BASIC ENERGY SERVICES INC
Form 10-Q
July 30, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from to

Commission File Number 001-32693

Basic Energy Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**54-2091194**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
500 W. Illinois, Suite 100	
Midland, Texas	**79701**
(Address of principal executive offices)	**(Zip code)**

(432) 620-5500

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

42,363,832 shares of the registrant s Common Stock were outstanding as of July 20, 2012.

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CAUTIONARY STATEMENT

REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, among other things, the risk factors discussed in this quarterly report and in our most recent annual report on Form 10-K and other factors, most of which are beyond our control.

The words believe, may, estimate, continue, anticipate, intend, plan, expect, indicate and similar expressions are intended to ider forward-looking statements. All statements other than statements of current or historical fact contained in this quarterly report are forward-looking statements. Although we believe that the forward-looking statements contained in this quarterly report are based upon reasonable assumptions, the forward-looking events and circumstances discussed in this quarterly report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Important factors that may affect our expectations, estimates or projections include:

- a decline in, or substantial volatility of, oil or natural gas prices, and any related changes in expenditures by our customers;
- the effects of future acquisitions on our business;
- changes in customer requirements in markets or industries we serve;
- competition within our industry;
- general economic and market conditions;
- our access to current or future financing arrangements;
- our ability to replace or add workers at economic rates; and
- environmental and other governmental regulations.

Our forward-looking statements speak only as of the date of this quarterly report. Unless otherwise required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This quarterly report includes market share and industry data and forecasts that we obtained from internal company surveys (including estimates based on our knowledge and experience in the industry in which we operate), market research, consultant surveys, publicly available information, and industry publications and surveys. Industry surveys and publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe such information is accurate and reliable, we have not independently verified any of the data from third party sources cited or used for our management s industry estimates, nor have we ascertained the underlying economic assumptions relied upon therein. For example, the number of onshore well servicing rigs in the U.S. could be lower than our estimate to the extent our two larger competitors have continued to report as stacked rigs equipment that is not actually complete or subject to refurbishment. Statements as to our position relative to our competitors or as to market share refer to the most recent available data.

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PART I FINANCIAL INFORMATION

ITEM 1. ***FINANCIAL STATEMENTS***

Basic Energy Services, Inc.

Consolidated Balance Sheets

(in thousands, except share data)

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,549	$ 78,458
Trade accounts receivable, net of allowance of $1,677 and $1,230, respectively	242,943	254,446
Accounts receivable related parties	74	65
Income tax receivable	1,620	314
Inventories	39,794	34,963
Prepaid expenses	8,687	8,667
Other current assets	7,485	6,768
Deferred tax assets	15,321	39,154
Total current assets	419,473	422,835
Property and equipment, net	901,718	856,412
Deferred debt costs, net of amortization	14,881	16,131
Goodwill	89,504	82,571
Other intangible assets, net of amortization	77,884	74,637
Other assets	6,922	7,342
Total assets	$ 1,510,382	$ 1,459,928
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 54,971	$ 56,957
Accrued expenses	79,383	65,096
Current portion of long-term debt	35,078	34,115
Other current liabilities	1,911	315
Total current liabilities	171,343	156,483
Long-term debt, net of unamortized premium on notes of $1,790 and $1,892, respectively	754,712	748,976
Deferred tax liabilities	179,667	183,551
Other long-term liabilities	13,023	11,215
Commitments and contingencies		
Stockholders equity:		
Preferred stock; $.01 par value; 5,000,000 shares authorized; none designated or issued at June 30, 2012 and December 31, 2011		
Common stock; $.01 par value; 80,000,000 shares authorized; 43,500,032 shares issued and 42,748,128 shares outstanding at June 30, 2012; 42,530,809 shares issued and 42,486,645 shares outstanding at December 31,	435	425

2011		
Additional paid-in capital	350,440	345,619
Retained earnings	48,027	13,659
Treasury stock, at cost, 751,904 and 44,164 shares at June 30, 2012 and December 31, 2011, respectively	(7,265)	0
Total stockholders equity	391,637	359,703
Total liabilities and stockholders equity	$ 1,510,382	$ 1,459,928

See accompanying notes to consolidated financial statements.

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Basic Energy Services, Inc.

