

SUPERIOR ENERGY SERVICES INC
Form 10-Q
October 23, 2018

Table Of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

or

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

For the Transition Period from to

Commission File No. 001-34037

SUPERIOR ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

1001 Louisiana Street, Suite 2900
Houston, TX
(Address of principal executive offices)

77002
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

The number of shares of the registrant's common stock outstanding on October 19, 2018 was 154,530,114.

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q for

the Quarterly Period Ended September 30, 2018

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. <u>Condensed Consolidated Financial Statements and Notes</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	29
PART II. OTHER INFORMATION	
Item 1 <u>Legal Proceedings</u>	30
Item 1A. <u>Risk Factors</u>	30
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
Item 6. <u>Exhibits</u>	30

Table Of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

September 30, 2018 and December 31, 2017

(in thousands, except share data)

(unaudited)

	9/30/2018	12/31/2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104,690	\$ 172,000
Accounts receivable, net of allowance for doubtful accounts of \$17,884 and \$29,037 at September 30, 2018 and December 31, 2017, respectively	493,243	398,056
Income taxes receivable	-	959
Prepaid expenses	42,271	42,128
Inventory and other current assets	150,683	134,032
Assets held for sale	-	13,644
Total current assets	790,887	760,819
Property, plant and equipment, net of accumulated depreciation and depletion of \$2,890,000 and \$2,736,620 at September 30, 2018 and December 31, 2017, respectively	1,198,549	1,316,944
Goodwill	806,496	807,860
Notes receivable	63,009	60,149
Restricted cash	8,677	20,483
Intangible and other long-term assets, net of accumulated amortization of \$92,599 and \$83,359 at September 30, 2018 and December 31, 2017, respectively	134,112	143,970
Total assets	\$ 3,001,730	\$ 3,110,225
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 132,166	\$ 119,716
Accrued expenses	230,520	221,757
Income taxes payable	2,119	-
Current portion of decommissioning liabilities	24,182	27,261
Liabilities held for sale	-	6,463
Total current liabilities	388,987	375,197
Deferred income taxes	33,464	61,058

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

Decommissioning liabilities	104,416	103,136
Long-term debt, net	1,282,014	1,279,771
Other long-term liabilities	156,834	158,634
Stockholders' equity:		
Preferred stock of \$0.01 par value. Authorized - 5,000,000 shares; none issued	-	-
Common stock of \$0.001 par value		
Authorized - 250,000,000, Issued and Outstanding - 154,530,114 at September 30, 2018		
Authorized - 250,000,000, Issued and Outstanding - 153,263,097 at December 31, 2017	155	153
Additional paid in capital	2,728,167	2,713,161
Accumulated other comprehensive loss, net	(70,918)	(67,427)
Retained deficit	(1,621,389)	(1,513,458)
Total stockholders' equity	1,036,015	1,132,429
Total liabilities and stockholders' equity	\$ 3,001,730	\$ 3,110,225

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
Three and Nine Months Ended September 30, 2018 and 2017
(in thousands, except per share data)
(unaudited)

	Three Months		Nine Months	
	2018	2017	2018	2017
Revenues:				
Services	\$ 471,218	\$ 431,874	\$ 1,317,798	\$ 1,170,455
Rentals	101,850	74,155	273,136	206,578
Total revenues	573,068	506,029	1,590,934	1,377,033
Costs and expenses:				
Cost of services (exclusive of depreciation, depletion, amortization and accretion)	372,837	340,401	1,017,102	959,630
Cost of rentals (exclusive of depreciation, depletion, amortization and accretion)	31,552	27,878	100,557	82,437
Depreciation, depletion, amortization and accretion - services	81,911	92,814	251,398	281,097
Depreciation, depletion, amortization and accretion - rentals	17,981	15,937	52,186	50,054
General and administrative expenses	68,895	74,372	214,611	226,573
Reduction in value of assets	-	9,953	-	9,953
Loss from operations	(108)	(55,326)	(44,920)	(232,711)
Other expense:				
Interest expense, net	(24,952)	(29,096)	(74,733)	(76,679)
Other expense	(277)	(970)	(4,394)	(2,477)
Loss from continuing operations before income taxes	(25,337)	(85,392)	(124,047)	(311,867)
Income taxes	(3,521)	(28,203)	(16,846)	(102,978)
Net loss from continuing operations	(21,816)	(57,189)	(107,201)	(208,889)
Loss from discontinued operations, net of income tax	-	(1,860)	(729)	(5,625)
Net loss	\$ (21,816)	\$ (59,049)	\$ (107,930)	\$ (214,514)

Loss per share information:
Basic and diluted:

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

Net loss from continuing operations	\$ (0.14)	\$ (0.37)	\$ (0.70)	\$ (1.37)
Loss from discontinued operations	-	(0.02)	-	(0.04)
Net loss	\$ (0.14)	\$ (0.39)	\$ (0.70)	\$ (1.41)

Weighted average common shares used in computing loss per share:

Basic and diluted	154,529	153,082	154,047	152,624
-------------------	---------	---------	---------	---------

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Loss

Three and Nine Months Ended September 30, 2018 and 2017

(in thousands)

(unaudited)

	Three Months		Nine Months	
	2018	2017	2018	2017
Net loss	\$ (21,816)	\$ (59,049)	\$ (107,930)	\$ (214,514)
Change in cumulative translation adjustment, net of tax	(826)	3,629	(3,491)	11,375
Comprehensive loss	\$ (22,642)	\$ (55,420)	\$ (111,421)	\$ (203,139)

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2018 and 2017

(in thousands)

(unaudited)

	2018	2017
Cash flows from operating activities:		
Net loss	\$ (107,930)	\$ (214,514)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion	303,584	331,151
Deferred income taxes	(25,475)	(92,999)
Reduction in value of assets	-	9,953
Stock based compensation expense	23,303	29,780
Other reconciling items, net	(8,255)	(10,489)
Changes in operating assets and liabilities:		
Accounts receivable	(95,806)	(116,989)
Inventory and other current assets	(16,879)	(8,510)
Accounts payable	18,367	24,821
Accrued expenses	(9,543)	7,182
Income taxes	1,318	100,969
Other, net	672	(12,439)
Net cash provided by operating activities	83,356	47,916
Cash flows from investing activities:		
Payments for capital expenditures	(186,283)	(109,635)
Proceeds from sales of assets	29,595	15,647
Net cash used in investing activities	(156,688)	(93,988)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	500,000
Principal payments on long-term debt	-	(500,000)
Payment of debt issuance costs	-	(9,091)
Tax withholdings for vested restricted stock units	(5,189)	(8,327)
Other	1,239	1,538
Net cash used in financing activities	(3,950)	(15,880)
Effect of exchange rate changes on cash	(1,834)	3,294
Net decrease in cash, cash equivalents, and restricted cash	(79,116)	(58,658)
Cash, cash equivalents, and restricted cash at beginning of period	192,483	246,092
Cash, cash equivalents, and restricted cash at end of period	\$ 113,367	\$ 187,434

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

Nine Months Ended September 30, 2018

(1)Basis of Presentation

Certain information and footnote disclosures normally in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC); however, management believes the disclosures that are made are adequate to make the information presented not misleading. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in Superior Energy Services, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017, and Management's Discussion and Analysis of Financial Condition and Results of Operations herein.

The financial information of Superior Energy Services, Inc. and its subsidiaries (the Company) for the three and nine months ended September 30, 2018 and 2017 has not been audited. However, in the opinion of management, all adjustments necessary to present fairly the results of operations for the periods presented have been included therein. Certain previously reported amounts have been reclassified to conform to the 2018 presentation. The results of operations for the first nine months of the year are not necessarily indicative of the results of operations that might be expected for the entire year.

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

The Company evaluates events that occur after the balance sheet date but before the financial statements are issued for potential recognition or disclosure. Based on the evaluation, the Company determined that there were no material subsequent events for recognition or disclosure.

(2)Revenue

Adoption of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The Company adopted this ASU using the modified retrospective adoption method. There was no impact on the condensed consolidated financial statements and no cumulative effect adjustment was recognized.

Revenue Recognition

Revenues are recognized when performance obligations are satisfied in accordance with contractual terms, in an amount that reflects the consideration the Company expects to be entitled to in exchange for services rendered or rentals provided. Taxes collected from customers and remitted to governmental authorities and revenues are reported on a net basis in the Company's financial statements.

