



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 June 30, 2007

or

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

For the Transition Period From to

Commission File No. 0-20310

**SUPERIOR ENERGY SERVICES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

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

70058  
(Zip Code)

Registrant's telephone number, including area code: (504) 362-4321

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer  Non-accelerated

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

The number of shares of the registrant's common stock outstanding on August 1, 2007 was 81,460,253.

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Quarterly Report on Form 10-Q for  
the Quarterly Period Ended June 30, 2007

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

Condensed Consolidated Balance Sheets

June 30, 2007 and December 31, 2006

(in thousands, except share data)

	6/30/07 (Unaudited)	12/31/06 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 36,529	\$ 38,970
Accounts receivable, net	346,200	303,800
Income taxes receivable	—	2,630
Current portion of notes receivable	15,254	14,824
Prepaid insurance and other	47,139	59,563
Total current assets	<u>445,122</u>	<u>419,787</u>
Property, plant and equipment, net	958,915	804,228
Goodwill, net	482,798	444,687
Notes receivable	16,259	16,137
Equity-method investments	60,241	64,603
Intangible and other long-term assets, net	134,683	125,036
Total assets	<u>\$ 2,098,018</u>	<u>\$ 1,874,478</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 75,456	\$ 65,451
Accrued expenses	139,902	141,684
Income taxes payable	8,857	—
Current portion of decommissioning liabilities	36,504	35,150
Current maturities of long-term debt	810	810
Total current liabilities	<u>261,529</u>	<u>243,095</u>
Deferred income taxes	122,311	112,011
Decommissioning liabilities	86,787	87,046
Long-term debt	746,324	711,505
Other long-term liabilities	13,989	10,133
Stockholders' equity:		
Preferred stock of \$.01 par value. Authorized, 5,000,000 shares; none issued	—	—
Common stock of \$.001 par value. Authorized, 125,000,000 shares; issued and outstanding, 81,459,903 shares at June 30, 2007, and 80,617,337 shares at December 31, 2006	81	81
Additional paid in capital	431,200	411,374
Accumulated other comprehensive income, net	12,746	10,288
Retained earnings	423,051	288,945
Total stockholders' equity	<u>867,078</u>	<u>710,688</u>
Total liabilities and stockholders' equity	<u>\$ 2,098,018</u>	<u>\$ 1,874,478</u>

See accompanying notes to consolidated financial statements.

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Operations  
Three and Six Months Ended June 30, 2007 and 2006  
(in thousands, except per share data)  
(unaudited)

	Three Months		Six Months	
	2007	2006	2007	2006
Oilfield service and rental revenues	\$ 348,589	\$ 228,134	\$ 674,484	\$ 435,132
Oil and gas revenues	48,164	33,625	85,193	49,096
Total revenues	396,753	261,759	759,677	484,228
Cost of oilfield services and rentals	162,973	101,286	305,402	194,541
Cost of oil and gas sales	18,833	18,702	36,891	32,907
Total cost of services, rentals and sales	181,806	119,988	342,293	227,448
Depreciation, depletion, amortization and accretion	45,242	25,727	84,086	48,642
General and administrative expenses	53,824	40,088	104,683	77,739
Income from operations	115,881	75,956	228,615	130,399
Other income (expense):				
Interest expense, net	(8,463)	(5,556)	(16,741)	(10,400)
Interest income	929	1,559	1,508	2,222
Loss on early extinguishment of debt	—	(12,596)	—	(12,596)
Earnings (losses) from equity-method investments, net	1,164	1,148	(3,842)	1,148
Income before income taxes	109,511	60,511	209,540	110,773
Income taxes	39,424	21,784	75,434	39,878
Net income	\$ 70,087	\$ 38,727	\$ 134,106	\$ 70,895
Basic earnings per share	\$ 0.86	\$ 0.49	\$ 1.66	\$ 0.89
Diluted earnings per share	\$ 0.85	\$ 0.48	\$ 1.63	\$ 0.87
Weighted average common shares used in computing earnings per share:				
Basic	81,047	79,798	80,841	79,719
Incremental common shares from stock options	1,457	1,490	1,480	1,422
Incremental common shares from restricted stock units	58	36	58	36
Diluted	82,562	81,324	82,379	81,177

See accompanying notes to consolidated financial statements.

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows

Six Months Ended June 30, 2007 and 2006

(in thousands)

(unaudited)

	2007	2006
Cash flows from operating activities:		
Net income	\$ 134,106	\$ 70,895
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion	84,086	48,642
Deferred income taxes	1,860	(4,714)
Stock-based and performance share unit compensation expense	6,160	1,316
(Earnings) losses from equity-method investments, net	3,842	(1,148)
Write-off of debt acquisition costs	—	2,817
Amortization of debt acquisition costs and note discount	1,771	510
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables	(37,274)	(40,222)
Other, net	14,193	(4,140)
Accounts payable	3,327	4,408
Accrued expenses	(7,190)	6,115
Decommissioning liabilities	(1,224)	(2,255)
Income taxes	10,390	40,461
Net cash provided by operating activities	<u>214,047</u>	<u>122,685</u>
Cash flows from investing activities:		
Payments for capital expenditures	(199,629)	(82,048)
Acquisitions of oil and gas properties, net of cash acquired	—	(46,631)
Acquisitions of businesses, net of cash acquired	(79,624)	(9,822)
Cash contributed to equity-method investment	—	(30,441)
Cash proceeds from sale of business, net of cash sold	1,750	18,343
Other	9,189	(2,412)
Net cash used in investing activities	<u>(268,314)</u>	<u>(153,011)</u>
Cash flows from financing activities:		
Net borrowings from revolving credit facility	35,000	—
Proceeds from long-term debt	—	295,467
Principal payments on long-term debt	(405)	(200,405)
Payment of debt acquisition costs	(62)	(6,203)
Proceeds from exercise of stock options	8,017	2,393
Tax benefit from exercise of stock options	8,943	—
Net cash provided by financing activities	<u>51,493</u>	<u>91,252</u>
Effect of exchange rate changes on cash	333	463
Net increase (decrease) in cash	<u>(2,441)</u>	<u>61,389</u>
Cash and cash equivalents at beginning of period	<u>38,970</u>	<u>54,457</u>
Cash and cash equivalents at end of period	<u>\$ 36,529</u>	<u>\$ 115,846</u>

See accompanying notes to consolidated financial statements.

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**  
Notes to Unaudited Condensed Consolidated Financial Statements  
Six Months Ended June 30, 2007 and 2006

(1) Basis of Presentation

Certain information and footnote disclosures normally in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission; however, management believes the disclosures which are made are adequate to make the information presented not misleading. These financial statements and footnotes should be read in conjunction with the consolidated financial statements and notes thereto included in Superior Energy Services, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 and Management's Discussion and Analysis of Financial Condition and Results of Operations.

The financial information of Superior Energy Services, Inc. and subsidiaries (the Company) for the six months ended June 30, 2007 and 2006 has not been audited. However, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the periods presented have been included therein. The results of operations for the first six months of the year are not necessarily indicative of the results of operations that might be expected for the entire year. Certain previously reported amounts have been reclassified to conform to the 2007 presentation.

(2) Stock-Based and Long-Term Compensation

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

Stock Options

The Company has issued non-qualified stock options under its stock incentive plans. The options generally vest in equal installments over three years and expire in ten years. Non-vested options are generally forfeited upon termination of employment. The Company's compensation expense related to stock options for the six months ended June 30, 2007 and 2006 was approximately \$0.7 million and \$0.4 million, respectively, which is reflected in general and administrative expenses.

Restricted Stock

The Company has issued shares of restricted stock under its stock incentive plans. Shares of restricted stock generally vest in equal annual installments over three years. Non-vested shares are generally forfeited upon the termination of employment. Holders of the shares of restricted stock are entitled to all rights of a stockholder of the Company with respect to the restricted stock, including the right to vote the shares and receive all dividends and other distributions declared thereon. The Company's compensation expense related to shares of restricted stock outstanding for the six months ended June 30, 2007 and 2006 was approximately \$1.3 million and \$0.4 million, respectively, which is reflected in general and administrative expenses.

Restricted Stock Units

The Directors' Restricted Stock Units Plan provides that each non-employee director is issued a number of restricted stock units having an aggregate value in a dollar amount determined by the Company's Board of Directors. A restricted stock unit represents the right to receive from the Company, within 30 days of the date the director ceases to serve on the Board, one share of the Company's common stock. The Company's expense related to restricted stock units for the six months ended June 30, 2007 and 2006 was approximately \$0.5 million and \$0.6 million, which is reflected in general and administrative expenses.

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### Performance Share Units

The Company has issued performance share units (PSUs) to its employees as part of the Company's long-term incentive program. There is a three-year performance period associated with each PSU grant date. The two performance measures applicable to all participants are the Company's return on invested capital and total stockholder return relative to those of the Company's pre-defined "peer group." The PSUs provide for settlement in cash or up to 50% in equivalent value in the Company's common stock, if the participant has met specified continued service requirements. The Company's compensation expense related to all outstanding PSUs for the six months ended June 30, 2007 and 2006 was approximately \$3.6 million and \$1.1 million, respectively, which is reflected in general and administrative expenses. The Company has recorded a liability of approximately \$8.1 million and \$4.5 million at June 30, 2007 and December 31, 2006, respectively, for all outstanding PSUs which is reflected in accrued expenses.

### Employee Stock Purchase Plan

In May 2007, the Company's stockholders approved the Superior Energy Services, Inc. 2007 Employee Stock Purchase Plan under which 1,000,000 shares of common stock were reserved for issuance. Each eligible employee may purchase up to \$10,000 of the Company's common stock annually at a 15% discount. The 15% discount will represent compensation expense and will be recorded in general and administrative expenses.

### (3) Earnings per Share

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

In connection with the Company's outstanding senior exchangeable notes, there could be a dilutive effect on earnings per share if the price of the Company's stock exceeds the initial exchange price of \$45.58 per share for a specified period of time. In the event the Company's common stock exceeds the initial exchange price of \$45.58 per share, for the first \$1.00 the price exceeds \$45.58, the dilutive effect would be as much as 188,400 shares. The impact on the calculation of earnings per share would depend on when during the quarter the \$45.58 per share price is reached (see note 8).