Consolidated Statements of Operations and Comprehensive Income

(in thousands, except per share amounts)

	Three Months Ended June 30, 2012 (Unaudited)	Three Months Ended June 30, 2011 (Unaudited)	Six Months Ended June 30, 2012 (Unaudited)	Six Months Ended June 30, 2011 (Unaudited)
Revenues:				
Completion and remedial services	$ 156,560	$ 121,807	$ 320,980	$ 219,314
Fluid services	90,592	81,415	185,917	153,760
Well servicing	98,723	83,881	194,625	153,028
Contract drilling	15,643	9,752	30,893	16,807
Total revenues	361,518	296,855	732,415	542,909
Expenses:				
Completion and remedial services	93,098	68,827	190,123	123,760
Fluid services	58,221	51,688	121,068	99,916
Well servicing	71,864	57,409	139,114	105,849
Contract drilling	9,831	7,393	20,037	11,878
General and administrative, including stock-based compensation of $3,200 and $2,078 in three months and $5,372 and $3,758 in six months ended June 30, 2012 and 2011, respectively	45,540	34,138	86,898	65,479
Depreciation and amortization	45,536	34,784	89,520	67,764
(Gain) loss on disposal of assets	980	942	2,699	(763)
Total expenses	325,070	255,181	649,459	473,883
Operating income	36,448	41,674	82,956	69,026
Other income (expense):				
Interest expense	(14,832)	(11,842)	(30,055)	(23,184)
Interest income	11	23	23	28
Loss on early extinguishment of debt				(49,366)
Other income (expense)	215	102	364	259
Income (loss) from continuing operations before income taxes	21,842	29,957	53,288	(3,237)
Income tax benefit (expense)	(7,105)	(13,407)	(18,920)	1,294
Net income (loss)	$ 14,737	$ 16,550	$ 34,368	$ (1,943)
Earnings (loss) per share of common stock:				
Basic	$ 0.36	$ 0.41	$ 0.84	$ (0.05)
Diluted	$ 0.36	$ 0.40	$ 0.82	$ (0.05)

See accompanying notes to consolidated financial statements.

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Basic Energy Services, Inc.

Consolidated Statements of Stockholders Equity

(in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total Stockholders Equity
Balance December 31, 2011	42,530,809	$ 425	$ 345,619	$	$ 13,659	$ 359,703
Issuances of restricted stock	969,223	10	(122)	112		
Amortization of share-based compensation			5,372			5,372
Purchase of treasury stock				(8,472)		(8,472)
Exercise of stock options / vesting of restricted stock			(429)	1,095		666
Net income					34,368	34,368
Balance June 30, 2012 (unaudited)	43,500,032	$ 435	$ 350,440	$ (7,265)	$ 48,027	$ 391,637

See accompanying notes to consolidated financial statements.

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Basic Energy Services, Inc.

Consolidated Statements of Cash Flows

(in thousands)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ 34,368	$ (1,943)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	89,520	67,764
Accretion on asset retirement obligation	56	65
Change in allowance for doubtful accounts	447	(1,081)
Amortization of deferred financing costs	1,392	967
Amortization and retirement of discount or premium on notes	(102)	6,484
Non-cash compensation	5,821	3,758
Loss on early extinguishment of debt (non-cash)		3,940
Premium on retirement of 11.625% senior secured notes		36,179
(Gain) loss on disposal of assets	2,699	(763)
Deferred income taxes	19,949	(6,088)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	16,180	(48,744)
Inventories	(4,831)	(4,106)
Prepaid expenses and other current assets	(1,048)	(1,102)
Other assets	1,237	(8,531)
Accounts payable	(2,049)	(690)
Excess tax expense (benefit) from exercise of employee stock options / vesting of restricted stock		(3,508)
Income tax payable	(1,306)	4,793
Other liabilities	3,297	(2,328)
Accrued expenses	11,909	10,515
Net cash provided by operating activities	177,539	55,581
Cash flows from investing activities:		
Purchase of property and equipment	(86,733)	(114,873)
Proceeds from sale of assets	4,219	17,996
Payments for other long-term assets	(351)	(287)
Payments for businesses, net of cash acquired	(41,769)	(10)
Net cash used in investing activities	(124,634)	(97,174)
Cash flows from financing activities:		
Proceeds from debt		498,850
Payments of debt	(19,866)	(238,291)
Premium on retirement of 11.625% senior secured notes		(36,179)
Purchase of treasury stock	(8,472)	(1,761)
Excess tax (expense) benefit from exercise of employee stock options / vesting of restricted stock		3,508
Tax withholding from exercise of stock options	(128)	(2,529)

Exercise of employee stock options	794	5,407
Deferred loan costs and other financing activities	(142)	(14,420)
Net cash provided by (used in) financing activities	(27,814)	214,585
Net increase in cash and equivalents	25,091	172,992
Cash and cash equivalents beginning of period	78,458	47,918
Cash and cash equivalents end of period	$ 103,549	$ 220,910

See accompanying notes to consolidated financial statements.