Performance Obligations

A performance obligation arises under contracts with customers to render services or provide rentals, and is the unit of account under Topic 606. The Company accounts for services rendered and rentals provided separately if they are distinct and the service or rental is separately identifiable from other items provided to a customer and if a customer can benefit from the services rendered or rentals provided on its own or with other resources that are readily available to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. A contract's standalone selling prices are determined based on the prices that the Company charges for its services rendered and rentals provided. The majority of the Company's performance obligations are satisfied over time, which is generally represented by a period of 30 days or less. The Company's payment terms vary by the type of products or services offered. The term between invoicing and when the payment is due is typically 30 days.

Services revenue primarily represents amounts charged to customers for the completion of services rendered, including labor, products and supplies necessary to perform the service. Rates for these services vary depending on the type of services provided and can be based on a per job, per hour or per day basis.

Rentals revenue is, primarily priced on a per day, per man hour or similar basis and consists of fees charged to customers for use of the Company's rental equipment over the term of the rental period, which is generally less than twelve months.

The Company expenses sales commissions when incurred because the amortization period would have been one year or less.

6

Table Of Contents

Disaggregation of revenue

The following table presents the Company's revenues by segment disaggregated by geography (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
U.S. land				
Drilling Products and Services	\$ 45,605	\$ 33,779	\$ 129,716	\$ 82,711
Onshore Completion and Workover Services	294,869	248,405	802,600	702,463
Production Services	47,858	40,123	148,259	96,620
Technical Solutions	8,453	9,118	23,144	26,124
Total U.S. land	\$ 396,785	\$ 331,425	\$ 1,103,719	\$ 907,918
Gulf of Mexico				
Drilling Products and Services	\$ 26,065	\$ 23,234	\$ 70,315	\$ 68,985
Onshore Completion and Workover Services	-	-	-	-
Production Services	16,776	16,487	47,910	54,170
Technical Solutions	47,286	51,991	120,181	127,738
Total Gulf of Mexico	\$ 90,127	\$ 91,712	\$ 238,406	\$ 250,893
International				
Drilling Products and Services	\$ 27,514	\$ 20,193	\$ 78,388	\$ 62,768
Onshore Completion and Workover Services	-	-	-	-
Production Services	41,236	40,723	112,422	103,754
Technical Solutions	17,406	21,976	57,999	51,700
Total International	\$ 86,156	\$ 82,892	\$ 248,809	\$ 218,222
Total Revenues	\$ 573,068	\$ 506,029	\$ 1,590,934	\$ 1,377,033

The following table presents the Company's revenues by segment disaggregated by type (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Services				
Drilling Products and Services	\$ 24,083	\$ 21,064	\$ 75,549	\$ 57,564
Onshore Completion and Workover Services	284,187	239,208	771,605	679,115
Production Services	97,551	93,422	285,843	239,279
Technical Solutions	65,397	78,180	184,801	194,497
Total services	\$ 471,218	\$ 431,874	\$ 1,317,798	\$ 1,170,455
Rentals				
Drilling Products and Services	\$ 75,101	\$ 56,142	\$ 202,870	\$ 156,900
Onshore Completion and Workover Services	10,682	9,197	30,995	23,348
Production Services	8,319	3,911	22,748	15,265
Technical Solutions	7,748	4,905	16,523	11,065
Total rentals	\$ 101,850	\$ 74,155	\$ 273,136	\$ 206,578
Total Revenues	\$ 573,068	\$ 506,029	\$ 1,590,934	\$ 1,377,033

Table Of Contents

(3)Inventory

Inventories are stated at the lower of cost or net realizable value. The Company applies net realizable value and obsolescence to the gross value of the inventory. Cost is determined using the first-in, first-out or weighted-average cost methods for finished goods and work-in-process. Supplies and consumables primarily consist of products used in our services provided to customers. The components of the inventory balances are as follows (in thousands):

	September 30, 2018	December 31, 2017
Finished goods	\$ 61,393	\$ 61,764
Raw materials	18,131	13,727
Work-in-process	8,332	6,174
Supplies and consumables	26,785	24,923
Total	\$ 114,641	\$ 106,588

(4)Notes Receivable

Notes receivable consist of a commitment from the seller of an oil and gas property acquired by the Company related to costs associated with the abandonment of the acquired property. Pursuant to an agreement with the seller, the Company will invoice the seller an agreed upon amount at the completion of certain decommissioning activities. The gross amount of this obligation totals \$115.0 million and is recorded at present value using an effective interest rate of 6.58%. The related discount is amortized to interest income based on the expected timing of completion of the decommissioning activities. The Company recorded interest income related to notes receivable of \$2.9 million and \$2.6 million for the nine months ended September 30, 2018 and 2017, respectively.

(5)Decommissioning Liabilities

The Company's decommissioning liabilities associated with an oil and gas property and its related assets consist of costs related to the plugging of wells, the removal of the related platform and equipment, and site restoration. The

Company reviews the adequacy of its decommissioning liabilities whenever indicators suggest that the estimated cash flows needed to satisfy the liabilities have changed materially. The Company had decommissioning liabilities of \$128.6 million and \$130.4 million at September 30, 2018 and December 31, 2017, respectively.

(6)Debt

The Company's outstanding debt is as follows (in thousands):

	September 30, 2018	December 31, 2017
	Long-term	Long-term
Senior unsecured notes due September 2024	\$ 500,000	\$ 500,000
Senior unsecured notes due December 2021	800,000	800,000
Total debt, gross	1,300,000	1,300,000
Unamortized debt issuance costs	(17,986)	(20,229)
Total debt, net	\$ 1,282,014	\$ 1,279,771

Credit Facility

The Company has an asset-based revolving credit facility which matures in October 2022. The borrowing base under the credit facility is calculated based on a formula referencing the borrower's and the subsidiary guarantors' eligible accounts receivable, eligible inventory and eligible premium rental drill pipe less reserves. Availability under the credit facility is the lesser of (i) the commitments, (ii) the borrowing base and (iii) the highest principal amount permitted to be secured under the indenture governing the 7 1/8% senior unsecured notes due 2021. At September 30, 2018, the borrowing base was \$261.0 million and the Company had \$47.2 million of letters of credit outstanding that reduced its borrowing availability under the revolving credit facility. The credit agreement contains various covenants, including, but not limited to, limitations on the incurrence of indebtedness, permitted investments, liens on assets, making distributions, transactions with affiliates, merger, consolidations, dispositions of assets and other provisions customary in similar types of agreements.

Table Of Contents

Senior Unsecured Notes

The Company has outstanding \$500 million of 7 3/4% senior unsecured notes due September 2024. The indenture governing the 7 3/4% senior unsecured notes due 2024 requires semi-annual interest payments on March 15th and September 15th of each year through the maturity date of September 15, 2024.

The Company also has outstanding \$800 million of 7 1/8% senior unsecured notes due December 2021. The indenture governing the 7 1/8% senior unsecured notes due 2021 requires semi-annual interest payments on June 15th and December 15th of each year through the maturity date of December 15, 2021.

(7) Fair Value Measurements

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

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

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

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

The following tables provide a summary of the financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	Fair Value at September 30, 2018			
	Level		Level	
	1	Level 2	3	Total
Intangible and other long-term assets, net				
Non-qualified deferred compensation assets	\$ 374	\$ 14,368	\$ -	\$ 14,742
Accounts payable				
Non-qualified deferred compensation liabilities	\$ -	\$ 1,355	\$ -	\$ 1,355
Other long-term liabilities				
Non-qualified deferred compensation liabilities	\$ -	\$ 21,672	\$ -	\$ 21,672
	Fair Value at December 31, 2017			
	Level		Level	
	1	Level 2	3	Total
Intangible and other long-term assets, net				
Non-qualified deferred compensation assets	\$ 370	\$ 13,817	\$ -	\$ 14,187
Accounts payable				
Non-qualified deferred compensation liabilities	\$ -	\$ 1,253	\$ -	\$ 1,253
Other long-term liabilities				
Non-qualified deferred compensation liabilities	\$ -	\$ 21,085	\$ -	\$ 21,085

The Company's non-qualified deferred compensation plans allow officers, certain highly compensated employees and non-employee directors to defer receipt of a portion of their compensation and contribute such amounts to one or more hypothetical investment funds. These investments are reported at fair value based on unadjusted quoted prices in active markets for identifiable assets and observable inputs for similar assets and liabilities, which represent Levels 1 and 2, respectively, in the fair value hierarchy.