### (4) Acquisitions and Dispositions

In January 2007, the Company acquired Duffy & McGovern Accommodation Services Limited (Duffy & McGovern) for approximately \$47.5 million in cash consideration. Duffy & McGovern is a provider of offshore accommodation rentals operating in most deep water oil and gas territories with major operations in Europe, Africa, the Americas and South East Asia. The Company acquired Duffy & McGovern to further expand its rental tools segment internationally. The acquisition has been accounted for as a purchase, and the results of operations have been included from the acquisition date. The pro forma effect of the operations of the acquisition was not material to the Condensed Consolidated Statements of Operations of the Company for the current period presented.

In April 2007, the Company acquired Advanced Oilwell Services, Inc. (AOS) for approximately \$24.2 million in cash consideration. Additional consideration, if any, will be based upon the average earnings before interest, income taxes, depreciation and amortization expense of the business over a three-year period, and will not exceed \$7.4 million. AOS is a provider of cementing and pressure pumping services primarily operating in the East Texas region. The acquisition has been accounted for as a purchase, and the results of operations have been included from the acquisition date. The pro forma effect of the operations of the acquisition was not material to the Condensed Consolidated Statements of Operations of the Company for the current period presented.

In December 2006, the Company acquired Warrior Energy Services Corporation (Warrior) for a total purchase price of approximately \$374.1 million. The total consideration was comprised of cash payments of approximately \$237.8



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million (including acquisition costs and repayment of Warrior's debt) and equity consideration of approximately \$136.3 million. Warrior is an oil and gas services company that provides various well intervention services including wireline, electric line, logging, perforating, mechanical services, pipe recovery, fishing and rental, plug and abandonment and hydraulic workover services. Warrior has over 30 operating bases in 10 states with operations concentrated in the major onshore and offshore oil and gas producing areas of the United States. The acquisition has been accounted for as a purchase, and the results of operations of Warrior have been included from the acquisition date. The allocation of the purchase price and the valuation of assets and liabilities will be subject to refinement as the Company gathers additional information with respect to income taxes, outstanding litigation and other items.

In July 2006, Beryl Oil and Gas L.P. (BOG), formerly known as Coldren Resources LP, completed the acquisition from Noble Energy, Inc. (Noble) of substantially all of Noble's offshore Gulf of Mexico shallow water oil and gas properties. SPN Resources, LLC (SPN Resources), a wholly-owned subsidiary of the Company, acquired a 40% interest in BOG for an initial cash investment of approximately \$57.8 million. The Company's investment in BOG is accounted for under the equity-method of accounting.

In April 2006, SPN Resources acquired additional oil and gas properties through the acquisition of five offshore Gulf of Mexico leases. Under the terms of the transaction, the Company acquired the properties and assumed the related decommissioning liabilities. The Company paid cash in the amount of \$46.6 million and recorded decommissioning liabilities of approximately \$3.7 million and oil and gas producing assets of approximately \$50.3 million.

The Company made other business acquisitions, which were not material on an individual or cumulative basis, requiring cash consideration of \$11.5 million in the six months ended June 30, 2007 and \$9.8 million in the year ended December 31, 2006. The Company also sold the assets of its field management division in the second quarter of 2007 for approximately \$1.8 million in cash. In conjunction with the sale of this division, an additional \$0.5 million will be payable to the Company if specific conditions are met as determined through 2008. The Company also sold its environmental subsidiary in the first quarter of 2006 for approximately \$18.7 million in cash.

Several of the Company's prior business acquisitions require future payments if specific conditions are met. As of June 30, 2007, the maximum additional contingent consideration payable was approximately \$8.8 million, and will be determined and payable through 2010. In the six months ended June 30, 2007, the Company capitalized and paid additional consideration of approximately \$0.6 million as a result of prior acquisitions.

### (5) Segment Information

#### *Business Segments*

The Company has four reportable segments: well intervention, rental tools, marine, and oil and gas. The well intervention segment provides: production related services used to enhance, extend and maintain oil and gas production, which include mechanical wireline, hydraulic workover and snubbing, well control, coiled tubing, electric line, pumping and stimulation and well bore evaluation services; well plug and abandonment services, and other oilfield services used to support drilling and production operations. The rental tools segment rents and sells stabilizers, drill pipe, tubulars and specialized equipment for use with onshore and offshore oil and gas well drilling, completion, production and workover activities. It also provides onsite accommodations and bolting and machining services. The marine segment operates liftboats for production service activities, as well as oil and gas production facility maintenance, construction operations and platform removals. The oil and gas segment acquires mature oil and gas properties and produces and sells any remaining oil and gas reserves. Oil and gas eliminations represent products and services provided to the oil and gas segment by the Company's three other segments. Certain previously reported amounts have been reclassified to conform to the presentation in the current period.

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Summarized financial information concerning the Company's segments for the three and six months ended June 30, 2007 and 2006 is shown in the following tables (in thousands):

### Three Months Ended June 30, 2007

	Well Intervention	Rental Tools	Marine	Oil & Gas	Oil & Gas Eliminations & Unallocated	Consolidated Total
Revenues	\$ 190,542	\$ 123,736	\$ 35,162	\$ 48,164	\$ (851)	\$ 396,753
Cost of services, rentals and sales	109,449	39,018	15,357	18,833	(851)	181,806
Depreciation, depletion, amortization and accretion	11,255	16,606	2,205	15,176	—	45,242
General and administrative expenses	27,727	21,472	2,388	2,237	—	53,824
Income from operations	42,111	46,640	15,212	11,918	—	115,881
Interest expense, net	—	—	—	—	(8,463)	(8,463)
Interest income	—	—	—	322	607	929
Earnings from equity-method investments, net	—	—	—	1,164	—	1,164
Income (loss) before income taxes	\$ 42,111	\$ 46,640	\$ 15,212	\$ 13,404	\$ (7,856)	\$ 109,511

### Three Months Ended June 30, 2006

	Well Intervention	Rental Tools	Marine	Oil & Gas	Oil & Gas Eliminations & Unallocated	Consolidated Total
Revenues	\$ 111,675	\$ 86,593	\$ 33,951	\$ 33,625	\$ (4,085)	\$ 261,759
Cost of services, rentals and sales	63,355	28,223	13,793	18,702	(4,085)	119,988
Depreciation, depletion, amortization and accretion	4,329	12,482	2,133	6,783	—	25,727
General and administrative expenses	18,270	16,483	2,687	2,648	—	40,088
Income from operations	25,721	29,405	15,338	5,492	—	75,956
Interest expense, net	—	—	—	—	(5,556)	(5,556)
Interest income	—	—	—	302	1,257	1,559
Loss on early extinguishment of debt	—	—	—	—	(12,596)	(12,596)
Earnings from equity-method investments, net	—	—	—	1,148	—	1,148
Income (loss) before income taxes	\$ 25,721	\$ 29,405	\$ 15,338	\$ 6,942	\$ (16,895)	\$ 60,511

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### Six Months Ended June 30, 2007

	Well Intervention	Rental Tools	Marine	Oil & Gas	Oil & Gas Eliminations & Unallocated	Consolidated Total
Revenues	\$367,473	\$239,916	\$71,028	\$85,193	\$ (3,933)	\$759,677
Cost of services, rentals and sales	204,956	74,534	29,846	36,890	(3,933)	342,293
Depreciation, depletion, amortization and accretion	21,613	31,856	4,393	26,224	—	84,086
General and administrative expenses	52,728	41,810	5,116	5,029	—	104,683
Income from operations	88,176	91,716	31,673	17,050	—	228,615
Interest expense, net	—	—	—	—	(16,741)	(16,741)
Interest income	—	—	—	613	895	1,508
Losses from equity-method investments, net	—	—	—	(3,842)	—	(3,842)
Income (loss) before income taxes	\$ 88,176	\$ 91,716	\$31,673	\$13,821	\$(15,846)	\$209,540

### Six Months Ended June 30, 2006

	Well Intervention	Rental Tools	Marine	Oil & Gas	Oil & Gas Eliminations & Unallocated	Consolidated Total
Revenues	\$213,748	\$164,367	\$64,158	\$49,096	\$ (7,141)	\$484,228
Cost of services, rentals and sales	123,355	52,521	25,806	32,907	(7,141)	227,448
Depreciation, depletion, amortization and accretion	8,864	24,195	4,285	11,298	—	48,642
General and administrative expenses	36,138	31,749	5,585	4,267	—	77,739
Income from operations	45,391	55,902	28,482	624	—	130,399
Interest expense, net	—	—	—	—	(10,400)	(10,400)
Interest income	—	—	—	602	1,620	2,222
Loss on early extinguishment of debt	—	—	—	—	(12,596)	(12,596)
Earnings from equity-method investments, net	—	—	—	1,148	—	1,148
Income (loss) before income taxes	\$ 45,391	\$ 55,902	\$28,482	\$ 2,374	\$(21,376)	\$110,773

### Identifiable Assets

	Well Intervention	Rental Tools	Marine	Oil & Gas	Unallocated	Consolidated Total
June 30, 2007	\$927,822	\$630,816	\$192,966	\$317,769	\$28,645	\$2,098,018
December 31, 2006	\$840,130	\$501,156	\$187,597	\$318,297	\$27,298	\$1,874,478

### Geographic Segments

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

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### Revenues:

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
United States	\$ 319,647	\$ 225,527	\$ 613,668	\$ 414,532
Other Countries	77,106	36,232	146,009	69,696
Total	<u>\$ 396,753</u>	<u>\$ 261,759</u>	<u>\$ 759,677</u>	<u>\$ 484,228</u>

### Long-Lived Assets:

	June 30, 2007	December 31, 2006
United States	\$ 808,818	\$ 715,899
Other Countries	150,097	88,329
Total	<u>\$ 958,915</u>	<u>\$ 804,228</u>

### (6) Construction Contract

In July 2006, the Company contracted to construct a derrick barge that will be sold to a third party for approximately \$53.7 million. The contract to construct the derrick barge to the customer's specifications is recorded on the percentage-of-completion method utilizing engineering estimates and construction progress. This methodology requires the Company to make estimates regarding the progress against the project schedule and estimated completion date, both of which impact the amount of revenue and gross margin the Company recognizes in each reporting period. Contract costs primarily include sub-contract and program management costs. Provisions for unanticipated losses, if any, will be recorded in full when such losses become evident. Included in accrued expenses at June 30, 2007 and December 31, 2006 is approximately \$18.1 million and \$12.3 million, respectively, of billings in excess of costs and estimated earnings related to this contract.

