax benefit is being recorded. The tax rate for the Combined Period is different from the U.S. federal statutory rate of 21.0% primarily from non-deductible items, foreign losses for which no tax benefit was recorded and the adoption of fresh start accounting during the period.

Unrecognized tax benefit as of September 30, 2022 was $15.2 million, all of which would impact our effective tax rate if recognized except for $1.6 million offset in deferred income taxes. It is reasonably possible $11.4 million of unrecognized tax benefits could be settled in the next twelve months due to the conclusion of tax audits or statutes of limitations expiration. It is our policy to recognize interest and applicable penalties, if any, related to uncertain tax positions in income tax expense.

Liquidity and Capital Resources

Cash flows depend, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Certain sources and uses of cash, such as our level of discretionary capital expenditures and divestitures of non-core assets, are within our control and are adjusted as necessary based on market conditions.

Financial Condition and Liquidity

Our primary sources of liquidity have been cash and cash equivalents, cash generated from our operations and from asset sales, and availability under our Credit Facility. As of September 30, 2022, we had cash, cash equivalents and restricted cash of $533.4 million. During the nine months ended September 30, 2022 net cash provided by operating activities was $122.0 million, and we received $59.8 million in cash proceeds from the sale of assets and equity securities in which we are invested. The primary uses of liquidity are to provide support for operating activities, restructuring activities and capital expenditures. We spent $42.9 million of cash on capital expenditures during the nine months ended September 30, 2022.

The energy industry faces growing negative sentiment in the market which may affect our ability to access capital on terms favorable to us. While we have confidence in the level of support from our lenders, this negative sentiment in the energy industry has not only impacted our customers in North America, but also affected the availability and pricing for most credit lines extended to participants in the energy industry. From time to time, we may enter into transactions to dispose of businesses or capital assets that no longer fit our long-term strategy.

Distributions to Shareholders

The Board has continued to evaluate strategic alternatives in the third quarter. We now expect to pay a distribution to shareholders in the fourth quarter of 2022.

Debt Instruments

On the Emergence Date, pursuant to the Plan, we entered into a Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders and letter of credit issuers named therein providing for a $120.0 million asset-based secured revolving Credit Facility, all of which is available for the issuance of letters of credit (the “Credit Facility”). The issuance of letters of credit reduces availability under the Credit Facility on a dollar-for-dollar basis. The Credit Facility will mature on December 9, 2024.

As of September 30, 2022, our borrowing base, as defined in the Credit Agreement, was approximately $120.0 million and we had $40.3 million of letters of credit outstanding that reduced the borrowing availability. We had no outstanding borrowings under the Credit Facility as of September 30, 2022.

Unless all loans are paid off and letters of credit outstanding are cash collateralized and the Credit Facility terminated, the Credit Facility requires, subject to permitted exceptions, compliance with various covenants, including, but not limited to, limitations on the incurrence of indebtedness, permitted investments, liens on assets, making distributions, transactions with affiliates, mergers, consolidations, dispositions of assets and other provisions customary in similar types of agreements. The Credit Facility also requires compliance with a fixed charge coverage ratio of 1.0 to 1.0 if (a) an event of default has occurred and is continuing or (b) availability under the Credit Facility is less than the greater of $20.0 million or 15% of the lesser of the aggregate commitments and the borrowing base. We were in compliance with all required covenants as of September 30, 2022.

Other Matters

New Accounting Pronouncements

See Part 1, Item 1, “Unaudited Condensed Consolidated Financial Statements and Notes” – Note 17 – *“New Accounting Pronouncements.”*

Critical Accounting Policies and Estimates

There have been no changes to the critical accounting policies reported in our Annual Report on Form 10-K for the period ended December 31, 2021 (the “Form 10-K”) that affect our significant judgments and estimates used in the preparation of our Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. Please refer to the section titled

"Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in the Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks associated with foreign currency fluctuations and changes in interest rates. As of September 30, 2022, we did not hold financial instruments for trading purposes.

Foreign Currency Exchange Rates Risk

We do not hold derivatives for trading purposes or use derivatives with complex features. When we believe it is prudent, we may enter into forward foreign exchange contracts to hedge the impact of foreign currency fluctuations. We do not enter into forward foreign exchange contracts for trading purposes, and at September 30, 2022, we did not have any outstanding foreign currency forward contracts.