The fair value of the Company's cash equivalents and accounts receivable approximates their carrying amounts. The fair value of the Company's long-term debt was approximately \$1,326.3 million and \$1,347.0 million as of September 30, 2018 and December 31, 2017, respectively. The fair value of these debt instruments is determined by reference to the market value of the instruments as quoted in over-the-counter markets, which are Level 1 inputs.

Table Of Contents

(8) Segment Information

Business Segments

The Drilling Products and Services segment rents and sells premium drill pipe, bottom hole assemblies, tubulars and specialized equipment for use with onshore and offshore oil and gas well drilling, completion, production and workover activities. It also provides on-site accommodations and machining services. The Onshore Completion and Workover Services segment provides pressure pumping services used to complete and stimulate production in new oil and gas wells, fluid handling services and well servicing rigs that provide a variety of well completion, workover and maintenance services. The Production Services segment provides intervention services such as coiled tubing, cased hole and mechanical wireline, hydraulic workover and snubbing, production testing and optimization, and remedial pumping services. The Technical Solutions segment provides services typically requiring specialized engineering, manufacturing or project planning, including well control services, stimulation and sand control services and well plug and abandonment services. It also includes the production and sale of oil and gas.

The Company evaluates the performance of its reportable segments based on income or loss from operations excluding allocated corporate expenses. The segment measure is calculated as follows: segment revenues less segment operating expenses, depreciation, depletion, amortization and accretion expense and reduction in value of assets. The Company uses this segment measure to evaluate its reportable segments because it is the measure that is most consistent with how the Company organizes and manages its business operations. Corporate and other costs primarily include expenses related to support functions, salaries and benefits for corporate employees and stock-based compensation expense.

Summarized financial information for the Company's segments is as follows (in thousands):

Three Months Ended September 30, 2018

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Corporate and Other	Consolidated Total
Revenues	\$ 99,184	\$ 294,869	\$ 105,870	\$ 73,145	\$ -	\$ 573,068

Cost of services and rentals (exclusive of depreciation, depletion, amortization and accretion)	37,328	239,348	84,312	43,401	-	404,389
Depreciation, depletion, amortization and accretion	27,830	47,299	17,085	6,329	1,349	99,892
General and administrative expenses	13,771	5,455	10,471	14,453	24,745	68,895
Income (loss) from operations	20,255	2,767	(5,998)	8,962	(26,094)	(108)
Interest income (expense), net	-	-	-	986	(25,938)	(24,952)
Other expense	-	-	-	-	(277)	(277)
Income (loss) from continuing operations before income taxes	\$ 20,255	\$ 2,767	\$ (5,998)	\$ 9,948	\$ (52,309)	\$ (25,337)

Table Of Contents

Three Months Ended September 30, 2017

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Corporate and Other	Consolidated Total
Revenues	\$ 77,206	\$ 248,405	\$ 97,333	\$ 83,085	\$ -	\$ 506,029
Cost of services and rentals (exclusive of depreciation, depletion, amortization and accretion)	31,444	210,231	78,035	48,569	-	368,279
Depreciation, depletion, amortization and accretion	31,839	48,131	19,333	8,029	1,419	108,751
General and administrative expenses	12,758	10,922	12,735	13,492	24,465	74,372
Reduction in value of assets	-	1,838	-	8,115	-	9,953
Income (loss) from operations	1,165	(22,717)	(12,770)	4,880	(25,884)	(55,326)
Interest income (expense), net	-	-	-	926	(30,022)	(29,096)
Other expense	-	-	-	-	(970)	(970)
Income (loss) from continuing operations before income taxes	\$ 1,165	\$ (22,717)	\$ (12,770)	\$ 5,806	\$ (56,876)	\$ (85,392)

Nine Months Ended September 30, 2018

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Corporate and Other	Consolidated Total
Revenues	\$ 278,419	\$ 802,600	\$ 308,591	\$ 201,324	\$ -	\$ 1,590,934

Cost of services and rentals (exclusive of depreciation, depletion, amortization and accretion)	108,997	630,205	255,377	123,080	-	1,117,659
Depreciation, depletion, amortization and accretion	86,061	142,377	50,668	20,332	4,146	303,584
General and administrative expenses	40,138	29,783	29,760	41,836	73,094	214,611
Income/(loss) from operations	43,223	235	(27,214)	16,076	(77,240)	(44,920)
Interest income (expense), net	-	-	-	2,913	(77,646)	(74,733)
Other expense	-	-	-	-	(4,394)	(4,394)
Income/(loss) from continuing operations before income taxes	\$ 43,223	\$ 235	\$ (27,214)	\$ 18,989	\$ (159,280)	\$ (124,047)

Table Of Contents

Nine Months Ended September 30, 2017

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Corporate and Other	Consolidated Total
Revenues	\$ 214,464	\$ 702,463	\$ 254,544	\$ 205,562	\$ -	\$ 1,377,033
Cost of services and rentals (exclusive of depreciation, depletion, amortization and accretion)	93,504	610,941	210,192	127,430	-	1,042,067
Depreciation, depletion, amortization and accretion	100,187	141,899	60,115	24,660	4,290	331,151
General and administrative expenses	38,463	33,997	35,902	40,888	77,323	226,573
Reduction in value of assets	-	1,838	-	8,115	-	9,953
Income (loss) from operations	(17,690)	(86,212)	(51,665)	4,469	(81,613)	(232,711)
Interest income (expense), net	-	-	-	2,627	(79,306)	(76,679)
Other expense	-	-	-	-	(2,477)	(2,477)
Income (loss) from continuing operations before income taxes	\$ (17,690)	\$ (86,212)	\$ (51,665)	\$ 7,096	\$ (163,396)	\$ (311,867)

Identifiable Assets

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Corporate and Other	Consolidated Total
September 30, 2018	\$ 564,813	\$ 1,468,622	\$ 564,300	\$ 352,327	\$ 51,668	\$ 3,001,730
December 31, 2017	\$ 662,968	\$ 1,501,214	\$ 512,256	\$ 377,549	\$ 56,238	\$ 3,110,225

Geographic Segments

The Company attributes revenue to various countries based on the location of where services are performed or the destination of the drilling products or equipment sold or rented. Long-lived assets consist primarily of property, plant and equipment and are attributed to various countries based on the physical location of the asset at the end of a period. The Company's revenue attributed to the U.S. and to other countries and the value of its long-lived assets by those locations are as follows (in thousands):

Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
United States	\$ 486,912	\$ 423,137	\$ 1,342,125	\$ 1,158,811
Other countries	86,156	82,892	248,809	218,222
Total	\$ 573,068	\$ 506,029	\$ 1,590,934	\$ 1,377,033

Long-Lived Assets

	September 30, 2018	December 31, 2017
United States	\$ 982,737	\$ 1,064,823
Other countries	215,812	252,121
Total	\$ 1,198,549	\$ 1,316,944

Table Of Contents

(9) Stock-Based Compensation Plans

The Company maintains various stock incentive plans that provide long-term incentives to the Company's key employees, including officers, directors, consultants and advisors (Eligible Participants). Under the stock incentive plans, the Company may grant incentive stock options, restricted stock, restricted stock units, stock appreciation rights, other stock-based awards or any combination thereof to Eligible Participants. The Company's total compensation expense related to these plans was approximately \$22.8 million and \$29.2 million for the nine months ended September 30, 2018 and 2017, respectively, which is reflected in general and administrative expenses.

(10) Income Taxes

The Company had \$30.7 million of unrecorded tax benefits as of September 30, 2018 and December 31, 2017, 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, if any, related to uncertain tax positions in income tax expense. The Company continues to evaluate the impact of the Tax Cuts and Jobs Act of 2017 and no revisions were recorded during the nine months ended September 30, 2018.

(11) 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 and the conversion of restricted stock units.

For the three and nine months ended September 30, 2018 and 2017, the Company incurred a loss from continuing operations; therefore the impact of any incremental shares would be anti-dilutive.

(12) Supplemental Guarantor Information

SESI, L.L.C. (the Issuer), a 100% owned subsidiary of Superior Energy Services, Inc. (Parent), has \$500 million of 7 3/4% senior unsecured notes due 2024. The Parent, along with certain of its 100% owned domestic subsidiaries, fully and unconditionally guaranteed such senior unsecured notes, and such guarantees are joint and several.