### (7) Equity-Method Investments

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

In May 2006, SPN Resources acquired a 40% interest in BOG. The Company's total cash contribution for its equity-method investment in BOG was approximately \$57.8 million. The Company has not made additional contributions since its initial investment. The Company's equity-method investment balance in BOG is approximately \$59.3 million at June 30, 2007 and \$63.6 million at December 31, 2006. The Company recorded a loss from its equity-method investment in BOG of approximately \$3.8 million for the six months ended June 30, 2007. During the six month period ended June 30, 2006, the Company recorded approximately \$1.1 million of earnings from its equity-method investment in BOG due to the mark-to-market accounting on its oil and gas derivatives.

The Company provides operating and administrative support services to BOG and receives reimbursement for general and administrative and direct expenses incurred on behalf of BOG. The Company also, where possible and at competitive rates, provides its products and services to assist BOG in producing and developing its oil and gas properties. As such, the Company has a receivable from BOG of approximately \$6.3 million at June 30, 2007 and \$3.0 million at December 31, 2006. The Company offset its general and administrative expenses by approximately \$2.5 million for the reimbursements due from BOG for the six months ended June 30, 2007. The Company also recorded revenue of approximately \$5.3 million from BOG for the six months ended June 30, 2007. The Company reduces its revenue and its investment in BOG for its 40% ownership when products and services are provided to and capitalized by BOG. The Company records these amounts in revenue as BOG records the related depreciation and depletion expenses. The Company recorded a net reduction to revenue and its investment in BOG of approximately \$0.5 million for the six months ended June 30, 2007.

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Summarized balance sheet and statement of operations information for BOG is presented below (amounts in thousands):

### Balance Sheet

	June 30, 2007	December 31, 2006
Current assets	\$ 143,125	\$ 176,860
Property, plant and equipment, net	478,796	522,941
Other assets	9,605	23,135
Total assets	<u>\$ 631,526</u>	<u>\$ 722,936</u>
Current liabilities	\$ 26,747	\$ 27,922
Decommissioning and other long-term liabilities	92,287	89,610
Long-term debt	360,974	432,697
Total liabilities	<u>480,008</u>	<u>550,229</u>
Accumulated other comprehensive income, net	2,291	13,861
Partners' capital	149,227	158,846
Total capital	<u>151,518</u>	<u>172,707</u>
Total liabilities and partners' capital	<u>\$ 631,526</u>	<u>\$ 722,936</u>

### Income Statement

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenues	\$ 54,554	\$ —	\$ 109,145	\$ —
Lease operating expenses	(14,105)	—	(28,164)	—
Depreciation, depletion, amortization and accretion	(27,551)	—	(57,763)	—
General and administrative expenses	(2,297)	(142)	(6,737)	(142)
Interest expense	(10,609)	—	(21,997)	—
Interest income	979	—	2,241	—
Gain (loss) on derivatives	1,932	2,973	(6,345)	2,973
Net income (loss)	<u>\$ 2,903</u>	<u>\$ 2,831</u>	<u>\$ (9,620)</u>	<u>\$ 2,831</u>

Also included in equity-method investments at June 30, 2007 and 2006 is approximately \$1 million investment for a 50% ownership in a company that owns an airplane. Earnings from the equity-method investment in this company were not material for the six months ended June 30, 2007 or 2006. The Company recorded approximately \$104,000 and \$122,000 in expense to lease the airplane (exclusive of operating costs) from this company for the six months ended June 30, 2007 and 2006, respectively.

### (8) Debt

The Company has a \$250 million bank revolving credit facility. Any amounts outstanding under the revolving credit facility are due on June 14, 2011. At June 30, 2007, the Company had approximately \$35 million outstanding under the revolving credit facility. Additionally, the Company had approximately \$73.2 million of letters of credit outstanding, which reduce the Company's borrowing availability under this credit facility. Amounts borrowed under the credit facility bear interest at a LIBOR rate plus margins that depend on the Company's leverage ratio. Indebtedness under the credit facility is secured by substantially all of the Company's assets, including the pledge of the stock of the Company's principal subsidiaries. The credit facility contains customary events of default and

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requires that the Company satisfy various financial covenants. It also limits the Company's ability to pay dividends or make other distributions, make acquisitions, make changes to the Company's capital structure, create liens, incur additional indebtedness or assume additional decommissioning liabilities. At June 30, 2007, the Company was in compliance with all such covenants.

The Company has \$16.2 million outstanding at June 30, 2007, in U. S. Government guaranteed long-term financing under Title XI of the Merchant Marine Act of 1936, which is administered by the Maritime Administration (MARAD), for two 245-foot class liftboats. The debt bears interest at 6.45% per annum and is payable in equal semi-annual installments of \$405,000, on every June 3<sup>rd</sup> and December 3<sup>rd</sup> through the maturity date of June 3, 2027. The Company's obligations are secured by mortgages on the two liftboats. In accordance with this agreement, the Company is required to comply with certain covenants and restrictions, including the maintenance of minimum net worth and debt-to-equity requirements. At June 30, 2007, the Company was in compliance with all such covenants. This long-term financing ranks equally with the bank credit facility as both are secured by different collateral.

The Company has \$300 million of 6 7/8% unsecured senior notes due 2014. The indenture governing the senior notes requires semi-annual interest payments on every June 1<sup>st</sup> and December 1<sup>st</sup> through the maturity date of June 1, 2014. The indenture contains certain covenants that, among other things, restrict the Company from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions. At June 30, 2007, the Company was in compliance with all such covenants.

The Company also has \$400 million of 1.50% unsecured senior exchangeable notes due 2026. The exchangeable notes bear interest at a rate of 1.50% per annum and decrease to 1.25% per annum on December 15, 2011. Interest on the exchangeable notes is payable semi-annually on December 15<sup>th</sup> and June 15<sup>th</sup> of each year, beginning June 15, 2007. The exchangeable notes do not contain any restrictive financial covenants.

Under certain circumstances, holders may exchange the notes for shares of the Company's common stock. The initial exchange rate is 21.9414 shares of common stock per \$1,000 principal amount of notes. This is equal to an initial exchange price of \$45.58 per share. The exchange price represents a 35% premium over the closing share price at the date of issuance. The notes may be exchanged under the following circumstances:

- during any fiscal quarter (and only during such fiscal quarter) commencing after March 31, 2007, if the last reported sale price of the Company's common stock is greater than or equal to 135% of the applicable exchange price of the notes for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;
- prior to December 15, 2011, during the five business-day period after any ten consecutive trading-day period (the "measurement period") in which the trading price of \$1,000 principal amount of notes for each trading day in the measurement period was less than 95% of the product of the last reported sale price of the Company's common stock and the exchange rate on such trading day;
- if the notes have been called for redemption;
- upon the occurrence of specified corporate transactions; or
- at any time beginning on September 15, 2026, and ending at the close of business on the second business day immediately preceding the maturity date of December 15, 2026.

In connection with the exchangeable note transaction, the Company simultaneously entered into agreements with affiliates of the initial purchasers to purchase call options and sell warrants on its common stock. The Company may exercise the call options it purchased at any time to acquire approximately 8.8 million shares of its common stock at a strike price of \$45.58 per share. The owners of the warrants may exercise the warrants to purchase from the Company approximately 8.8 million shares of the Company's common stock at a price of \$59.42 per share, subject to certain anti-dilution and other customary adjustments. The warrants may be settled in cash, in shares or in a combination of cash and shares, at the Company's option.

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### (9) Hedging Activities

The Company entered into hedging transactions in 2004 that expired on August 31, 2006 to secure a range of commodity prices for a portion of its future oil production and to reduce its exposure to oil price fluctuations. The Company does not enter into derivative transactions for trading purposes. The Company used financially-settled crude oil swaps and zero-cost collars that provided floor and ceiling prices with varying upside price participation. The Company's swaps and zero-cost collars were designated and accounted for as cash flow hedges. For the six months ended June 30, 2006, hedging settlement payments reduced oil revenues by approximately \$8.7 million, and no gains or losses were recorded due to hedge ineffectiveness. There were no outstanding contracts as of June 30, 2007.

### (10) Decommissioning Liabilities

The Company records estimated future decommissioning liabilities related to its oil and gas producing properties pursuant to the provisions of Statement of Financial Accounting Standards No. 143 (FAS No. 143), "Accounting for Asset Retirement Obligations." FAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation (decommissioning liabilities) in the period in which it is incurred with a corresponding increase in the carrying amount of the related long-lived asset. Subsequent to initial measurement, the decommissioning liability is required to be accreted each period to present value. The Company's decommissioning liabilities consist of costs related to the plugging of wells, the removal of the related facilities and equipment, and site restoration.

The Company estimates the cost that would be incurred if it contracted an unaffiliated third party to plug and abandon wells, abandon the pipelines, decommission and remove the platforms and pipelines and restore the sites of its oil and gas properties, and uses that estimate to record its proportionate share of the decommissioning liability. In estimating the decommissioning liability, the Company performs detailed estimating procedures, analysis and engineering studies. Whenever practical, the Company utilizes its own equipment and labor services to perform well abandonment and decommissioning work. When the Company performs these services, all recorded intercompany revenues and related costs of services are eliminated in the consolidated financial statements. The recorded decommissioning liability associated with a specific property is fully extinguished when the property is abandoned. The recorded liability is first reduced by all cash expenses incurred to abandon and decommission the property. If the recorded liability exceeds (or is less than) the Company's total costs, then the difference is reported as income (or loss) within revenue during the period in which the work is performed. The Company reviews the adequacy of its decommissioning liabilities whenever indicators suggest that the estimated cash flows needed to satisfy the liability have changed materially. The timing and amounts of these expenditures are estimates, and changes to these estimates may result in additional (or decreased) liabilities recorded, which in turn would increase (or decrease) the carrying values of the related oil and gas properties. The Company reviews its estimates for the timing of these expenditures on a quarterly basis. The following table summarizes the activity for the Company's decommissioning liabilities for the six months ended June 30, 2007 and 2006 (amounts in thousands):

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	Six Months Ended June 30,	
	2007	2006
Total decommissioning liabilities at December 31, 2006 and 2005, respectively	\$ 122,196	\$ 121,909
Liabilities acquired and incurred	—	3,554
Liabilities settled	(1,224)	(2,255)
Accretion	2,049	2,419
Revision in estimated liabilities	270	(5,064)
Total decommissioning liabilities at June 30, 2007 and 2006, respectively	123,291	120,563
Current portion of decommissioning liabilities at June 30, 2007 and 2006, respectively	36,504	14,081
Long-term portion of decommissioning liabilities at June 30, 2007 and 2006, respectively	\$ 86,787	\$ 106,482

### (11) Notes Receivable

Notes receivable consist primarily of contractual obligations of sellers of oil and gas properties to reimburse the Company a specified amount following the abandonment of acquired properties. The Company invoices the seller specified amounts following the performance of decommissioning operations (abandonment and structure removal) in accordance with the applicable agreements with the seller. These receivables are recorded at present value, and the related discounts are amortized to interest income, based on the expected timing of the decommissioning.