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BASIC ENERGY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 (**unaudited**)

1. Basis of Presentation and Nature of Operations

Basis of Presentation

The accompanying unaudited consolidated financial statements of Basic Energy Services, Inc. and subsidiaries (Basic or the Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair presentation have been made in the accompanying unaudited financial statements.

Nature of Operations

Basic provides a wide range of well site services to oil and natural gas drilling and producing companies, including completion and remedial services, fluid services and well site construction services, well servicing and contract drilling. These services are primarily provided using Basic s fleet of equipment. Basic s operations are concentrated in the major United States onshore oil and gas producing regions in Texas, New Mexico, Oklahoma, Arkansas, Kansas, Louisiana, Wyoming, North Dakota, Colorado, Utah, Montana, West Virginia, and Pennsylvania.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Basic and its wholly owned subsidiaries. Basic has no variable interest in any other organization, entity, partnership, or contract. All intercompany transactions and balances have been eliminated.

Estimates and Uncertainties

Preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas where critical accounting estimates are made by management include:

Depreciation and amortization of property and equipment and intangible assets

Impairment of property and equipment, goodwill and intangible assets

Allowance for doubtful accounts

Litigation and self-insured risk reserves

Fair value of assets acquired and liabilities assumed

Future cash flows

Stock-based compensation

Income taxes

Asset retirement obligations

Environmental liabilities

Revenue Recognition

Completion and Remedial Services Completion and remedial services consists primarily of pumping services, focused on cementing, acidizing and fracturing, nitrogen units, coiled tubing units, snubbing units, water treatment, thru-tubing and rental and fishing tools. Basic recognizes revenue when services are performed, collection of the relevant receivables is probable, persuasive evidence of an arrangement exists and the price is fixed or determinable. Basic prices completion and remedial services by the hour, day, or project depending on the type of service performed. When Basic provides multiple services to a customer, revenue is allocated to the services performed based on the fair value of the services.

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Fluid Services Fluid services consists primarily of the sale, transportation, storage and disposal of fluids used in drilling, production and maintenance of oil and natural gas wells, and well site construction and maintenance services. Basic recognizes revenue when services are performed, collection of the relevant receivables is probable, persuasive evidence of an arrangement exists and the price is fixed or determinable. Basic prices fluid services by the job, by the hour or by the quantities sold, disposed of or hauled.

Well Servicing Well servicing consists primarily of maintenance services, workover services, completion services, plugging and abandonment services and rig manufacturing and servicing. Basic recognizes revenue when services are performed, collection of the relevant receivables is probable, persuasive evidence of an arrangement exists and the price is fixed or determinable. Basic prices well servicing by the hour or by the day of service performed. Rig manufacturing revenue is recognized when the rig is accepted by the customer, based on the completed contract method by individual rig.

Contract Drilling Contract drilling consists primarily of drilling wells to a specified depth using drilling rigs. Basic recognizes revenues based on either a daywork contract, in which an agreed upon rate per day is charged to the customer, or a footage contract, in which an agreed upon rate is charged per the number of feet drilled.

Taxes assessed on sales transactions are presented on a net basis and are not included in revenue.

Inventories

For rental and fishing tools, inventories consisting mainly of grapples and drill bits are stated at the lower of cost or market, with cost being determined by the average cost method. Other inventories, consisting mainly of manufacturing raw materials, rig components, repair parts, drilling and completion materials and gravel, are held for use in the operations of Basic and are stated at the lower of cost or market, with cost being determined on the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost or at estimated fair value at acquisition date if acquired in a business combination. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of the assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation and amortization are removed from the related accounts and any gain or loss is reflected in operations. All property and equipment are depreciated or amortized (to the extent of estimated salvage values) on the straight-line method. The components of a well servicing rig generally require replacement or refurbishment during the well servicing rig s life and are depreciated over their estimated useful lives, which range from 3 to 15 years. The costs of the original components of a purchased or acquired well servicing rig are not maintained separately from the base rig.

Impairments

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment at least annually, or whenever, in management s judgment, events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of such assets to estimated undiscounted future cash flows expected to be generated by the assets. Expected future cash flows and carrying values are aggregated at their lowest identifiable level. If the carrying amount of such assets exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of such assets exceeds the fair value of the assets. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities, if material, of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet. These assets are normally sold within a short period of time through a third party auctioneer.