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Balance Sheets

September 30, 2018

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ -	\$ 37,745	\$ 547	\$ 66,398	\$ -	\$ 104,690
Accounts receivable, net	-	(235)	431,609	61,869	-	493,243
Intercompany accounts receivable	-	10,232	67,417	3,139	(80,788)	-
Other current assets	-	9,207	145,879	37,868	-	192,954
Total current assets	-	56,949	645,452	169,274	(80,788)	790,887
Property, plant and equipment, net						
	-	10,577	1,001,662	186,310	-	1,198,549
Goodwill	-	-	657,099	149,397	-	806,496
Notes receivable	-	-	63,009	-	-	63,009
Long-term intercompany accounts receivable	2,236,472	-	2,047,835	182,529	(4,466,836)	-
Equity investments of consolidated subsidiaries	(1,200,202)	4,477,064	6,122	-	(3,282,984)	-
Restricted cash	-	-	8,632	45	-	8,677
Intangible and other long-term assets, net	-	21,187	105,400	7,525	-	134,112
Total assets	\$ 1,036,270	\$ 4,565,777	\$ 4,535,211	\$ 695,080	\$ (7,830,608)	\$ 3,001,730
Liabilities and Stockholders' Equity						
Current liabilities:						
Accounts payable	\$ -	\$ 8,089	\$ 106,867	\$ 17,210	\$ -	\$ 132,166

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

Accrued expenses	255	110,937	89,405	29,923	-	230,520
Income taxes payable	-	555	-	1,564	-	2,119
Intercompany accounts payable	-	724	6,095	73,969	(80,788)	-
Current portion of decommissioning liabilities	-	-	20,670	3,512	-	24,182
Total current liabilities	255	120,305	223,037	126,178	(80,788)	388,987
Deferred income taxes	-	(155,505)	185,496	3,473	-	33,464
Decommissioning liabilities	-	-	104,416	-	-	104,416
Long-term debt, net	-	1,282,014	-	-	-	1,282,014
Long-term intercompany accounts payable	-	4,466,836	-	-	(4,466,836)	-
Other long-term liabilities	-	52,329	78,324	26,181	-	156,834
Total stockholders' equity (deficit)	1,036,015	(1,200,202)	3,943,938	539,248	(3,282,984)	1,036,015
Total liabilities and stockholders' equity	\$ 1,036,270	\$ 4,565,777	\$ 4,535,211	\$ 695,080	\$ (7,830,608)	\$ 3,001,730

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Balance Sheets

December 31, 2017

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ -	\$ 126,533	\$ 440	\$ 45,027	\$ -	\$ 172,000
Accounts receivable, net	-	-	332,402	70,889	(5,235)	398,056
Income taxes receivable	-	-	(221)	1,180	-	959
Intercompany accounts receivable	-	6,460	58,375	5,865	(70,700)	-
Other current assets	-	11,895	129,970	34,295	-	176,160
Assets held for sale	-	-	-	13,644	-	13,644
Total current assets	-	144,888	520,966	170,900	(75,935)	760,819
Property, plant and equipment, net	-	12,055	1,093,446	211,443	-	1,316,944
Goodwill	-	-	657,099	150,761	-	807,860
Notes receivable	-	-	60,149	-	-	60,149
Long-term intercompany accounts receivable	2,221,697	-	2,032,056	177,842	(4,431,595)	-
Equity investments of consolidated subsidiaries	(1,088,736)	4,481,702	6,590	-	(3,399,556)	-
Restricted cash	-	-	20,483	-	-	20,483
Intangible and other long-term assets, net	-	22,118	113,632	8,220	-	143,970
Total assets	\$ 1,132,961	\$ 4,660,763	\$ 4,504,421	\$ 719,166	\$ (7,907,086)	\$ 3,110,225
Liabilities and Stockholders' Equity						
Current liabilities:						
Accounts payable	\$ -	\$ 14,339	\$ 89,714	\$ 20,898	\$ (5,235)	\$ 119,716
Accrued expenses	532	116,767	80,825	23,633	-	221,757
Intercompany accounts payable	-	724	7,918	62,058	(70,700)	-
Current portion of decommissioning liabilities	-	-	25,670	1,591	-	27,261

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

Liabilities held for sale	-	-	-	6,463	-	6,463
Total current liabilities	532	131,830	204,127	114,643	(75,935)	375,197
Deferred income taxes	-	(147,116)	205,386	2,788	-	61,058
Decommissioning liabilities	-	-	101,293	1,843	-	103,136
Long-term debt, net	-	1,279,771	-	-	-	1,279,771
Long-term intercompany accounts payable	-	4,431,595	-	-	(4,431,595)	-
Other long-term liabilities	-	53,419	79,061	26,154	-	158,634
Total stockholders' equity (deficit)	1,132,429	(1,088,736)	3,914,554	573,738	(3,399,556)	1,132,429
Total liabilities and stockholders' equity	\$ 1,132,961	\$ 4,660,763	\$ 4,504,421	\$ 719,166	\$ (7,907,086)	\$ 3,110,225

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Operations

Three Months Ended September 30, 2018

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ -	\$ -	\$ 511,510	66,428	(4,870)	\$ 573,068
Cost of services and rentals (exclusive of depreciation, depletion, amortization and accretion)	-	(793)	366,568	43,484	(4,870)	404,389
Depreciation, depletion, amortization and accretion	-	965	87,973	10,954	-	99,892
General and administrative expenses	-	23,959	34,726	10,210	-	68,895
Income (loss) from operations	-	(24,131)	22,243	1,780	-	(108)
Other income (expense):						
Interest expense, net	-	(26,024)	993	79	-	(24,952)
Other income (expense)	-	(356)	264	(185)	-	(277)
Equity in earnings (losses) of consolidated subsidiaries	(21,816)	19,182	(53)	-	2,687	-
Income (loss) from operations before income taxes	(21,816)	(31,329)	23,447	1,674	2,687	(25,337)
Income taxes	-	(9,513)	5,260	732	-	(3,521)
Net income (loss)	\$ (21,816)	\$ (21,816)	\$ 18,187	\$ 942	\$ 2,687	\$ (21,816)

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Comprehensive Loss

Three Months Ended September 30, 2018

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ (21,816)	\$ (21,816)	\$ 18,187	\$ 942	\$ 2,687	\$ (21,816)

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

Change in cumulative translation adjustment, net of tax	(826)	(826)	-	(826)	1,652	(826)
Comprehensive income (loss)	\$ (22,642)	\$ (22,642)	\$ 18,187	\$ 116	\$ 4,339	\$ (22,642)

16

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Operations

Three Months Ended September 30, 2017

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ -	\$ -	\$ 449,267	\$ 60,311	\$ (3,549)	\$ 506,029
Cost of services and rentals (exclusive of depreciation, depletion, amortization and accretion)	-	(2,505)	329,074	45,259	(3,549)	368,279
Depreciation, depletion, amortization and accretion	-	1,033	94,829	12,889	-	108,751
General and administrative expenses	-	23,960	38,247	12,165	-	74,372
Reduction in value of assets	-	-	1,835	8,118	-	9,953
Loss from operations	-	(22,488)	(14,718)	(18,120)	-	(55,326)
Other income (expense):						
Interest expense, net	-	(30,216)	969	151	-	(29,096)
Other income (expense)	-	(282)	199	(887)	-	(970)
Equity in losses of consolidated subsidiaries	(59,049)	(25,096)	(250)	-	84,395	-
Loss from continuing operations before income taxes	(59,049)	(78,082)	(13,800)	(18,856)	84,395	(85,392)
Income taxes	-	(19,033)	(2,750)	(6,420)	-	(28,203)
Net loss from continuing operations	(59,049)	(59,049)	(11,050)	(12,436)	84,395	(57,189)
Loss from discontinued operations, net of income tax	-	-	-	(1,860)	-	(1,860)
Net loss	\$ (59,049)	\$ (59,049)	\$ (11,050)	\$ (14,296)	\$ 84,395	\$ (59,049)

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Comprehensive Loss

Three Months Ended September 30, 2017

(in thousands)

(unaudited)

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net loss	\$ (59,049)	\$ (59,049)	\$ (11,050)	\$ (14,296)	\$ 84,395	\$ (59,049)
Change in cumulative translation adjustment, net of tax	3,629	3,629	-	3,629	(7,258)	3,629
Comprehensive loss	\$ (55,420)	\$ (55,420)	\$ (11,050)	\$ (10,667)	\$ 77,137	\$ (55,420)