### (12) Other Comprehensive Income

The following tables reconcile the change in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2007 and 2006 (amounts in thousands):

	Three Months Ended June 30,	
	2007	2006
Accumulated other comprehensive income (loss), March 31, 2007 and 2006, respectively	\$ 9,846	\$ (3,353)
Other comprehensive income:		
Other comprehensive income, net of tax		
Hedging activities:		
Adjustment for settled contracts, net of tax of \$1,736 in 2006	—	2,956
Changes in fair value of outstanding hedging positions, net of tax of (\$455) in 2006	—	(776)
Foreign currency translation adjustment	2,900	2,277
Total other comprehensive income	2,900	4,457
Accumulated other comprehensive income, June 30, 2007 and 2006, respectively	\$ 12,746	\$ 1,104



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	Six Months Ended	
	June 30,	
	2007	2006
Accumulated other comprehensive income (loss), December 31, 2006 and 2005, respectively	\$ 10,288	\$ (4,916)
Other comprehensive income:		
Other comprehensive income, net of tax		
Hedging activities:		
Adjustment for settled contracts, net of tax of \$3,059 in 2006	—	5,209
Changes in fair value of outstanding hedging positions, net of tax of (\$1,160) in 2006	—	(1,975)
Foreign currency translation adjustment	2,458	2,786
Total other comprehensive income	2,458	6,020
Accumulated other comprehensive income, June 30, 2007 and 2006, respectively	\$ 12,746	\$ 1,104

### (13) Income Taxes

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." FIN 48 requires that the Company recognize in its financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation, the Company recognized no material adjustment to the liability for unrecognized income tax benefits that existed as of December 31, 2006. At the date of adoption, the Company had approximately \$6.2 million of unrecognized tax benefits in other long-term liabilities, all of which would impact the Company's effective tax rate if recognized.

It is the Company's policy to recognize interest and applicable penalties related to uncertain tax positions in income tax expense. As of the date of adoption, the Company had accrued approximately \$1.1 million of interest and applicable penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal and various state and foreign jurisdictions. The number of years that are open under the statute of limitations and subject to audit varies depending on the tax jurisdiction. The Company remains subject to U.S. federal tax examinations for years after 2002.

As of June 30, 2007, there have been no material changes to the liability for uncertain tax positions.

### (14) Commitments and Contingencies

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

### (15) Financial Information Related to Guarantor Subsidiaries

SESI, L.L.C. (Issuer), a wholly-owned subsidiary of Superior Energy Services, Inc. (Parent), has issued and outstanding \$300 million of 6 7/8% senior notes due 2014 and \$400 million of 1.5% senior exchangeable notes due 2026. The Parent, along with substantially all of its domestic subsidiaries, fully and unconditionally guaranteed the senior notes and the senior exchangeable notes and such guarantees are joint and several. All of the guarantor subsidiaries are wholly-owned subsidiaries of the Issuer. Domestic income taxes are paid by the Parent through a consolidated tax return and are accounted for by the Parent. The following tables present the Condensed

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Consolidating Balance Sheets as of June 30, 2007 and December 31, 2006 and the Condensed Consolidating Statements of Operations and Cash Flows for the three and six months ended June 30, 2007 and 2006.

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

## Condensed Consolidating Balance Sheets

June 30, 2007

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ —	\$ 365	\$ 12,350	\$ 23,814	\$ —	\$ 36,529
Accounts receivable, net	—	4,919	309,204	46,981	(14,904)	346,200
Current portion of notes receivable	—	—	15,254	—	—	15,254
Prepaid insurance and other	42	5,615	36,400	5,082	—	47,139
Total current assets	42	10,899	373,208	75,877	(14,904)	445,122
Property, plant and equipment, net	—	2,330	850,780	105,805	—	958,915
Goodwill, net	—	—	439,284	43,514	—	482,798
Notes receivable	—	—	16,259	—	—	16,259
Equity-method investments	124,271	550,925	59,260	—	(674,215)	60,241
Intangible and other long-term assets, net	—	25,332	108,389	962	—	134,683
Total assets	<u>\$ 124,313</u>	<u>\$ 589,486</u>	<u>\$ 1,847,180</u>	<u>\$ 226,158</u>	<u>\$ (689,119)</u>	<u>\$ 2,098,018</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current liabilities:						
Accounts payable	\$ —	\$ 1,386	\$ 65,396	\$ 23,578	\$ (14,904)	\$ 75,456
Accrued expenses	631	26,293	103,538	9,440	—	139,902
Income taxes payable	2,443	—	—	6,414	—	8,857
Current portion of decommissioning liabilities	—	—	36,504	—	—	36,504
Current maturities of long-term debt	—	—	—	810	—	810
Total current liabilities	3,074	27,679	205,438	40,242	(14,904)	261,529
Deferred income taxes	114,362	—	—	7,949	—	122,311
Decommissioning liabilities	—	—	86,787	—	—	86,787
Long-term debt	—	730,943	—	15,381	—	746,324
Intercompany payables/(receivables)	(191,949)	(49,294)	721,871	37,320	(517,948)	—
Other long-term liabilities	6,197	7,413	—	379	—	13,989
Stockholders' equity:						
Preferred stock of \$.01 par value	—	—	—	—	—	—
Common stock of \$.001 par value	81	—	—	101	(101)	81
Additional paid in capital	431,200	127,173	—	28,993	(156,166)	431,200
Accumulated other comprehensive income, net	—	—	—	12,746	—	12,746
Retained earnings (deficit)	(238,652)	(254,428)	833,084	83,047	—	423,051
Total stockholders' equity	192,629	(127,255)	833,084	124,887	(156,267)	867,078
Total liabilities and stockholders' equity	<u>\$ 124,313</u>	<u>\$ 589,486</u>	<u>\$ 1,847,180</u>	<u>\$ 226,158</u>	<u>\$ (689,119)</u>	<u>\$ 2,098,018</u>

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

## Condensed Consolidating Balance Sheets

December 31, 2006

(in thousands)

(audited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ —	\$ 1,608	\$ 14,775	\$ 22,587	\$ —	\$ 38,970
Accounts receivable, net	—	3,764	275,477	39,390	(14,831)	303,800
Income taxes receivable	7,242	—	—	—	(4,612)	2,630
Current portion of notes receivable	—	—	14,824	—	—	14,824
Prepaid insurance and other	—	16,582	40,456	2,525	—	59,563
Total current assets	7,242	21,954	345,532	64,502	(19,443)	419,787
Property, plant and equipment, net	—	2,622	738,446	63,160	—	804,228
Goodwill, net	—	—	417,979	26,708	—	444,687
Notes receivable	—	—	16,137	—	—	16,137
Equity-method investments	124,271	510,163	63,627	—	(633,458)	64,603
Intangible and other long-term assets, net	—	23,823	101,097	116	—	125,036
Total assets	<u>\$ 131,513</u>	<u>\$ 558,562</u>	<u>\$ 1,682,818</u>	<u>\$ 154,486</u>	<u>\$ (652,901)</u>	<u>\$ 1,874,478</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current liabilities:						
Accounts payable	\$ —	\$ 1,045	\$ 58,528	\$ 20,709	\$ (14,831)	\$ 65,451
Accrued expenses	505	27,671	104,866	8,642	—	141,684
Income taxes payable	—	—	—	4,612	(4,612)	—
Current portion of decommissioning liabilities	—	—	35,150	—	—	35,150
Current maturities of long-term debt	—	—	—	810	—	810
Total current liabilities	505	28,716	198,544	34,773	(19,443)	243,095
Deferred income taxes	108,649	—	—	3,362	—	112,011
Decommissioning liabilities	—	—	87,046	—	—	87,046
Long-term debt	—	695,719	—	15,786	—	711,505
Intercompany payables/(receivables)	(224,208)	(79,487)	782,022	23,507	(501,834)	—
Other long-term liabilities	6,197	3,936	—	—	—	10,133
Stockholders' equity:						
Preferred stock of \$.01 par value	—	—	—	—	—	—
Common stock of \$.001 par value	81	—	—	101	(101)	81
Additional paid in capital	411,374	127,173	—	4,350	(131,523)	411,374
Accumulated other comprehensive income, net	—	—	—	10,288	—	10,288
Retained earnings (deficit)	(171,085)	(217,495)	615,206	62,319	—	288,945
Total stockholders' equity	240,370	(90,322)	615,206	77,058	(131,624)	710,688
Total liabilities and stockholders' equity	<u>\$ 131,513</u>	<u>\$ 558,562</u>	<u>\$ 1,682,818</u>	<u>\$ 154,486</u>	<u>\$ (652,901)</u>	<u>\$ 1,874,478</u>

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Condensed Consolidating Statements of Operations

Three Months Ended June 30, 2007

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Oilfield service and rental revenues	\$ —	\$ —	\$ 313,436	\$ 45,199	\$ (10,046)	\$ 348,589
Oil and gas revenues	—	—	48,164	—	—	48,164
Total revenues	—	—	361,600	45,199	(10,046)	396,753
Cost of oilfield services and rentals	—	—	150,708	22,311	(10,046)	162,973
Cost of oil and gas sales	—	—	18,833	—	—	18,833
Total cost of services, rentals and sales	—	—	169,541	22,311	(10,046)	181,806
Depreciation, depletion, amortization and accretion	—	146	41,294	3,802	—	45,242
General and administrative expenses	463	8,537	38,980	5,844	—	53,824
Income (loss) from operations	(463)	(8,683)	111,785	13,242	—	115,881
Other income (expense):						
Interest expense, net	—	(7,930)	(264)	(269)	—	(8,463)
Interest income	—	306	427	196	—	929
Earnings from equity-method investments, net	—	3	1,161	—	—	1,164
Income (loss) before income taxes	(463)	(16,304)	113,109	13,169	—	109,511
Income taxes	35,096	—	—	4,328	—	39,424
Net income (loss)	<u>\$(35,559)</u>	<u>\$(16,304)</u>	<u>\$ 113,109</u>	<u>\$ 8,841</u>	<u>\$ —</u>	<u>\$ 70,087</u>