Basic s goodwill and trade name intangibles are considered to have an indefinite useful economic life and are not amortized. Basic assesses impairment of its goodwill and trade name intangibles annually as of December 31 or on an interim basis if events or circumstances indicate that the fair value of the assets has decreased below the assets carrying value. A qualitative assessment is allowed to determine if goodwill is potentially impaired. The qualitative assessment determines whether it is more likely than not that a reporting unit s fair value is less than its carrying amount. If it is more likely than not that the fair value of the reporting unit is less than the carrying amount then the two-step impairment test is performed. First, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. If impairment is indicated, then the fair value of the reporting unit s goodwill is determined by allocating the unit s fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The amount of impairment for goodwill is measured as the excess of its carrying value over its fair value.

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Deferred Debt Costs

Basic capitalizes certain costs in connection with obtaining its borrowings, such as lender s fees and related attorney s fees. These costs are amortized to interest expense using the effective interest method.

Deferred debt costs were approximately $20.9 million net of accumulated amortization of $6.0 million, and $20.8 million net of accumulated amortization of $4.6 million at June 30, 2012 and December 31, 2011, respectively. Amortization of deferred debt costs totaled approximately $699,000 and $535,000 for the three months ended June 30, 2012 and 2011, respectively. Amortization of deferred debt costs totaled approximately $1.4 million and $967,000 for the six months ended June 30, 2012 and 2011, respectively.

Basic recorded a charge of $3.9 million during the first quarter of 2011 related to the write-off of debt costs associated with its 11.625% Senior Secured Notes and $30.0 million revolving credit facility. On February 15, 2011, Basic terminated the revolving credit facility and completed the closing for an early tender for approximately $224.7 million of the Senior Secured Notes and delivered to the trustee amounts required to satisfy and discharge remaining obligations for the outstanding notes. Basic also incurred $3.4 million of deferred debt costs associated with the $165.0 million revolving credit facility entered into on February 15, 2011. Basic incurred $12.4 million of deferred debt costs associated with the issuance of the 7.75% Senior Notes due 2019.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Basic completes its assessment of goodwill and trade name intangible impairment as of December 31 of each year.

Basic had trade names of $1.9 million as of June 30, 2012 and $1.9 million at December 31, 2011. Trade names have an indefinite life and are tested for impairment annually.

Additions to goodwill during the six months ended June 30, 2012 were primarily due to the purchase price allocations for acquisitions completed during 2011 and the first six months of 2012. These purchase price allocations were preliminary and subject to change. The changes in the carrying amount of goodwill for the six months ended June 30, 2012 were as follows (in thousands):

	Completion and Remedial Services	Fluid Services	Well Servicing	Contract Drilling	Total
Balance as of December 31, 2011	$ 72,369	$ 4,086	$ 6,116	$	$ 82,571
Goodwill adjustments	6,218	203	512		6,933
Balance as of June 30, 2012	$ 78,587	$ 4,289	$ 6,628	$	$ 89,504

Basic s intangible assets subject to amortization consist of customer relationships, non-compete agreements and rig engineering plans. The gross carrying amount of customer relationships subject to amortization was $83.8 million at June 30, 2012 and $78.2 million at December 31, 2011. The gross carrying amount of non-compete agreements subject to amortization totaled approximately $6.8 million and $7.6 million at June 30, 2012 and December 31, 2011, respectively. The gross carrying amount of other intangible assets subject to amortization was $1.1 million and $1.1 million at June 30, 2012 and December 31, 2011, respectively. Accumulated amortization related to these intangible assets totaled approximately $15.8 million and $14.1 million at June 30, 2012 and December 31, 2011, respectively. Amortization expense for the three months ended June 30, 2012 and 2011 was approximately $1.7 and $1.0 million, respectively. Amortization expense for the six months ended June 30, 2012 and 2011 was approximately $3.4 million and $2.1 million, respectively. Other intangibles net of accumulated amortization allocated to reporting units as of June 30, 2012 were $63.3 million, $3.5 million, $4.7 million and $4.4 million for completion and remedial services, fluid services, well servicing, and contract drilling, respectively. No adjustments were made to prior periods to reflect subsequent adjustments to acquisitions due to immateriality. Customer relationships are amortized over a 15-year life, non-compete agreements are amortized over a five-year life, and rig engineering plans are amortized over a 15-year life.

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Stock-Based Compensation

Basic s stock-based awards consist of stock options and restricted stock. Stock options issued are valued on the grant date using the Black-Scholes-Merton option-pricing model, and restricted stock issued is valued based on the fair value of Basic s common stock at the grant date. All stock-based awards are adjusted for an expected forfeiture rate and amortized over the vesting period.