17

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Operations

Nine Months Ended September 30, 2018

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ -	\$ -	\$ 1,420,368	\$ 192,976	\$ (22,410)	\$ 1,590,934
Cost of services and rentals (exclusive of depreciation, depletion, amortization and accretion)	-	(6,382)	1,011,801	134,650	(22,410)	1,117,659
Depreciation, depletion, amortization and accretion	-	2,974	266,188	34,422	-	303,584
General and administrative expenses	-	70,721	109,083	34,807	-	214,611
Income (loss) from operations	-	(67,313)	33,296	(10,903)	-	(44,920)
Other income (expense):						
Interest expense, net	-	(77,778)	2,940	105	-	(74,733)
Other income (expense)	-	(608)	802	(4,588)	-	(4,394)
Equity in earnings (losses) of consolidated subsidiaries	(107,930)	13,073	(421)	-	95,278	-
Income (loss) from continuing operations before income taxes	(107,930)	(132,626)	36,617	(15,386)	95,278	(124,047)
Income taxes	-	(24,696)	7,185	665	-	(16,846)
Net income (loss) from continuing operations	(107,930)	(107,930)	29,432	(16,051)	95,278	(107,201)
Loss from discontinued operations, net of income tax	-	-	-	(729)	-	(729)
Net income (loss)	\$ (107,930)	\$ (107,930)	\$ 29,432	\$ (16,780)	\$ 95,278	\$ (107,930)

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Comprehensive Loss

Nine Months Ended September 30, 2018

(in thousands)

(unaudited)

	Parent	Issuer		Eliminations	Consolidated
--	--------	--------	--	--------------	--------------

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

			Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
Net income (loss)	\$ (107,930)	\$ (107,930)	\$ 29,432	\$ (16,780)	\$ 95,278	\$ (107,930)
Change in cumulative translation adjustment, net of tax	(3,491)	(3,491)	-	(3,491)	6,982	(3,491)
Comprehensive income (loss)	\$ (111,421)	\$ (111,421)	\$ 29,432	\$ (20,271)	\$ 102,260	\$ (111,421)

18

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Operations

Nine Months Ended September 30, 2017

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ -	\$ -	\$ 1,219,455	\$ 168,810	\$ (11,232)	\$ 1,377,033
Cost of services and rentals (exclusive of depreciation, depletion, amortization and accretion)	-	(245)	925,043	128,501	(11,232)	1,042,067
Depreciation, depletion, amortization and accretion	-	3,114	289,428	38,609	-	331,151
General and administrative expenses	-	75,843	113,123	37,607	-	226,573
Reduction in value of assets	-	-	1,835	8,118	-	9,953
Loss from operations	-	(78,712)	(109,974)	(44,025)	-	(232,711)
Other income (expense):						
Interest expense, net	-	(79,827)	2,728	420	-	(76,679)
Other income (expense)	-	(1,004)	646	(2,119)	-	(2,477)
Equity in losses of consolidated subsidiaries	(214,514)	(104,203)	(458)	-	319,175	-
Loss from continuing operations before income taxes	(214,514)	(263,746)	(107,058)	(45,724)	319,175	(311,867)
Income taxes	-	(49,232)	(46,996)	(6,750)	-	(102,978)
Net loss from continuing operations	(214,514)	(214,514)	(60,062)	(38,974)	319,175	(208,889)
Loss from discontinued operations, net of income tax	-	-	-	(5,625)	-	(5,625)
Net loss	\$ (214,514)	\$ (214,514)	\$ (60,062)	\$ (44,599)	\$ 319,175	\$ (214,514)

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Consolidating Statements of Comprehensive Loss
 Nine Months Ended September 30, 2017
 (in thousands)
 (unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net loss	\$ (214,514)	\$ (214,514)	\$ (60,062)	\$ (44,599)	\$ 319,175	\$ (214,514)
Change in cumulative translation adjustment, net of tax	11,375	11,375	-	11,375	(22,750)	11,375
Comprehensive loss	\$ (203,139)	\$ (203,139)	\$ (60,062)	\$ (33,224)	\$ 296,425	\$ (203,139)

Table Of Contents

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Cash Flows

Nine Months Ended September 30, 2018

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash provided by (used in) operating activities	\$ 18,290	\$ (118,313)	\$ 174,198	\$ 23,450	\$ (14,269)	\$ 83,356
Cash flows from investing activities:						
Payments for capital expenditures	-	(1,509)	(175,524)	(9,250)	-	(186,283)
Proceeds from sales of assets	-	-	16,226	13,369	-	29,595
Net cash used in investing activities	-	(1,509)	(159,298)	4,119	-	(156,688)
Cash flows from financing activities:						
Intercompany dividends	-	-	-	(14,269)	14,269	-
Changes in notes with affiliated companies, net	(14,775)	31,469	(26,644)	9,950	-	-
Other	(3,515)	(435)	-	-	-	(3,950)
Net cash provided by (used in) financing activities	(18,290)	31,034	(26,644)	(4,319)	14,269	(3,950)
Effect of exchange rate changes on cash	-	-	-	(1,834)	-	(1,834)
Net decrease in cash, cash equivalents, and restricted cash	-	(88,788)	(11,744)	21,416	-	(79,116)
Cash, cash equivalents, and restricted cash at beginning of period						
	-	126,533	20,923	45,027	-	192,483
Cash, cash equivalents, and restricted cash at end of period	\$ -	\$ 37,745	\$ 9,179	\$ 66,443	\$ -	\$ 113,367

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Cash Flows

Nine Months Ended September 30, 2017

(in thousands)

(unaudited)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$ 20,316	\$ (1,071)	\$ 46,999	\$ (18,328)	\$ 47,916
Cash flows from investing activities:					
Payments for capital expenditures	-	(1,041)	(94,884)	(13,710)	(109,635)
Other	-	-	15,647	-	15,647
Net cash used in investing activities	-	(1,041)	(79,237)	(13,710)	(93,988)
Cash flows from financing activities:					
Proceeds from issuance of long-term debt	-	500,000	-	-	500,000
Principal payments on long-term debt	-	(500,000)	-	-	(500,000)
Payment of debt issuance costs	-	(9,091)	-	-	(9,091)
Changes in notes with affiliated companies, net	(13,527)	6,037	1,336	6,154	-
Other	(6,789)	-	-	-	(6,789)
Net cash used in financing activities	(20,316)	(3,054)	1,336	6,154	(15,880)
Effect of exchange rate changes on cash	-	-	-	3,294	3,294
Net decrease in cash, cash equivalents, and restricted cash	-	(5,166)	(30,902)	(22,590)	(58,658)
Cash, cash equivalents, and restricted cash at beginning of period					
	\$ -	\$ 127,445	\$ 51,789	\$ 66,858	\$ 246,092
	\$ -	\$ 122,279	\$ 20,887	\$ 44,268	\$ 187,434

Cash, cash equivalents, and restricted cash at end
of period

20

Table Of Contents

(13) Discontinued Operations

During the nine months ended September 30, 2018, the remaining marine vessels and equipment of the Company's former subsea construction business were disposed of, resulting in \$0.8 million loss on sale. Loss from discontinued operations for the three and nine months ended September 30, 2018 was \$0 and \$0.7 million, respectively. Loss from discontinued operations for the three and nine months ended September 30, 2017 was \$1.9 million and \$5.6 million, respectively.

(14) New Accounting Pronouncements

Standards adopted

In May 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting. The guidance in this ASU applies to all entities that change the terms or conditions of a share-based payment award. The amendments provide clarity and reduce diversity in practice as well as cost and complexity when applying the guidance in Topic 718, Compensation – Stock Compensation, to the modification of the terms and conditions of a share-based payment award. The amendments in ASU 2017-09 include guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The Company adopted the accounting guidance as of January 1, 2018. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments are intended to help companies and other organizations evaluate

whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments provide a more robust framework to use in determining when a set of assets and activities is a business. The Company adopted the accounting guidance as of January 1, 2018. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statements of Cash Flows (Topic 230): Restricted Cash. The guidance in this ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted the accounting guidance as of January 1, 2018 and applied it retrospectively to the periods presented in the Company's condensed consolidated statements of cash flows. For the nine months ended September 30, 2017, net cash used in investing activities was adjusted to exclude the change in restricted cash related to cash held in escrow for the future decommissioning obligations associated with an oil and gas property. The adjustment resulted in a \$30.6 million decrease in net cash used in investing activities for the nine months ended September 30, 2017.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. The guidance in this ASU requires entities to recognize at the transaction date the income tax consequences of intercompany asset transfers other than inventory. The Company adopted the accounting guidance as of January 1, 2018. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which replaced most existing revenue recognition guidance in GAAP. The guidance in this ASU requires an entity to recognize the amount of revenue that it expects to be entitled for the transfer of promised goods or services to customers. The Company adopted the accounting guidance as of January 1, 2018. The Company adopted this ASU using the modified retrospective adoption method. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements and no cumulative effect adjustment was recognized.