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

## Condensed Consolidating Statements of Operations

Three Months Ended June 30, 2006

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Oilfield service and rental revenues	\$ —	\$ —	\$ 205,929	\$ 28,116	\$ (5,911)	\$ 228,134
Oil and gas revenues	—	—	33,625	—	—	33,625
Total revenues	—	—	239,554	28,116	(5,911)	261,759
Cost of oilfield services and rentals	—	—	91,409	15,788	(5,911)	101,286
Cost of oil and gas sales	—	—	18,702	—	—	18,702
Total cost of services, rentals and sales	—	—	110,111	15,788	(5,911)	119,988
Depreciation, depletion, amortization and accretion	—	—	23,707	2,020	—	25,727
General and administrative expenses	156	9,886	26,912	3,134	—	40,088
Income (loss) from operations	(156)	(9,886)	78,824	7,174	—	75,956
Other income (expense):						
Interest expense, net	—	(5,119)	(156)	(281)	—	(5,556)
Interest income	—	1,072	425	62	—	1,559
Loss on early extinguishment of debt	—	(12,596)	—	—	—	(12,596)
Earnings in equity-method investments, net	—	—	1,133	15	—	1,148
Income (loss) before income taxes	(156)	(26,529)	80,226	6,970	—	60,511
Income taxes	19,959	—	—	1,825	—	21,784
Net income (loss)	<u>\$ (20,115)</u>	<u>\$ (26,529)</u>	<u>\$ 80,226</u>	<u>\$ 5,145</u>	<u>\$ —</u>	<u>\$ 38,727</u>

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

## Condensed Consolidating Statements of Operations

Six Months Ended June 30, 2007

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Oilfield service and rental revenues	\$ —	\$ —	\$ 603,407	\$ 88,670	\$ (17,593)	\$ 674,484
Oil and gas revenues	—	—	85,193	—	—	85,193
Total revenues	—	—	688,600	88,670	(17,593)	759,677
Cost of oilfield services and rentals	—	—	281,231	41,764	(17,593)	305,402
Cost of oil and gas sales	—	—	36,891	—	—	36,891
Total cost of services, rentals and sales	—	—	318,122	41,764	(17,593)	342,293
Depreciation, depletion, amortization and accretion	—	291	76,393	7,402	—	84,086
General and administrative expenses	596	21,213	72,763	10,111	—	104,683
Income (loss) from operations	(596)	(21,504)	221,322	29,393	—	228,615
Other income (expense):						
Interest expense, net	—	(15,744)	(459)	(538)	—	(16,741)
Interest income	—	309	863	336	—	1,508
Earnings (losses) from equity-method investments, net	—	6	(3,848)	—	—	(3,842)
Income (loss) before income taxes	(596)	(36,933)	217,878	29,191	—	209,540
Income taxes	66,971	—	—	8,463	—	75,434
Net income (loss)	<u>\$ (67,567)</u>	<u>\$ (36,933)</u>	<u>\$ 217,878</u>	<u>\$ 20,728</u>	<u>\$ —</u>	<u>\$ 134,106</u>

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**  
Condensed Consolidating Statements of Operations  
Six Months Ended June 30, 2006  
(in thousands)  
(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Oilfield service and rental revenues	\$ —	\$ —	\$ 396,150	\$ 49,889	\$ (10,907)	\$ 435,132
Oil and gas revenues	—	—	49,096	—	—	49,096
<b>Total revenues</b>	<b>—</b>	<b>—</b>	<b>445,246</b>	<b>49,889</b>	<b>(10,907)</b>	<b>484,228</b>
Cost of oilfield services and rentals	—	—	178,073	27,375	(10,907)	194,541
Cost of oil and gas sales	—	—	32,907	—	—	32,907
<b>Total cost of services, rentals and sales</b>	<b>—</b>	<b>—</b>	<b>210,980</b>	<b>27,375</b>	<b>(10,907)</b>	<b>227,448</b>
Depreciation, depletion, amortization and accretion	—	—	44,480	4,162	—	48,642
General and administrative expenses	262	17,244	54,071	6,162	—	77,739
<b>Income (loss) from operations</b>	<b>(262)</b>	<b>(17,244)</b>	<b>135,715</b>	<b>12,190</b>	<b>—</b>	<b>130,399</b>
Other income (expense):						
Interest expense, net	—	(9,667)	(166)	(567)	—	(10,400)
Interest income	—	1,257	837	128	—	2,222
Loss on early extinguishment of debt	—	(12,596)	—	—	—	(12,596)
Earnings in equity-method investments, net	—	—	1,133	15	—	1,148
<b>Income (loss) before income taxes</b>	<b>(262)</b>	<b>(38,250)</b>	<b>137,519</b>	<b>11,766</b>	<b>—</b>	<b>110,773</b>
Income taxes	36,719	—	—	3,159	—	39,878
<b>Net income (loss)</b>	<b>\$ (36,981)</b>	<b>\$ (38,250)</b>	<b>\$ 137,519</b>	<b>\$ 8,607</b>	<b>\$ —</b>	<b>\$ 70,895</b>

**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Condensed Consolidating Statements of Cash Flows

Six Months Ended June 30, 2007

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
<b>Cash flows from operating activities:</b>					
Net income (loss)	\$ (67,567)	\$ (36,933)	\$ 217,878	\$ 20,728	\$ 134,106
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>					
Depreciation, depletion, amortization and accretion	—	291	76,393	7,402	84,086
Deferred income taxes	1,550	—	—	310	1,860
Stock-based and performance share unit compensation expense	—	6,160	—	—	6,160
(Earnings) losses from equity-method investments	—	(6)	3,848	—	3,842
Amortization of debt acquisition costs and note discount	—	1,771	—	—	1,771
<b>Changes in operating assets and liabilities, net of acquisitions:</b>					
Receivables	—	(2,142)	(32,095)	(3,037)	(37,274)
Other, net	(43)	3,118	12,625	(1,507)	14,193
Accounts payable	—	338	3,547	(558)	3,327
Accrued expenses	123	(4,837)	(2,352)	(124)	(7,190)
Decommissioning liabilities	—	—	(1,224)	—	(1,224)
Income taxes	9,010	—	—	1,380	10,390
Net cash provided by (used in) operating activities	<u>(56,927)</u>	<u>(32,240)</u>	<u>278,620</u>	<u>24,594</u>	<u>214,047</u>
<b>Cash flows from investing activities:</b>					
Payments for capital expenditures	—	—	(184,390)	(15,239)	(199,629)
Acquisitions of businesses, net of cash acquired	—	(78,735)	—	(889)	(79,624)
Cash proceeds from sale of business	—	1,750	—	—	1,750
Other	—	9,189	—	—	9,189
Intercompany receivables/payables	39,967	63,855	(96,655)	(7,167)	—
Net cash provided by (used in) investing activities	<u>39,967</u>	<u>(3,941)</u>	<u>(281,045)</u>	<u>(23,295)</u>	<u>(268,314)</u>
<b>Cash flows from financing activities:</b>					
Net borrowings from revolving credit facility	—	35,000	—	—	35,000
Principal payments on long-term debt	—	—	—	(405)	(405)
Payment of debt acquisition costs	—	(62)	—	—	(62)
Proceeds from exercise of stock options	8,017	—	—	—	8,017
Tax benefit from exercise of stock options	8,943	—	—	—	8,943
Net cash provided by (used in) financing activities	<u>16,960</u>	<u>34,938</u>	<u>—</u>	<u>(405)</u>	<u>51,493</u>
Effect of exchange rate changes on cash	—	—	—	333	333
Net increase (decrease) in cash	—	(1,243)	(2,425)	1,227	(2,441)
Cash and cash equivalents at beginning of period	—	1,608	14,775	22,587	38,970
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 365</u>	<u>\$ 12,350</u>	<u>\$ 23,814</u>	<u>\$ 36,529</u>



**SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES**

Condensed Consolidating Statements of Cash Flows

Six Months Ended June 30, 2006

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
<b>Cash flows from operating activities:</b>					
Net income (loss)	\$ (36,981)	\$ (38,250)	\$ 137,519	\$ 8,607	\$ 70,895
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>					
Depreciation, depletion, amortization and accretion	—	—	44,480	4,162	48,642
Deferred income taxes	(4,576)	—	—	(138)	(4,714)
Stock-based compensation expense	—	1,316	—	—	1,316
Earnings from equity-method investments	—	—	(1,133)	(15)	(1,148)
Write-off of debt acquisition costs	—	2,817	—	—	2,817
Amortization of debt acquisition costs	—	510	—	—	510
<b>Changes in operating assets and liabilities, net of acquisitions and dispositions:</b>					
Receivables	—	1,246	(35,184)	(6,284)	(40,222)
Other, net	(37)	209	(4,316)	4	(4,140)
Accounts payable	—	595	4,917	(1,104)	4,408
Accrued expenses	103	(554)	5,051	1,515	6,115
Decommissioning liabilities	—	—	(2,255)	—	(2,255)
Income taxes	40,008	—	—	453	40,461
Net cash provided by (used in) operating activities	<u>(1,483)</u>	<u>(32,111)</u>	<u>149,079</u>	<u>7,200</u>	<u>122,685</u>
<b>Cash flows from investing activities:</b>					
Payments for capital expenditures	—	—	(78,119)	(3,929)	(82,048)
Acquisitions of oil and gas properties, net of cash acquired	—	—	(46,631)	—	(46,631)
Acquisitions of businesses, net of cash acquired	—	(9,822)	—	—	(9,822)
Cash contributed to equity method investment	—	—	(30,441)	—	(30,441)
Cash proceeds from sale of business, net of cash sold	—	18,343	—	—	18,343
Other	—	(2,412)	—	—	(2,412)
Intercompany receivables/payables	(910)	(705)	5,951	(4,336)	—
Net cash provided by (used in) investing activities	<u>(910)</u>	<u>5,404</u>	<u>(149,240)</u>	<u>(8,265)</u>	<u>(153,011)</u>
<b>Cash flows from financing activities:</b>					
Proceeds from long-term debt	—	295,467	—	—	295,467
Principal payments on long-term debt	—	(200,000)	—	(405)	(200,405)
Debt acquisition costs	—	(6,203)	—	—	(6,203)
Proceeds from exercise of stock options	2,393	—	—	—	2,393
Net cash provided by (used in) financing activities	<u>2,393</u>	<u>89,264</u>	<u>—</u>	<u>(405)</u>	<u>91,252</u>
Effect of exchange rate changes on cash	—	—	—	463	463
Net increase (decrease) in cash	—	62,557	(161)	(1,007)	61,389
Cash and cash equivalents at beginning of period	—	21,414	19,421	13,622	54,457
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 83,971</u>	<u>\$ 19,260</u>	<u>\$ 12,615</u>	<u>\$ 115,846</u>

(16) Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 157 (FAS No. 157), “Fair Value Measurements.” FAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FAS No. 157 indicates, among other things, a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of FAS No. 157 on its financial statements.