Income Taxes

Basic recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in the period that includes the statutory enactment date. A valuation allowance for deferred tax assets is recognized when it is more likely than not that the benefit of deferred tax assets will not be realized.

The decrease in our effective tax rate from the six months ended June 30, 2011 to the six months ended June 30, 2012 was primarily due to an increased tax effect related to the early tender of our Senior Secured Notes in February 2011.

Interest charges are recorded in interest expense and penalties are recorded in income tax expense.

Accounts Receivable

Basic estimates its allowance for losses on accounts receivable based on historic collections and expectations for future collections. These loses historically have been within management s expectations and Basic regularly reviews accounts for collectability. After all collection efforts are exhausted, if the balance is still determined to be uncollectible, the balance is written off. Expense related to the write off of uncollectible accounts is recorded in general and administrative expense.

Concentrations of Credit Risk

Financial instruments, which potentially subject Basic to concentration of credit risk, consist primarily of temporary cash investments and trade receivables. Basic restricts investment of temporary cash investments to financial institutions with high credit standing. Basic s customer base consists primarily of multi-national and independent oil and natural gas producers. Basic performs ongoing credit evaluations of its customers but generally does not require collateral on its trade receivables. Credit risk is considered by management to be limited due to the large number of customers comprising its customer base. Basic maintains an allowance for potential credit losses on its trade receivables, and such losses have been within management s expectations.

Basic did not have any one customer that represented 10% or more of consolidated revenue during the six months or three months ended June 30, 2012 or 2011.

Asset Retirement Obligations

Basic records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets and capitalizes an equal amount as a cost of the asset depreciating it over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each quarter to reflect the passage of time, changes in the estimated future cash flows underlying the obligation, acquisition or construction of assets, and settlements of obligations.

Environmental

Basic is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require Basic to remove or mitigate the adverse environmental effects of disposal or release of petroleum, chemicals and other substances at various sites. Environmental expenditures are expensed or capitalized depending on the future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated.

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Litigation and Self-Insured Risk Reserves

Basic estimates its reserves related to litigation and self-insured risks based on the facts and circumstances specific to the litigation and self-insured claims, its past experience with similar claims and the likelihood of the future event occurring. Basic maintains accruals on the consolidated balance sheets to cover self-insurance retentions (See note 6).

Recent Accounting Pronouncements

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles Goodwill and Other* (ASU 2011-08). ASU 2011-08 allows a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the two-step impairment test for that reporting unit would be performed. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. Basic early adopted this accounting standard update and although it has changed the process Basic uses to determine if goodwill is impaired, it has not had a material impact on Basic s consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet* (ASU 2011-11). The standard amends and expands disclosure requirements about balance sheet offsetting and related arrangements. ASU 2011-11 becomes effective for Basic on January 1, 2013. Basic does not anticipate any impact to its results of operations, financial position or liquidity when the guidance becomes effective.

3. Acquisitions

In 2011 and during the first six months of 2012, Basic acquired either substantially all of the assets or all of the outstanding capital stock of each of the following businesses, each of which was accounted for using the purchase method of accounting. The following table summarizes the provisional values for the Mayo Marrs Casing Pulling, Inc., SPA Victoria, LP and Surface Stac, Inc. acquisitions and the final values for the remaining acquisitions at the date of acquisition (in thousands):

	Closing Date	Total Cash Paid (net of cash acquired)
Lone Star Anchor Trucking, Inc.	July 7, 2011	$ 10,102
Maverick Stimulation Company, LLC, Maverick Coil Tubing Services, LLC, Maverick Thru-Tubing, LLC, Maverick Solutions, LLC, The Maverick Companies, LLC, MCM Holdings, LLC, and MSM Leasing LLC (collectively the Maverick Companies)	July 8, 2011	$ 186,251
Pat s P&A, Inc.	August 1, 2011	$ 8,974
Cryogas Services LLP	September 8, 2011	$ 11,085
Total 2011		$ 216,412
Mayo Marrs Casing Pulling, Inc.	January 13, 2012	$ 6,644
SPA Victoria, LP	March 16, 2012	$ 11,966
Surface Stac, Inc.	May 15, 2012	$ 23,184
Total 2012		$ 41,794

The operations of each of the acquisitions listed above are included in Basic s statement of operations as of each respective closing date. The acquisition of the Maverick Companies in July 2011 has been deemed significant and is discussed below in further detail. The pro forma effect of the remainder of the acquisitions completed in 2011 or completed in the first six months of 2012 is not material, either individually or when aggregated, to the reported results of operations.