Standards not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize the assets and liabilities arising from leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

The Company expects to adopt the new standard on January 1, 2019 and use the effective date as the date of initial application. Therefore, financial information will not be updated and the disclosures required under the new standard

will not be provided for dates and periods before January 1, 2019.

21

Table Of Contents

The new standard provides a number of optional practical expedients in transition. The Company expects to elect the “package of practical expedients,” that would permit the Company to not reassess under the new standard prior conclusions reached about lease identification, lease classification and initial direct costs.

The Company expects that this standard will have a material effect on its financial statements. While, the Company continues to assess all of the effects of the adoption of this ASU, the Company believes the most significant effects relate to (i) the recognition of new ROU assets and lease liabilities on the condensed consolidated balance sheet for the Company’s operating leases and (ii) providing significant new disclosures about the Company’s leasing activities.

22

Table Of Contents

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q and other documents filed by us with the SEC contain, and future oral or written statements or press releases by us and our management may contain, forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks” and “estimates,” variations of such words and similar expressions identify forward-looking statements, although not all forward-looking statements contain these identifying words. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q or such other materials regarding our financial position, financial performance, liquidity, strategic alternatives, market outlook, future capital needs, capital allocation plans, business strategies and other plans and objectives of our management for future operations and activities are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of its experience and prevailing circumstances on the date such statements are made. Such forward-looking statements, and the assumptions on which they are based, are inherently speculative and are subject to a number of risks and uncertainties that could cause our actual results to differ materially from such statements. Such uncertainties include, but are not limited to: the cyclicity and volatility of the oil and gas industry, including changes in prevailing oil and gas prices or expectations about future prices; operating hazards, including the significant possibility of accidents resulting in personal injury or death, property damage or environmental damage for which we may have limited or no insurance coverage or indemnification rights; the effect of regulatory programs (including regarding worker health and safety laws) and environmental matters on our operations or prospects, including the risk that future changes in the regulation of hydraulic fracturing could reduce or eliminate demand for our pressure pumping and fluid management services, or that future changes in climate change legislation could result in increased operating costs or reduced commodity demand globally; counterparty risks associated with reliance on key suppliers; risks associated with the uncertainty of macroeconomic and business conditions worldwide; changes in competitive and technological factors affecting our operations; credit risk associated with our customer base; the potential inability to retain key employees and skilled workers; challenges with estimating our oil and natural gas reserves and potential liabilities related to our oil and natural gas property; risks associated with potential changes of Bureau of Ocean Energy management security and bonding requirements for offshore platforms; risks inherent in acquiring businesses; risks associated with cyber-attacks; risks associated with business growth during an industry recovery outpacing the capabilities of our infrastructure and workforce; political, legal, economic and other risks and uncertainties associated with our international operations; potential changes in tax laws, adverse positions taken by tax authorities or tax audits impacting our operating results; risks associated with our outstanding debt obligations and the potential effect of limiting our future growth and operations; our continued access to credit markets on favorable terms; the impact that unfavorable or unusual weather conditions could have on our operations; claims, litigation or other proceedings that require cash payments or could impair financial condition; not realizing the benefits of acquisitions or divestitures and volatility of the Company's common stock. These risks and other uncertainties related to our business are described in detail in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. Although we believe that the expectations reflected in such forward-looking

statements are reasonable, we can give no assurance that such expectations will prove to be correct. Investors are cautioned that many of the assumptions on which our forward-looking statements are based are likely to change after such statements are made, including for example the market prices of oil and gas and regulations affecting oil and gas operations, which we cannot control or anticipate. Further, we may make changes to our business strategies and plans (including our capital spending and capital allocation plans) at any time and without notice, based on any changes in the above-listed factors, our assumptions or otherwise, any of which could or will affect our results. For all these reasons, actual events and results may differ materially from those anticipated, estimated, projected or implied by us in our forward-looking statements. We undertake no obligation to update any of our forward-looking statements for any reason and, notwithstanding any changes in our assumptions, changes in our business plans, our actual experience, or other changes. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Executive Summary

General

We provide a wide variety of services and products to the energy industry. We serve major, national and independent oil and natural gas exploration and production companies around the world and offer products and services with respect to the various phases of a well's economic life cycle. We report our operating results in four business segments: Drilling Products and Services; Onshore Completion and Workover Services; Production Services; and Technical Solutions.

Industry Trends

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

Table Of Contents

	Three Months Ended			Nine Months Ended September		
	September 30,			30,		
	2018	2017	% Change	2018	2017	% Change
Worldwide Rig Count (1)						
U.S.:						
Land	1,032	927	11%	1,001	841	19%
Offshore	19	19	0%	18	20	-10%
Total	1,051	946	11%	1,019	861	18%
International (2)	1,003	947	6%	980	948	3%
Worldwide Total	2,054	1,893	9%	1,999	1,809	11%
Commodity Prices (average)						
Crude Oil (West Texas Intermediate)	\$ 69.69	\$ 48.18	45%	\$ 66.93	\$ 49.30	36%
Natural Gas (Henry Hub)	\$ 2.93	\$ 2.95	-1%	\$ 2.95	\$ 3.01	-2%

(1) Estimate of drilling activity as measured by the average active drilling rigs based on Baker Hughes, a GE company, rig count information.

(2) Excludes Canadian Rig Count.

Comparison of the Results of Operations for the Three Months Ended September 30, 2018 and June 30, 2018

For the third quarter of 2018, our revenue was \$573.1 million and the net loss from continuing operations was \$21.8 million, or a \$0.14 loss per share. This compares to net loss from continuing operations of \$25.4 million, or a \$0.16 loss per share, for the second quarter of 2018, on revenue of \$535.5 million. Net loss for the third quarter of 2018 was \$21.8 million, or a \$0.14 loss per share and net loss for the second quarter of 2018 was \$26.4 million, or a \$0.17 loss per share.

Third quarter 2018 revenue in our Drilling Products and Services segment increased 6% sequentially to \$99.2 million, as compared to \$94.0 million in the second quarter of 2018. U.S. land revenue increased 5% sequentially to \$45.6 million due to the increase in rental activity during the quarter. International revenue remained flat at \$27.5 million. Gulf of Mexico revenue increased 12% sequentially to \$26.1 million primarily due to an increase in rentals of premium drill pipe.

Third quarter 2018 revenue in our Onshore Completion and Workover Services segment increased 7% to \$294.9 million, as compared to \$276.2 million for the second quarter of 2018. The increase in revenue is primarily attributable to increased activity in our pressure pumping business.

Third quarter 2018 revenue in our Production Services segment increased 4% sequentially to \$105.9 million, as compared to \$102.0 million in the second quarter of 2018. Gulf of Mexico revenue increased 24% sequentially to \$16.8 million primarily due to an increase in pressure control and coiled tubing activities. International revenue increased 2% sequentially to \$41.2 million primarily due to an increase in coiled tubing activities. U.S. land revenue remained flat at \$47.9 million.

Third quarter 2018 revenue in our Technical Solutions segment increased 15% sequentially to \$73.1 million, as compared to \$63.3 million in the second quarter of 2018. Gulf of Mexico revenue increased 34% sequentially to \$47.3 million due to an increase in demand for completion tools and products. U.S. land revenue increased 6% sequentially to \$8.4 million, primarily due to an increase in demand for completion tools and products. These increases were partially offset by a decrease in international revenue, which decreased 13% sequentially to \$17.4 million primarily due to a decrease in demand for well control services.

Comparison of the Results of Operations for the Three Months Ended September 30, 2018 and 2017

For the three months ended September 30, 2018, our revenue was \$573.1 million, an increase of \$67.1 million or 13%, as compared to the same period in 2017. The increase is largely attributable to a 11% increase in the U.S. land rig count. Net loss was \$21.8 million, or a \$0.14 loss per share. This compares to a net loss for the three months ended September 30, 2017 of \$59.0 million, or a \$0.39 loss per share.

Table Of Contents

The following table compares our operating results for the three months ended September 30, 2018 and 2017 (in thousands, except percentages). Cost of services and rentals excludes depreciation, depletion, amortization and accretion for each of our business segments.