In February 2007, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 159 (FAS No. 159), “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115”, which is effective for fiscal years beginning after November 15, 2007. This statement permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The Company is currently evaluating the impact of FAS No. 159 on its financial statements.

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

### **Forward-Looking Statements**

The following management's discussion and analysis of financial condition and results of operations contains forward-looking statements which involve risks and uncertainties. All statements other than statements of historical fact included in this section regarding our financial position and liquidity, strategic alternatives, future capital needs, business strategies and other plans and objectives of our management for future operations and activities, are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. Such forward-looking statements are subject to uncertainties that could cause our actual results to differ materially from such statements. Such uncertainties include but are not limited to: the volatility and cyclical nature of the oil and gas industry, including oil and gas prices and the level of offshore exploration, production and development activity; changes in competitive factors affecting our operations; risks associated with the acquisition of mature oil and gas properties, including estimates of recoverable reserves, future oil and gas prices and potential environmental and plugging and abandonment liabilities; the risk associated with our non-United States operations, which expose us to additional political, economic and other uncertainties; risks of adverse weather conditions in the Gulf of Mexico; risks of our growth strategy, including the risks of rapid growth and the risks inherent in acquiring businesses and mature oil and gas properties; our dependence on key personnel; our ability to employ and retain skilled workers; our dependence on significant customers; operating hazards, including the significant possibility of accidents resulting in personal injury, property damage or environmental damage; the volatility and risk associated with oil and gas prices; the effect on our performance of regulatory programs and environmental matters and risks associated with international expansion, including political and economic uncertainties. These 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, 2006. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update any of our forward-looking statements for any reason.

### **Executive Summary**

During the second quarter of 2007, we achieved our highest quarterly levels for revenue, income from operations, net income and diluted earnings per share. Revenue was \$396.8 million, income from operations was \$115.9 million and net income was \$70.1 million, or \$0.85 diluted earnings per share.

The primary drivers of the quarter were higher revenues than the first quarter of 2007 in the well intervention, rental tools and oil and gas segments. Gross profit and operating profit percentages were lower due to the completion of higher margin projects in the first quarter in the well intervention segment, business mix in the rental tools segment and lower utilization for some of the larger liftboats in the marine segment due to increased shipyard days.

For the first time in our history, revenues from geographic markets outside the Gulf of Mexico accounted for approximately 50% of total quarterly revenue. In the second quarter of 2007, revenue from non-Gulf of Mexico market areas was approximately \$199 million, or approximately 50% of total revenue, as compared to approximately \$175 million, or 48% of total revenue in the first quarter of 2007 and approximately \$100 million, or 38% of total revenue in the second quarter of 2006.

The well intervention group segment recorded revenue of \$190.5 million and income from operations of \$42.1 million, an 8% increase and 9% decrease, respectively, over the first quarter of 2007. Higher revenue was due to additional activity for hydraulic workover and snubbing services, particularly in certain international market areas, as well as increased demand for coiled tubing and mechanical wireline services in certain domestic land market areas. Income from operations was lower due to the completion of first quarter higher margin projects, including a large scale well control project and an engineering services project.

In our rental tools segment, revenue was \$123.7 million, a 7% increase as compared to the first quarter of 2007, and income from operations was \$46.6 million, a 3% increase over the first quarter of 2007. Rentals increased for

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stabilizers, drill collars, on-site accommodations and connecting iron. Geographically, the largest increases in demand were in the Gulf of Mexico and international market areas.

In our marine segment, revenue was \$35.2 million and income from operations was \$15.2 million. These results were down slightly from the first quarter of 2007 primarily due to lower utilization for some of the larger liftboats. Shipyard days increased significantly in the second quarter for the 245-ft. class and 250-ft. class liftboats due to inspections and maintenance. Overall liftboat utilization increased to 77% in the second quarter of 2007 from 74% in the first quarter of 2007.

Revenues and income from operations for our oil and gas segment were \$48.2 million and \$11.9 million, respectively, in the second quarter of 2007. This represents a 30% increase in revenue and 132% increase in income from operations as compared to the first quarter of 2007. Oil and gas production was approximately 875,000 barrels of oil equivalent (boe), or approximately 9,600 boe per day as compared to first quarter 2007 oil and gas production of approximately 711,000 boe, or 7,900 boe per day. Realized commodity prices for our oil and gas production was approximately 5% higher than the first quarter of 2007.

### **Comparison of the Results of Operations for the Three Months Ended June 30, 2007 and 2006**

For the three months ended June 30, 2007, our revenues were \$396.8 million, resulting in net income of \$70.1 million, or \$0.85 diluted earnings per share. For the three months ended June 30, 2006, revenues were \$261.8 million and net income was \$38.7 million, or \$0.48 diluted earnings per share. The net income for the three month period ended June 30, 2006 includes a loss on early extinguishment of debt of \$12.6 million. Revenue and gross margin were higher in the well intervention and rental tools segments as a result of increased production-related projects and drilling activity worldwide, recent acquisitions and continued expansion of our rental tool business. Although revenue increased slightly in the marine segment, gross margin decreased due to lower utilization of our larger liftboats. Revenues in our oil and gas segment were higher due to higher production as the second quarter of 2006 production was impacted by shut-in production due to Hurricanes Katrina and Rita.

The following table compares our operating results for the three months ended June 30, 2007 and 2006. Gross margin is calculated by subtracting cost of services from revenue for each of our four business segments. Oil and gas eliminations represent products and services provided to the oil and gas segment by our three other segments.

	Revenue			Gross Margin				
	2007	2006	Change	2007	%	2006	%	Change
Well Intervention	\$ 190,542	\$ 111,675	\$ 78,867	\$ 81,093	43%	\$ 48,320	43%	\$ 32,773
Rental Tools	123,736	86,593	37,143	84,718	68%	58,370	67%	26,348
Marine	35,162	33,951	1,211	19,805	56%	20,158	59%	(353)
Oil and Gas	48,164	33,625	14,539	29,331	61%	14,923	44%	14,408
Less: Oil and Gas Elim.	(851)	(4,085)	3,234	—	—	—	—	—
Total	<u>\$ 396,753</u>	<u>\$ 261,759</u>	<u>\$ 134,994</u>	<u>\$ 214,947</u>	54%	<u>\$ 141,771</u>	54%	<u>\$ 73,176</u>

The following discussion analyzes our results on a segment basis.

#### **Well Intervention Segment**

Revenue for our well intervention segment was \$190.5 million for the three months ended June 30, 2007, as compared to \$111.7 million for the same period in 2006. The gross margin percentage remained constant at 43% for the three months ended June 30, 2007 and 2006. We experienced higher revenue for most of our production-related services, especially our well control, mechanical wireline, and hydraulic workover services as production-related activity improved significantly. We also benefited from the December 2006 acquisition of Warrior, which increased domestic land revenue in coiled tubing, electric line and snubbing services. Revenue increased for our hydraulic workover and snubbing services as international activity increased. Gross margin increased in line with increased revenue.

### **Rental Tools Segment**

Revenue for our rental tools segment for the three months ended June 30, 2007 was \$123.7 million, a 43% increase over the same period in 2006. The gross margin percentage increased slightly to 68% for the three months ended June 30, 2007 from 67% for the same period of 2006. We experienced significant increases in revenue from our stabilizers, on-site accommodations, drill pipe and accessories, and drill collars. The increases are a result of recent acquisitions, expansion of rental products through capital expenditures, and increased activity worldwide. Our international revenue for the rental tools segment has increased 94% to approximately \$40.1 million for the quarter ended June 30, 2007 over the same period of 2006. Our largest improvements were in the North Sea, South America and Africa market areas.

### **Marine Segment**

Our marine segment revenue for the three months ended June 30, 2007 increased 4% over the same period in 2006 to \$35.2 million. However, the gross margin percentage for the three months ended June 30, 2007 experienced a decrease of 3% from the same period in 2006 due to lower utilization and increased operating costs. The fleet's average utilization decreased to approximately 77% for the second quarter of 2007 from 83% in the same period in 2006. We experienced higher pricing for our liftboats in the three months ended June 30, 2007 than the same period of 2006 due to demand for liftboats in the Gulf of Mexico. The fleet's average dayrate increased 10% to approximately \$17,300 in the second quarter of 2007 from \$15,800 in the second quarter of 2006.

### **Oil and Gas Segment**

Oil and gas revenues were \$48.2 million in the three months ended June 30, 2007, as compared to \$33.6 million in the same period of 2006. In the second quarter of 2007, production was approximately 875,000 boe, as compared to approximately 636,000 boe in the second quarter of 2006. A portion of our production remained shut-in during the second quarter of 2006 due to ongoing repairs to third party pipelines that sustained hurricane damage. The gross margin percentage increased significantly to 61% for the three months ended June 30, 2007 from 44% for the same period of 2006 due to higher production coupled with an increase in commodity prices.

### **Depreciation, Depletion, Amortization and Accretion**

Depreciation, depletion, amortization and accretion increased to \$45.2 million in the three months ended June 30, 2007 from \$25.7 million in the same period in 2006. The increase results from the depreciation associated with our 2007 and 2006 capital expenditures as well as our acquisition of Warrior. The increase also results from additional depletion related to significantly higher oil and gas production in the second quarter of 2007 as compared to the second quarter of 2006.

### **General and Administrative Expenses**

General and administrative expenses increased to \$53.8 million for the three months ended June 30, 2007 from \$40.1 million for the same period in 2006. This increase was primarily related to our acquisition of Warrior, increased bonus and compensation expenses due to our improved performance, and increased expenses related to our geographic expansion, other acquisitions and our growth. General and administrative expenses decreased to 13.6% of revenue for the three months ended June 30, 2007 from 15.3% for the same period in 2006.