Basic allocates the purchase price of its acquisitions to identifiable tangible and intangible assets acquired based on their estimated fair values. The excess of purchase price over the aggregate fair values is recorded as goodwill. Property and equipment are valued based on a combination of a market approach and replacement cost. Intangible assets are valued using a discounted cash flows model. Current assets and liabilities are recorded at face value, which approximates fair value.

The Maverick Companies

On July 8, 2011, Basic acquired all of the equity interests of the Maverick Companies. The results of the Maverick Companies operations have been included in the financial statements since that date. The amount of revenue included in the consolidated statement of operations during the first six months of 2012 was $68.1 million. The aggregate purchase price was approximately $186.3 million in cash.

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This acquisition allowed Basic to expand its stimulation, coiled tubing, and thru-tubing business in Colorado, New Mexico, Utah, and Oklahoma. This acquisition also allowed Basic to enter the water treatment business. The Maverick Companies operates in Basic s completion and remedial segment. The following table summarizes the final estimated fair value of the assets acquired and liabilities assumed at the date of acquisition for the Maverick Companies (in thousands):

Current Assets	$ 17,112
Property and Equipment	92,856
Other Intangible Assets (1)	29,400
Goodwill (2)	59,047
Other Non-Current Assets	464
Total Assets Acquired	$ 198,879
Current Liabilities	$ 10,490
Deferred Income Taxes	
Total Liabilities Assumed	$ 10,490
Net Assets Acquired	$ 188,389

(1) Other intangible assets consists of customer relationship of $25.3 million, amortizable over 15 years, non-compete agreements of $3.6 million, amortizable over five years, intellectual property of $380,000, amortizable over 15 years, and trade name of $170,000 with an indefinite life.

(2) Goodwill is primarily attributable to operational and cost synergies expected to be realized from the acquisition by integrating Maverick s equipment and assembled workforce. All of the goodwill is expected to be deductible for tax purposes.

The following unaudited pro forma results of operations have been prepared as though the Maverick Companies acquisition had been completed on January 1, 2010. Pro forma amounts are based on the purchase price allocation of the significant acquisition and are not necessarily indicative of the results that may be reported in the future (in thousands, except per share data):

	Six Months Ended June 30, 2011
Revenues	$ 596,863
Net income	$ 1,223
Earnings per common share - basic	$ 0.03
Earnings per common share - diluted	$ 0.03

In preparing the pro forma financials, Basic added $6.3 million of depreciation for the six months ended June 30, 2011. Amortization expense, for the amortization of intangible assets, of $1.2 million was included for the six months ended June 30, 2011. Interest expense of $6.5 million was included for the six months ended June 30, 2011.

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4. Property and Equipment

Property and equipment consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Land	$ 13,150	$ 11,314
Buildings and improvements	51,500	47,710
Well service units and equipment	477,668	447,743
Fluid services equipment	195,880	179,495
Brine and fresh water stations	14,068	13,000
Frac/test tanks	263,018	246,816
Pressure pumping equipment	266,582	246,931
Construction equipment	29,388	29,281
Contract drilling equipment	98,166	93,728
Disposal facilities	85,005	78,632
Vehicles	58,544	54,238
Rental equipment	59,071	46,851
Aircraft	5,034	4,251
Software	23,945	23,595
Other	16,019	15,690
	1,657,038	1,539,275
Less accumulated depreciation and amortization	755,320	682,863
Property and equipment, net	$ 901,718	$ 856,412

Basic is obligated under various capital leases for certain vehicles and equipment that expire at various dates during the next five years. The gross amount of property and equipment and related accumulated amortization recorded under capital leases and included above consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Light vehicles	$ 31,289	$ 28,794
Well service units and equipment	1,662	1,671
Fluid services equipment	94,630	83,544
Pressure pumping equipment	29,467	24,260
Construction equipment	1,157	1,341
Software	17,120	16,896
Other	557	557
	175,882	157,063
Less accumulated amortization	66,903	60,455
	$ 108,979	$ 96,608

Amortization of assets held under capital leases of approximately $7.1 million and $5.2 million for the three months ended June 30, 2012 and 2011, respectively, and $13.4 million and $10.2 million for the six months ended June 30, 2012 and 2011, respectively, is included in depreciation and amortization expense in the consolidated statements of operations.