	Revenue				Cost of Services and Rentals				
	2018	2017	Change	%	2018	%	2017	%	Change
Drilling Products and Services	\$ 99,184	\$ 77,206	\$ 21,978	28%	\$ 37,328	38%	\$ 31,444	41%	\$ 5,884
Onshore Completion and Workover Services	294,869	248,405	46,464	19%	239,348	81%	210,231	85%	29,117
Production Services	105,870	97,333	8,537	9%	84,312	80%	78,035	80%	6,277
Technical Solutions	73,145	83,085	(9,940)	-12%	43,401	59%	48,569	58%	(5,168)
Total	\$ 573,068	\$ 506,029	\$ 67,039	13%	\$ 404,389	71%	\$ 368,279	73%	\$ 36,110

Operating Segments:

Drilling Products and Services Segment

Revenue from our Drilling Products and Services segment increased 28% to \$99.2 million for the three months ended September 30, 2018, as compared to \$77.2 million for the same period in 2017. Cost of services and rentals as a percentage of revenue decreased to 38% of segment revenue for the three months ended September 30, 2018, as compared to 41% for the same period in 2017. Revenue from the U.S. land market areas increased 35% as a result of increases in revenue from rentals of premium drill pipe, bottom hole assemblies and accommodation units, as demand for these rental products increased along with the increase in U.S. land rig count. Revenue from the Gulf of Mexico market area increased 12% primarily due to an increase in revenue from rentals of premium drill pipe. The revenue from the international market areas increased 36% primarily due to an increase in revenue from rentals of premium drill pipe.

Onshore Completion and Workover Services Segment

Revenue from our Onshore Completion and Workover Services segment increased 19% to \$294.9 million for the three months ended September 30, 2018, as compared to \$248.4 million for the same period in 2017. All of this segment's revenue is derived from the U.S. land market area. Cost of services and rentals as a percentage of revenue decreased to 81% of segment revenue for the three months ended September 30, 2018, as compared to 85% for the same period in 2017, primarily due to improved pricing and efficiencies, as well as decreased start-up and fleet reactivation costs for our pressure pumping business. The increase in revenue is primarily attributable to increased activity in our pressure pumping and well services businesses.

Production Services Segment

Revenue from our Production Services segment for the three months ended September 30, 2018 increased by 9% to \$105.9 million, as compared to \$97.3 million for the same period in 2017. Cost of services and rentals as a percentage of revenue remained at 80% of segment revenue for the three months ended September 30, 2018. Revenue from the U.S. land market area increased 19%, primarily due to increased activity in coiled tubing and pressure control services. The revenue from the international market areas increased 1%, primarily due to an increase in coiled tubing activities. Revenue from the Gulf of Mexico market area increased 2%, primarily due to an increase in pressure control activities.

Technical Solutions Segment

Revenue from our Technical Solutions segment decreased 12% to \$73.1 million for the three months ended September 30, 2018, as compared to \$83.1 million for the same period in 2017. Cost of services and rentals as a percentage of revenue increased to 59% of segment revenue for the three months ended September 30, 2018, as compared to 58% for the same period in 2017. Revenue from the international market areas decreased 21%, primarily due to a decrease in demand for well control services. Revenue derived from the Gulf of Mexico market area decreased 9%, primarily due to a decrease in demand for completion tools and products. Revenue from the U.S. land market area remained unchanged.

Table Of Contents

Depreciation, Depletion, Amortization and Accretion

Depreciation, depletion, amortization and accretion decreased to \$99.9 million during the three months ended September 30, 2018 from \$108.8 million during the same period in 2017. Depreciation and amortization expense decreased for our Drilling Products and Services segment by \$4.0 million, or 13%; for our Onshore Completion and Workover Services segment by \$0.8 million, or 2% for our Production Services segment by \$2.2 million, or 12%; and for our Technical Solutions segment by \$2.0 million, or 21%. Depreciation expense for Corporate and Other remained flat. The decrease in depreciation, depletion, amortization and accretion is primarily due to assets becoming fully depreciated.

General and Administrative Expenses

General and administrative expenses were \$68.9 million for the three months ended September 30, 2018, as compared to \$74.4 million during the same period in 2017. Total general and administrative expenses decreased 7% due to a reduction in our cost structure and an increase in gains on sales of assets.

Reduction in Value of Assets

The reduction in value of assets recorded during the three months ended September 30, 2017 included \$9.9 million related to the reduction in value of long-lived assets within the Onshore Completion and Workover Services and Technical Solutions segments.

Income Taxes

Our effective income tax rate for the three months ended September 30, 2018 was 13% compared to a 33% effective income tax rate for the same period in 2017. The effective tax rate for the three months ended September 30, 2018 was primarily impacted by the enactment of the Tax Cuts and Jobs Act of 2017, including a reduced U.S. corporate tax rate.

Edgar Filing: SUPERIOR ENERGY SERVICES INC - Form 10-Q

Comparison of the Results of Operations for the Nine Months Ended September 30, 2018 and 2017

For the nine months ended September 30, 2018, our revenue was \$1,590.9 million, an increase of \$ 213.9 million or 16%, as compared to the same period in 2017. The increase is largely attributable to a 19% increase in the U.S. land rig count. The net loss from continuing operations was \$107.2 million, or a \$0.70 loss per share. Net loss was \$107.9 million, or a \$0.70 loss per share. This compares to a net loss from continuing operations for the nine months ended September 30, 2017 of \$208.9 million, or a \$1.37 loss per share. Net loss for the nine months ended September 30, 2017 was \$214.5 million, or a \$1.41 loss per share.

The following table compares our operating results for the nine months ended September 30, 2018 (in thousands, except percentages). Cost of services and rentals excludes depreciation, depletion, amortization and accretion for each of our business segments.

	Revenue				Cost of Services and Rentals				
	2018	2017	Change	%	2018	%	2017	%	Change
Drilling									
Products and									
Services	\$ 278,419	\$ 214,464	\$ 63,955	30%	\$ 108,997	39%	\$ 93,504	44%	\$ 15,493
Onshore									
Completion									
and									
Workover									
Services	802,600	702,463	100,137	14%	630,205	79%	610,941	87%	19,264
Production									
Services	308,591	254,544	54,047	21%	255,377	83%	210,192	83%	45,185
Technical									
Solutions	201,324	205,562	(4,238)	-2%	123,080	61%	127,430	62%	(4,350)
Total	\$ 1,590,934	\$ 1,377,033	\$ 213,901	16%	\$ 1,117,659	70%	\$ 1,042,067	76%	\$ 75,592

Operating Segments:

Drilling Products and Services Segment

Revenue from our Drilling Products and Services segment increased 30% to \$278.4 million for the nine months ended September 30, 2018, as compared to \$214.5 million for the same period in 2017. Cost of services and rentals as a percentage of revenue decreased to 39% of segment revenue for the nine months ended September 30, 2018, as compared to 44% for the same period in 2017. Revenue from the U.S. land market areas increased 57% as a result of increases in revenue from rentals of premium drill pipe, bottom hole assemblies and accommodation units, as demand for these rental products increased along with the increase in U.S. land rig count. The revenue from the international market areas increased 25% primarily due to an increase in revenue from rentals of premium drill pipe. Revenue from the Gulf of Mexico market area increased 2% primarily due to an increase in revenue from rentals of premium drill pipe.

Table Of Contents

Onshore Completion and Workover Services Segment

Revenue from our Onshore Completion and Workover Services segment increased 14% to \$802.6 million for the nine months ended September 30, 2018, as compared to \$702.4 million for the same period in 2017. All of this segment's revenue is derived from the U.S. land market area. Cost of services and rentals as a percentage of revenue decreased to 79% of segment revenue for the nine months ended September 30, 2018, as compared to 87% for the same period in 2017, primarily due to improved pricing and efficiencies, as well as decreased start-up and fleet reactivation costs for our pressure pumping business. The increase in revenue is primarily attributable to increased activity in our pressure pumping, fluid management and well services businesses.

Production Services Segment

Revenue from our Production Services segment for the nine months ended September 30, 2018 increased by 21% to \$308.6 million, as compared to \$254.5 million for the same period in 2017. Cost of services and rentals as a percentage of revenue remained at 83% of segment revenue for the nine months ended September 30, 2018. Revenue from the U.S. land market area increased 53%, primarily due to increased activity in coiled tubing and pressure control services. The revenue from the international market areas increased 8%, primarily due to an increase in hydraulic workover and snubbing and coiled tubing activities. These increases were partially offset by a decrease in revenue from the Gulf of Mexico market area. Revenue from Gulf of Mexico market area decreased 12%, primarily due to a decrease in slickline services and coiled tubing activities.