### **Comparison of the Results of Operations for the Six Months Ended June 30, 2007 and 2006**

For the six months ended June 30, 2007, our revenues were \$759.7 million, resulting in net income of \$134.1 million, or \$1.63 diluted earnings per share. For the six months ended June 30, 2006, revenues were \$484.2 million and net income was \$70.9 million, or \$0.87 diluted earnings per share. The net income for the six month period ended June 30, 2006 includes a loss on early extinguishment of debt of \$12.6 million. Revenue and gross margin were higher in the well intervention and rental tools as a result of increased production-related projects and drilling activity worldwide, recent acquisitions and continued expansion of our rental tool business. Although revenue

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increased slightly in the marine segment, gross margin decreased due to lower utilization of our larger liftboats. Revenues in our oil and gas segment were higher due to significantly higher production as the first six months of 2006 production was impacted by shut-in production due to Hurricanes Katrina and Rita.

The following table compares our operating results for the six months ended June 30, 2007 and 2006. Gross margin is calculated by subtracting cost of services from revenue for each of our four business segments. Oil and gas eliminations represent products and services provided to the oil and gas segment by our three other segments.

	Revenue			Gross Margin				
	2007	2006	Change	2007	%	2006	%	Change
Well Intervention	\$ 367,473	\$ 213,748	\$ 153,725	\$ 162,517	44%	\$ 90,393	42%	\$ 72,124
Rental Tools	239,916	164,367	75,549	165,382	69%	111,846	68%	53,536
Marine	71,028	64,158	6,870	41,182	58%	38,352	60%	2,830
Oil and Gas	85,193	49,096	36,097	48,303	57%	16,189	33%	32,114
Less: Oil and Gas Elim.	(3,933)	(7,141)	3,208	—	—	—	—	—
Total	<u>\$ 759,677</u>	<u>\$ 484,228</u>	<u>\$ 275,449</u>	<u>\$ 417,384</u>	55%	<u>\$ 256,780</u>	53%	<u>\$ 160,604</u>

The following discussion analyzes our results on a segment basis.

### **Well Intervention Segment**

Revenue for our well intervention segment was \$367.5 million for the six months ended June 30, 2007, as compared to \$213.7 million for the same period in 2006. This segment's gross margin percentage increased to 44% for the six months ended June 30, 2007 from 42% for the same period of 2006. We experienced higher revenue for most of our production-related services, especially our well control, mechanical wireline, and hydraulic workover services as production-related activity improved significantly. We also benefited from the December 2006 acquisition of Warrior, which increased domestic land revenue in coiled tubing, electric line and snubbing services. Revenue increased for our hydraulic workover and snubbing services as international activity increased. Gross margin increased in line with increased revenue.

### **Rental Tools Segment**

Revenue for our rental tools segment for the six months ended June 30, 2007 was \$239.9 million, a 46% increase over the same period in 2006. The gross margin percentage increased slightly to 69% for the six months ended June 30, 2007 from 68% for the same period of 2006. We experienced significant increases in revenue from our stabilizers, on-site accommodations, drill pipe and accessories, and drill collars. The increases are a result of recent acquisitions, expansion of rental products through capital expenditures, and increased activity worldwide. Our international revenue for the rental tools segment has increased 110% to approximately \$76.8 million for the six months ended June 30, 2007 over the same period of 2006. Our largest improvements were in the North Sea, South America and Africa market areas.

### **Marine Segment**

Our marine segment revenue for the six months ended June 30, 2007 increased 11% over the same period in 2006 to \$71 million. However, the gross margin percentage for the six months ended June 30, 2007 experienced a decrease of 2% from the same period in 2006 due to lower utilization and increased operating costs. The fleet's average utilization decreased to approximately 76% for the six months of 2007 from 84% in the same period in 2006 due to inspections and maintenance coupled with poor weather conditions in the Gulf of Mexico. We experienced higher pricing for our liftboats in the six months ended June 30, 2007 than the same period of 2006 due to demand for liftboats in the Gulf of Mexico. The fleet's average dayrate increased over 21% to approximately \$18,200 in the first six months of 2007 from \$15,020 in the same period of 2006.

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### **Oil and Gas Segment**

Oil and gas revenues were \$85.2 million in the six months ended June 30, 2007, as compared to \$49.1 million in the same period of 2006. In the six months ended June 30, 2007, production was approximately 1,585,000 boe, as compared to approximately 995,000 boe in the same period of 2006. A significant portion of our production was shut-in during the six months ended June 30, 2006 due to ongoing repairs to third party pipelines and SPN Resources' facilities that sustained hurricane damage. The gross margin percentage increased significantly to 57% for the six months ended June 30, 2007 from 33% for the same period of 2006 due to higher production coupled with an increase in commodity prices.

### **Depreciation, Depletion, Amortization and Accretion**

Depreciation, depletion, amortization and accretion increased to \$84.1 million in the six months ended June 30, 2007 from \$48.6 million in the same period in 2006. The increase results from the depreciation associated with our 2007 and 2006 capital expenditures as well as our acquisition of Warrior. The increase also results from additional depletion related to significantly higher production in our oil and gas properties.

### **General and Administrative Expenses**

General and administrative expenses increased to \$104.7 million for the six months ended June 30, 2007 from \$77.7 million for the same period in 2006. This increase was primarily related to our acquisition of Warrior, increased bonus and compensation expenses due to our improved performance, and increased expenses related to our geographic expansion, other acquisitions and our growth. General and administrative expenses decreased to 13.8% of revenue for the six months ended June 30, 2007 from 16.1% for the same period in 2006.

### **Liquidity and Capital Resources**

In the six months ended June 30, 2007, we generated net cash from operating activities of \$214.0 million as compared to \$122.7 million in the same period of 2006. Our primary liquidity needs are for working capital, capital expenditures, debt service and acquisitions. Our primary sources of liquidity are cash flows from operations and borrowings under our revolving credit facility. We had cash and cash equivalents of \$36.5 million at June 30, 2007 compared to \$39.0 million at December 31, 2006.

We made \$199.6 million of capital expenditures during the six months ended June 30, 2007, of which approximately \$86.5 million was used to expand and maintain our rental tool equipment inventory. We also made \$28.4 million of capital expenditures in our oil and gas segment and \$78.5 million of capital expenditures to expand and maintain the asset base of our well intervention and marine segments, including \$1.6 million related to modification of the derrick barge presently under charter and \$0.4 million of progress payments related to the construction of another derrick barge. In addition, we made \$6.2 million of capital expenditures on construction and improvements to our facilities.

During the six months ended June 30, 2007, we acquired Duffy & McGovern Accommodation Services Limited, a provider of offshore accommodation rentals operating in most deep water oil and gas territories with major operations in Europe, Africa, the Americas and South East Asia, for approximately \$47.5 million in cash consideration. Also during the six months ended June 30, 2007, we acquired Advanced Oilwell Services, Inc., a provider of cementing and pressure pumping services primarily operating in the East Texas region, for approximately \$24.2 million in cash consideration.

In July 2006, we contracted to construct a derrick barge that will be sold to a third party for approximately \$53.7 million. We expect to take delivery of the derrick barge and sell it to the third party during the first quarter of 2008. We receive monthly payments from the purchaser in accordance with the terms of the sales contract. In turn, we issue letters of credit to the purchaser in equal amounts to guarantee our performance of the contract. We have entered into fixed-price contracts to construct this derrick barge and its 880-ton offshore mast crane. Our payment obligation for the construction of the barge is secured by letters of credit that are posted upon performance milestones and are payable upon the barge's delivery and our acceptance. The contract for the crane requires periodic progress payments with final payment due upon completion of the contract. Revenue and costs associated

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with the sale contract are accounted for on the percentage-of-completion method utilizing engineering estimates and construction progress. This methodology requires us to make estimates regarding our progress against the project schedule and estimated completion date, both of which impact the amount of revenue and gross margin we recognize in each reporting period. Contract costs mainly include sub-contract and program management costs. Provisions for any unanticipated losses will be recorded in full when such losses become evident.

Also in July 2006, we contracted to construct another derrick barge to support our decommissioning and construction operations. We expect to take delivery of this barge in the second quarter of 2008. We have entered into fixed-price contracts to construct this derrick barge and its 880-ton offshore mast crane. Our payment obligation for the construction of the barge is secured by letters of credit that are posted upon performance milestones and are payable upon the barge's delivery and our acceptance. The contract for the crane requires periodic progress payments with final payment due upon completion of the contract. We currently intend to utilize this construction barge to support our removal projects in the Gulf of Mexico market area for both third party customers and our subsidiary, SPN Resources.

We currently believe that we will make approximately \$160 to \$170 million of capital expenditures, excluding acquisitions and targeted asset purchases, during the remaining six months of 2007 to expand our rental tool asset base and perform workovers on SPN Resources' oil and gas properties. We believe that our current working capital, cash generated from our operations and availability under our revolving credit facility will provide sufficient funds for our identified capital projects.

We have a \$250 million bank revolving credit facility. Any amounts outstanding under the revolving credit facility are due on June 14, 2011. At June 30, 2007, we had approximately \$35 million outstanding under the bank credit facility. Additionally, we had approximately \$73.2 million of letters of credit outstanding, which reduce our borrowing capacity under this credit facility. Borrowings under the credit facility bear interest at a LIBOR rate plus margins that depend on our leverage ratio. As of August 3, 2007, we had \$35 million outstanding on this facility, and the weighted interest rate was 6.57%. Indebtedness under the credit facility is secured by substantially all of our assets, including the pledge of the stock of our principal subsidiaries. The credit facility contains customary events of default and requires that we satisfy various financial covenants. It also limits our ability to pay dividends or make other distributions, make acquisitions, create liens, incur additional indebtedness or assume additional decommissioning liabilities.

We have \$16.2 million outstanding at June 30, 2007 in U. S. Government guaranteed long-term financing under Title XI of the Merchant Marine Act of 1936, which is administered by the Maritime Administration (MARAD), for two 245-foot class liftboats. This debt bears an interest rate of 6.45% per annum and is payable in equal semi-annual installments of \$405,000 on every June 3<sup>rd</sup> and December 3<sup>rd</sup> through the maturity date of June 3, 2027. Our obligations are secured by mortgages on the two liftboats. This MARAD financing also requires that we comply with certain covenants and restrictions, including the maintenance of minimum net worth and debt-to-equity requirements.