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5. Long-Term Debt

Long-term debt consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Credit Facilities:		
Revolver	$	$
7.125% Senior Notes	225,000	225,000
7.75% Senior Notes	475,000	475,000
Unamortized premium	1,790	1,892
Capital leases and other notes	88,000	81,199
	789,790	783,091
Less current portion	35,078	34,115
	$ 754,712	$ 748,976

7.125% Senior Notes due 2016

On April 12, 2006, Basic issued $225.0 million of 7.125% Senior Notes due April 2016 (the 7.125% Senior Notes) in a private placement. The 7.125% Senior Notes are unsecured. Under the terms of the sale of the 7.125% Senior Notes, Basic was required to take appropriate steps to offer to exchange other 7.125% Senior Notes with the same terms that have been registered with the Securities and Exchange Commission for the private placement 7.125% Senior Notes. Basic completed the exchange offer for all of the 7.125% Senior Notes on October 16, 2006.

Basic issued the 7.125% Senior Notes pursuant to an indenture, dated as of April 12, 2006, by and among Basic, the guarantor parties thereto and The Bank of New York Trust Company, N.A., as trustee (the 7.125% Senior Notes Indenture). Interest on the 7.125% Senior Notes accrues at a rate of 7.125% per year. Interest payments on the 7.125% Senior Notes are due semi-annually, on April 15 and October 15.

The 7.125% Senior Notes are redeemable at the option of Basic at specified redemption prices as described in the 7.125% Senior Notes Indenture.

Following a change of control, as defined in the 7.125% Senior Notes Indenture, Basic will be required to make an offer to repurchase all or any portion of the 7.125% Senior Notes at a purchase price of 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase.

The 7.125% Senior Notes Indenture contains covenants that, among other things, limit the ability of Basic and its restricted subsidiaries to incur additional indebtedness; pay dividends or repurchase or redeem capital stock; make certain investments; incur liens; enter into certain types of transactions with affiliates; limit dividends or other payments by restricted subsidiaries; and sell assets or consolidate or merge with or into other companies. These limitations are subject to a number of important qualifications and exceptions set forth in the 7.125% Senior Notes Indenture. At June 30, 2012, Basic was in compliance with the restrictive covenants under the 7.125% Senior Notes Indenture.

As part of the issuance of the above-mentioned 7.125% Senior Notes, Basic incurred debt issuance costs of approximately $5.2 million, which are being amortized to interest expense using the effective interest method over the term of the 7.125% Senior Notes.

The 7.125% Senior Notes are jointly and severally, and unconditionally, guaranteed on a senior unsecured basis by all of Basic s current subsidiaries, other than three immaterial subsidiaries. As of June 30, 2012, these three subsidiaries held no assets and performed no operations. Basic Energy Services, Inc., the ultimate parent company, does not have any independent operating assets or operations.

7.75% Senior Notes due 2019

On February 15, 2011, Basic issued $275.0 million of 7.75% Senior Notes due 2019 (the 7.75% Senior Notes). On June 13, 2011, Basic issued an additional $200.0 million of 7.75% Senior Notes. The 7.75% Senior Notes are jointly and severally, and unconditionally, guaranteed on a senior unsecured basis by all of Basic s current subsidiaries, other than three immaterial subsidiaries. The 7.75% Senior Notes and the guarantees rank (i) equally in right of payment with any of Basic s and the subsidiary guarantors existing and future senior indebtedness, including Basic s existing 7.125% Senior Notes and the related guarantees, and (ii) effectively junior to all existing or future liabilities of Basic s subsidiaries that do not guarantee the 7.75% Senior Notes and to Basic s and the subsidiary guarantors existing or future secured indebtedness to the extent of the value of the collateral therefor.

The 7.75% Senior Notes were offered and sold in private transactions in accordance with Rule 144A and Regulation S under the Securities Act of 1933, as amended (the Securities Act). Under the terms of the sale of the 7.75% Senior Notes, Basic was required to take appropriate steps to offer to exchange other 7.75% Senior Notes with the same terms that have been registered with the Securities and Exchange Commission for the private placement 7.75% Senior Notes. Basic completed the exchange offer for all of the 7.75% Senior Notes on November 15, 2011.

The purchase price for the $275.0 million of 7.75% Senior Notes issued on February 15, 2011 was 100.000% of their principal amount, and the purchase price for the $200.0 million of 7.75% Senior Notes issued on June 13, 2011 was 101.000%, plus accrued interest from February 15, 2011. Basic received net proceeds from the issuance of the 7.75% Senior Notes of approximately $464.6 million after premiums and offering expenses. Basic used a portion of the net proceeds from the February offering to fund its tender offer and consent solicitation for its 11.625% Senior Secured Notes and to redeem the Senior Secured Notes not purchased in the tender offer. Basic used a portion of the net proceeds from the June offering to fund the $186.3 million purchase price for the Maverick Companies acquisition completed in July 2011 and for general corporate purposes.