Technical Solutions Segment

Revenue from our Technical Solutions segment decreased 2% to \$201.3 million for the nine months ended September 30, 2018, as compared to \$205.6 million for the same period in 2017. Cost of services and rentals as a percentage of revenue decreased to 61% of segment revenue for the nine months ended September 30, 2018, as compared to 62% for the same period in 2017. Revenue from the international market areas increased 12%, primarily due to an increase in demand for well control services. Revenue derived from the Gulf of Mexico market area decreased 6%, primarily due to a decrease in demand for completion tools and products. Revenue from the U.S. land market area decreased 11%, primarily due to a decrease in demand for well control services.

Depreciation, Depletion, Amortization and Accretion

Depreciation, depletion, amortization and accretion decreased to \$303.6 million during the nine months ended September 30, 2018 from \$331.2 million during the same period in 2017. Depreciation and amortization expense decreased for our Drilling Products and Services segment by \$14.2 million, or 14%; for our Production Services segment by \$9.5 million, or 16%; and for our Technical Solutions segment by \$4.3 million, or 18%. Depreciation expense for our Onshore Completion and Workover Services segment and Corporate and Other remained flat. The decrease in depreciation, depletion, amortization and accretion is primarily due to assets becoming fully depreciated.

General and Administrative Expenses

General and administrative expenses were \$214.6 million for the nine months ended September 30, 2018, as compared to \$226.6 million during the same period in 2017. Total general and administrative expenses decreased 5% due to a reduction in our cost structure and an increase in gains on sales of assets.

Reduction in Value of Assets

The reduction in value of assets recorded during the nine months ended September 30, 2017 included \$9.9 million related to the reduction in value of long-lived assets within the Onshore Completion and Workover Services and Technical Solutions segments.

Income Taxes

Our effective income tax rate for the nine months ended September 30, 2018 was 13% compared to a 33% effective income tax rate for the same period in 2017. The effective tax rate for the nine months ended September 30, 2018 was primarily impacted by the enactment of the Tax Cuts and Jobs Act of 2017, including a reduced U.S. corporate tax rate.

Liquidity and Capital Resources

For the nine months ended September 30, 2018, we generated net cash from operating activities of \$83.4 million, as compared to \$47.9 million for the same period in 2017. Our primary liquidity needs during the next twelve months are for working capital and capital expenditures. Our primary sources of liquidity are cash flows from operations and available borrowings under our credit facility. We had cash and cash equivalents of \$104.7 million at September 30, 2018, compared to \$172.0 million at December 31, 2017.

Table Of Contents

We spent \$186.3 million of cash on capital expenditures during the nine months ended September 30, 2018. Approximately \$40.2 million was used to expand and maintain our Drilling Products and Services segment's equipment inventory. Approximately \$124.6 million was spent on our Onshore Completion and Workover Services segment, primarily to rebuild our pressure pumping fleet. Approximately \$8.6 million and \$11.3 million was spent in our Production Services and Technical Solutions segments, respectively. We expect to spend up to approximately \$225 million on capital expenditures during 2018. We plan to continue adjusting our capital spending to align with market conditions and customer demand.

We have an asset-based revolving credit facility which matures in October 2022. The borrowing base under the credit facility is calculated based on a formula referencing the borrower's and the subsidiary guarantors' eligible accounts receivable, eligible inventory and eligible premium rental drill pipe less reserves. Availability under the credit facility is the lesser of (i) the commitments, (ii) the borrowing base and (iii) the highest principal amount permitted to be secured under the indenture governing the 7 1/8% senior unsecured notes due 2021. At September 30, 2018, the borrowing base was \$261.0 million and we had \$47.2 million of letters of credit outstanding that reduced our borrowing availability under the revolving credit facility. The credit agreement contains various covenants, including, but not limited to, limitations on the incurrence of indebtedness, permitted investments, liens on assets, making distributions, transactions with affiliates, merger, consolidations, dispositions of assets and other provisions customary in similar types of agreements. At September 30, 2018, we were in compliance with all such covenants.

We have outstanding \$500 million of 7 3/4% senior unsecured notes due September 2024. The indenture governing the 7 3/4% senior unsecured notes due 2024 requires semi-annual interest payments on March 15th and September 15th of each year through the maturity date of September 15, 2024. The indenture contains customary events of default and requires that we satisfy various covenants. At September 30, 2018, we were in compliance with all such covenants.

We also have outstanding \$800 million of 7 1/8% unsecured senior notes due December 2021. The indenture governing the 7 1/8% senior notes due 2021 requires semi-annual interest payments on June 15th and December 15th of each year through the maturity date of December 15, 2021. The indenture contains customary events of default and requires that we satisfy various covenants. At September 30, 2018, we were in compliance with all such covenants.

Other Matters

Off-Balance Sheet Arrangements and Hedging Activities

At September 30, 2018, we had no off-balance sheet arrangements and no hedging contracts.

Recently Issued Accounting Guidance

See Part I, Item 1, “Financial Statements – Note 14 – New Accounting Pronouncements.”

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks associated with foreign currency fluctuations and changes in interest rates. A discussion of our market risk exposure in financial instruments follows.

Foreign Currency Exchange Rates Risk

Because we operate in a number of countries throughout the world, we conduct a portion of our business in currencies other than the U.S. dollar. The functional currency for our international operations, other than certain operations in the United Kingdom and Europe, is the U.S. dollar, but a portion of the revenues from our international operations is paid in foreign currencies. The effects of foreign currency fluctuations are partly mitigated because local expenses of such international 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.

Assets and liabilities of certain subsidiaries in the United Kingdom and Europe are translated at end of period exchange rates, while income and expenses are translated at average rates for the period. Translation gains and losses are reported as the foreign currency translation component of accumulated other comprehensive loss in stockholders' equity.

We do not hold derivatives for trading purposes or use derivatives with complex features. When we believe prudent, we enter into forward foreign exchange contracts to hedge the impact of foreign currency fluctuations. We do not enter into forward foreign exchange contracts for trading or speculative purposes. At September 30, 2018, we had no outstanding foreign currency forward contracts.

Interest Rate Risk

At September 30, 2018, we had no variable rate debt outstanding.

28

Table Of Contents

Commodity Price Risk

Our revenues and profitability significantly depend upon the market prices of oil and natural gas.

For additional discussion, see Part 1, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

Item 4. Controls and Procedures

- (a) Evaluation of disclosure controls and procedures. As of the end of the period covered by this quarterly report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation, that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) are effective for ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.
- (b) Changes in internal control. There has been no change in our internal control over financial reporting that occurred during the three months ended September 30, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table Of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various legal actions incidental to our business. The outcome of these proceedings is not predictable. However, based on current circumstances, we do not believe that the ultimate resolution of these proceedings, after considering available defenses and any insurance coverage or indemnification rights, will have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

For information regarding certain risks relating to our operations, any of which could negatively affect our business, financial condition, operating results or prospects, see Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017.

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

Issuer Purchases of Equity Securities

	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share
July 1 - 31, 2018	416	\$ 9.84
August 1 - 31, 2018	197	\$ 9.31
September 1 - 30, 2018	-	\$ -
Total	613	\$ 9.67

(1) Through our stock incentive plans, 613 shares were delivered to us by our employees to satisfy their tax withholding requirements upon vesting of restricted stock units.

Item 6. Exhibits

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

Exhibit Description

- No.
- 3.1 Restated Certificate of Incorporation of Superior Energy Services, Inc. (incorporated herein by reference to Exhibit 3.1 to Superior Energy Services, Inc.'s Quarterly Report on Form 10-Q filed August 7, 2013 (File No. 001-34037)).
- 3.2 Amended and Restated Bylaws of Superior Energy Services, Inc. (as amended through March 7, 2012) (incorporated herein by reference to Exhibit 3.1 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed March 12, 2012 (File No. 001-34037))
- 10.1* First Amendment to Fifth Amended and Restated Credit Agreement, dated September 25, 2018, among SESI, L.L.C., Superior Energy Services, Inc., the guarantors party thereto, JPMorgan Chase Bank N.A. as administrative agent and the lenders party thereto.
- 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.

Table Of Contents

101.INS* XBRL Instance Document
101.SCH* XBRL Taxonomy Extension Schema Document
101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB* XBRL Taxonomy Extension Label Linkbase Document
101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

*Filed herein

31

Table Of Contents

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.

By: /s/ Westervelt T. Ballard, Jr.
Westervelt T. Ballard, Jr.

Executive Vice President, Chief Financial Officer and Treasurer

By: /s/ James W. Spexarth
James W. Spexarth
Chief Accounting Officer

Date: October 23, 2018