We have \$300 million of 6 7/8% unsecured senior notes due 2014. The indenture governing the senior notes requires semi-annual interest payments, on every June 1<sup>st</sup> and December 1<sup>st</sup> through the maturity date of June 1, 2014. The indenture contains certain covenants that, among other things, restrict us from incurring additional debt, repurchasing capital stock, paying dividends or making other distributions, incurring liens, selling assets or entering into certain mergers or acquisitions.

We also have \$400 million of 1.50% senior exchangeable notes due 2026. The exchangeable notes bear interest at a rate of 1.50% per annum and decrease to 1.25% per annum on December 15, 2011. Interest on the exchangeable notes is payable semi-annually in arrears on December 15<sup>th</sup> and June 15<sup>th</sup> of each year, beginning June 15, 2007. The exchangeable notes do not contain any restrictive financial covenants.

Under certain circumstances, holders may exchange the notes for shares of our common stock. The initial exchange rate is 21.9414 shares of common stock per \$1,000 principal amount of notes. This is equal to an initial exchange price of \$45.58 per share. The exchange price represents a 35% premium over the closing share price at the date of issuance. The notes may be exchanged under the following circumstances:



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- during any fiscal quarter (and only during such fiscal quarter) commencing after March 31, 2007, if the last reported sale price of our common stock is greater than or equal to 135% of the applicable exchange price of the notes for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;
- prior to December 15, 2011, during the five business-day period after any ten consecutive trading-day period (the “measurement period”) in which the trading price of \$1,000 principal amount of notes for each trading day in the measurement period was less than 95% of the product of the last reported sale price of our common stock and the exchange rate on such trading day;
- if the notes have been called for redemption;
- upon the occurrence of specified corporate transactions; or at
- any time beginning on September 15, 2026, and ending at the close of business on the second business day immediately preceding the maturity date of December 15, 2026.

In connection with the issuance of the exchangeable notes, we entered into agreements with affiliates of the initial purchasers to purchase call options and sell warrants on our common stock. We may exercise the call options we purchased at any time to acquire approximately 8.8 million shares of our common stock at a strike price of \$45.58 per share. The owners of the warrants may exercise the warrants to purchase from us approximately 8.8 million shares of our common stock at a price of \$59.42 per share, subject to certain anti-dilution and other customary adjustments. The warrants may be settled in cash, in shares or in a combination of cash and shares, at our option. These transactions may potentially reduce the dilution of our common stock from the exchange of the notes by increasing the effective exchange price to \$59.42 per share.

The following table summarizes our contractual cash obligations and commercial commitments at June 30, 2007 (amounts in thousands) for our long-term debt (including estimated interest payments), decommissioning liabilities, operating leases and contractual obligations. The decommissioning liability amounts do not give any effect to our contractual right to receive amounts from third parties, which is approximately \$31.5 million, when decommissioning operations are performed. The vessel construction liability amounts do not give any effect to our contractual right to receive payments from a third-party customer, which is approximately \$22 million. We do not have any other material obligations or commitments.

Description	Remaining Six Months 2007	2008	2009	2010	2011	2012	Thereafter
Long-term debt, including estimated interest payments	\$15,434	\$30,740	\$30,687	\$30,635	\$64,090	\$27,231	\$818,347
Decommissioning liabilities	31,946	5,739	2,421	10,465	30,014	6,419	36,287
Operating leases	3,473	7,280	4,941	2,641	1,415	399	12,789
Vessel construction	18,975	46,901	—	—	—	—	—
Total	\$69,828	\$90,660	\$38,049	\$43,741	\$95,519	\$34,049	\$867,423

We have no off-balance sheet arrangements other than our potential additional consideration that may be payable as a result of the future operating performances of several acquisitions. At June 30, 2007, the maximum additional consideration payable for these acquisitions was approximately \$8.8 million. We do not have any other financing arrangements that are not required under generally accepted accounting principles to be reflected in our financial statements. Subsequent to June 30, 2007, we contracted to construct two 175 foot liftboats for approximately \$16.2 million with scheduled delivery dates in the first and second quarters of 2008. Our payment obligations are conditioned on customary performance milestones. We currently intend to operate these liftboats in the Gulf of Mexico.

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

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require additional equity or debt financing in excess of our current working capital and amounts available under our revolving credit facility.

### **New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 157 (FAS No. 157), "Fair Value Measurements." FAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FAS No. 157 indicates, among other things, a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that FAS No. 157 will have on our results of operations and financial position.

In February 2007, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 159 (FAS No. 159), "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" which is effective for fiscal years beginning after November 15, 2007. This statement permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. We are currently evaluating the impact that FAS No. 159 will have on our results of operations and financial position.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

#### Foreign Currency Exchange Rates

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

We do not hold any foreign currency exchange forward contracts and/or currency options. We have not made use of derivative financial instruments to manage risks associated with existing or anticipated transactions. We do not hold derivatives for trading purposes or use derivatives with complex features. Assets and liabilities of our subsidiaries in the United Kingdom are translated at current exchange rates, while income and expense are translated at average rates for the period. Translation gains and losses are reported as the foreign currency translation component of accumulated other comprehensive income in stockholders' equity.

#### Interest Rate Risk

We are exposed to changes in interest rates. Changes in interest rates affect the interest earned on our cash and cash equivalents and the interest rate paid on borrowings under our bank revolving credit facility. Currently, we do not use interest rate derivative instruments to manage exposure to interest rate changes. At June 30, 2007, \$35 million outstanding under our bank credit facility debt had variable interest rates while the remaining long-term debt had fixed interest expense. Based on debt outstanding at June 30, 2007, a 10% increase in variable interest rates would increase our interest expense in the period by approximately \$230,000, while a 10% decrease would decrease our interest expense by approximately \$230,000.

#### Equity Price Risk

We have \$400 million of 1.50% senior exchangeable notes due 2026. The notes are, subject to the occurrence of specified conditions, exchangeable for our common stock initially at an exchange price of \$45.58 per share, which

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would result in an aggregate of approximately 8.8 million shares of common stock being issued upon exchange. We may redeem for cash all or any part of the notes on or after December 15, 2011 for 100% of the principal amount redeemed. The holders may require us to repurchase for cash all or any portion of the notes on December 15, 2011, December 15, 2016 and December 15, 2021 for 100% of the principal amount of notes to be purchased plus any accrued and unpaid interest. The notes do not contain any restrictive financial covenants.

Each \$1,000 of principal amount of the notes is initially exchangeable into 21.9414 shares of our common stock, subject to adjustment upon the occurrence of specified events. Holders of the notes may exchange their notes prior to maturity only if: (1) the price of our common stock reaches \$45.58 during certain periods of time specified in the notes; (2) specified corporate transactions occur; (3) the notes have been called for redemption; or (4) the trading price of the notes falls below a certain threshold. In addition, in the event of a fundamental change in our corporate ownership or structure, the holders may require us to repurchase all or any portion of the notes for 100% of the principal amount.

We also have agreements with affiliates of the initial purchasers to purchase call options and sell warrants of our common stock. We may exercise the call options at any time to acquire approximately 8.8 million shares of our common stock at a strike price of \$45.58 per share. The owners of the warrants may exercise their warrants to purchase from us approximately 8.8 million shares of our common stock at a price of \$59.42 per share, subject to certain anti-dilution and other customary adjustments. The warrants may be settled in cash, in shares or in a combination of cash and shares, at our option.

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

### Commodity Price Risk

Our revenues, profitability and future rate of growth partially depends 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.

We use derivative commodity instruments to manage commodity price risks associated with future oil production. Our hedging contracts for a portion of our oil production expired on August 31, 2006, and there are no outstanding contracts as of June 30, 2007 or as of the date of this Form 10-Q.

### **Item 4. Controls and Procedures**

As of the end of the period covered by this quarterly report on Form 10-Q, our chief financial officer and chief executive officer have concluded, based on their evaluation, that our disclosure controls and procedures (as defined in rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended) are effective for ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

There were no material changes to our system of internal controls over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect those internal controls subsequent to the date of the most recent evaluation by our chief financial officer and chief executive officer.

**PART II. OTHER INFORMATION****Item 4. Submission of Matters to a Vote of Security Holders**

- (a) The annual meeting of our stockholders was held on May 23, 2007.
- (b) At the annual meeting, the stockholders elected Harold J. Bouillion, Enoch L. Dawkins, James M. Funk, Terence E. Hall, Ernest E. Howard, III, Richard A. Pattarozzi, and Justin L. Sullivan to serve as directors until the next annual meeting of stockholders.
- (c) At the annual meeting, our stockholders:
- (i) Elected seven directors with the following number of votes cast for and withheld from such nominees:

Director	For	Withheld
Harold J. Bouillion	73,774,554	460,813
Enoch L. Dawkins	67,553,464	6,681,903
James M. Funk	73,720,396	514,971
Terence E. Hall	72,075,566	2,159,801
Ernest E. Howard, III	70,552,492	3,682,875
Richard A. Pattarozzi	73,764,027	471,340
Justin L. Sullivan	73,159,370	1,075,997

- (ii) Approved the 2007 Employee Stock Purchase Plan. The number of votes cast for and against this proposal, as well as the number of abstentions and non-votes, is as follows:

For	Against	Abstentions	Non-Votes
61,929,489	424,633	561,747	11,319,500

- (iii) Ratified the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2007. The number of votes cast for and against this proposal, as well as the number of abstentions and non-votes, is as follows:

For	Against	Abstentions	Non-Votes
72,681,216	1,527,511	26,639	—

**Item 6. Exhibits**

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

- 3.1 Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1996).
- 3.2 Certificate of Amendment to the Company's Certificate of Incorporation (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).
- 3.3 Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed on November 15, 2004).
- 31.1 Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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

SUPERIOR ENERGY SERVICES, INC.

Date: August 8, 2007

By: /s/ Robert S. Taylor

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

**Exhibit Index**

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- 31.2 Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

I, Terence E. Hall, Chairman of the Board 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: August 8, 2007

/s/ Terence E. Hall

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Terence E. Hall

Chairman of the Board and Chief Executive Officer  
Superior Energy Services, Inc.

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

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

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

Date: August 8, 2007

/s/ Robert S. Taylor

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



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

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

1. the quarterly report on Form 10-Q of the Company for the quarter ended June 30, 2007 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: August 8, 2007

/s/ Terence E. Hall

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Terence E. Hall

Chairman of the Board and Chief Executive Officer  
Superior Energy Services, Inc.

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

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

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

1. the quarterly report on Form 10-Q of the Company for the quarterly period ended June 30, 2007 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: August 8, 2007

/s/ Robert S. Taylor

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

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