Interest Rate Risk

We are exposed to changes in interest rates on borrowings under our Credit Facility. Any borrowings under the Credit Facility will bear interest, at our option, at either an adjusted LIBOR rate plus an applicable margin ranging from 3.00% to 3.50% per annum, or an alternate base rate plus an applicable margin ranging from 2.00% to 2.50% per annum, in each case on the basis of the consolidated fixed charge coverage ratio. In addition, we are required to pay (i) a letter of credit fee, (ii) to the issuing lender of each letter of credit, a fronting fee and (iii) commitment fees. Upon the cessation of LIBOR, the Credit Facility provides for the use of alternative benchmark rates for the determination of the borrowing rate, and the cessation of LIBOR will not have a material impact on us. However, as of September 30, 2022, we had no outstanding borrowings under the Credit Facility.

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.

Inflation Risk

Based on our analysis of the period presented, we believe that inflation has not had a material effect on our operating results. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In addition, the disclosure controls and procedures provide reasonable assurance that such information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. An evaluation was carried out, under the supervision and with the participation of our management, including our CEO and CFO, regarding the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures as of September 30, 2022 were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various legal actions incidental to our business. However, based on current circumstances, we do not believe that the ultimate resolution of these proceedings after considering available defenses and any insurance coverage or indemnification rights will have a material adverse effect on our financial position, results of operations or cash flows. See Part 1, Item 1, "Unaudited Condensed Consolidated Financial Statements and Notes – Note 14 – *Contingencies.*"

Item 1A. Risk Factors

As of September 30, 2022, there have been no material changes in risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as updated by our quarterly reports on Form 10-Q for the quarters ended March 31, 2022 and June 30, 2022.

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

There has been no share repurchase activity during the three months ended September 30, 2022.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None to report.

Item 6. Exhibits

Exhibit No.	Description
2.1	First Amended Joint Prepackaged Plan of Reorganization for Superior Energy Services, Inc. and its Affiliate Debtors Under Chapter 11 of the Bankruptcy Code (incorporated by reference to Exhibit 2.1 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed on January 20, 2021(File No. 001-34037)).
2.2	Agreement and Plan of Merger, dated as of February 2, 2021, by and among Superior Energy Services, Inc., Superior BottomCo Inc. and Superior NewCo, Inc. (incorporated herein by reference to Exhibit 10.2 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed on February 3, 2021 (File No. 001-34037)).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed on February 3, 2021(File No. 001-34037)).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed on February 3, 2021(File No. 001-34037)).
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed on February 3, 2021(File No. 001-34037)).
31.1*	Officer's certification pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Officer's certification pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1*	Officer's certification pursuant to Section 1350 of Title 18 of the U.S. Code.
32.2*	Officer's certification pursuant to Section 1350 of Title 18 of the U.S. Code.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

^ Management contract or compensatory plan or arrangement

\# This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUPERIOR ENERGY SERVICES, INC.
(Registrant)

Date:	November 2, 2022	By:	/s/ Brian K. Moore Brian K. Moore President and Chief Executive Officer (Principal Executive Officer)
		By:	/s/ James W. Spexarth James W. Spexarth Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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EXHIBIT 31.1

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

I, Brian K. Moore, 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 2, 2022

/s/ Brian K. Moore
Brian K. Moore
President and Chief Executive Officer
(Principal Executive Officer)
Superior Energy Services, Inc.

EXHIBIT 31.2

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

I, James W. Spexarth, Executive Vice President 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 2, 2022

/s/ James W. Spexarth
James W. Spexarth
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
Superior Energy Services, Inc.

EXHIBIT 32.1

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

I, Brian K. Moore, 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, to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the quarter ended September 30, 2022 (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.

Date: November 2, 2022

/s/ Brian K. Moore
Brian K. Moore
President and Chief Executive Officer
(Principal 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, James W. Spexarth, Executive Vice President 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, to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the quarter ended September 30, 2022 (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.

Date: November 2, 2022

/s/ James W. Spexarth
James W. Spexarth
Executive Vice President and Chief Financial Officer
(Principal 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.