The 7.75% Senior Notes were issued pursuant to an indenture dated as of February 15, 2011 (the 7.75% Senior Notes Indenture), by and among Basic, the guarantors party thereto and Wells Fargo Bank, N.A., as trustee. Interest on the 7.75% Senior Notes accrues at a rate of 7.75% per year. Interest on the 7.75% Senior Notes is payable semi-annually in arrears on February 15 and August 15 of each year. The 7.75% Senior Notes mature on February 15, 2019.

The 7.75% Senior Notes Indenture contains covenants that, among other things, limit Basic s ability and the ability of certain of its subsidiaries to: incur additional indebtedness; pay dividends or repurchase or redeem capital stock; make certain investments; incur liens; enter into certain types of transactions with its affiliates; limit dividends or other payments by Basic s restricted subsidiaries to Basic; and sell assets or consolidate or merge with or into other companies. These and other covenants that are contained in the 7.75% Senior Notes Indenture are subject to important exceptions and qualifications set forth in the 7.75% Senior Notes Indenture. At June 30, 2012, Basic was in compliance with the restrictive covenants under the 7.75% Senior Notes Indenture.

Basic may, at its option, redeem all or part of the 7.75% Senior Notes, at any time on or after February 15, 2015, at a redemption price equal to 100% of the principal amount thereof, plus a premium declining ratably to par and accrued and unpaid interest to the date of redemption.

At any time before February 15, 2014, Basic, at its option, may redeem up to 35% of the aggregate principal amount of the 7.75% Senior Notes issued under the 7.75% Senior Notes Indenture with the net cash proceeds of one or more qualified equity offerings at a redemption price of 107.750% of the principal amount of the 7.75% Senior Notes to be redeemed, plus accrued and unpaid interest to the date of redemption, as long as:

- at least 65% of the aggregate principal amount of the 7.75% Senior Notes issued under the 7.75% Senior Notes Indenture remains outstanding immediately after the occurrence of such redemption; and

- such redemption occurs within 90 days of the date of the closing of any such qualified equity offering.

In addition, at any time before February 15, 2015, Basic may redeem some or all of the 7.75% Senior Notes at a redemption price equal to 100% of the principal amount of the 7.75% Senior Notes, plus an applicable premium and accrued and unpaid interest to the date of redemption.

Following a change of control, as defined in the 7.75% Senior Notes Indenture, Basic will be required to make an offer to repurchase all or a portion of the Notes at 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase.

Revolving Credit Facility

On February 15, 2011, in connection with the 7.75% Senior Notes offering, Basic entered into a new $165.0 million revolving credit facility (as amended, the Credit Agreement) with Merrill Lynch, Pierce, Fenner & Smith Incorporated and Capital One, National Association, as joint lead arrangers and joint book managers, the lenders party thereto and Bank of America, N.A., as administrative agent. The Credit Agreement includes an accordion feature whereby the total credit

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available to Basic can be increased by up to $100.0 million under certain circumstances, subject to additional lender commitments. On July 15, 2011, Basic exercised the accordion feature and amended the Credit Agreement to increase its total credit available from $165.0 million to $225.0 million. On April 5, 2012, Basic entered into another amendment to the Credit Agreement that, among other things, increased the available credit thereunder from $225.0 million to $250.0 million. The obligations under the Credit Agreement are guaranteed on a joint and several basis by each of Basic s current subsidiaries, other than three immaterial subsidiaries, and are secured by substantially all assets of Basic and the guarantors as collateral under a related Security Agreement (the Security Agreement). As of June 30, 2012, the non-guarantor subsidiaries held no assets and performed no operations.

Borrowings under the Credit Agreement mature on January 15, 2016, and Basic has the ability at any time to prepay the Credit Agreement without premium or penalty. At Basic s option, advances under the Credit Agreement may be comprised of (i) alternate base rate loans, at a variable base interest rate plus a margin ranging from 1.50% to 2.25% based on Basic s leverage ratio or (ii) Eurodollar loans, at a variable base interest rate plus a margin ranging from 2.50% to 3.25% based on Basic s leverage ratio. Basic will pay a commitment fee equal to 0.50% on the daily unused amount of the commitments under the Credit Agreement.

The Credit Agreement contains various covenants that, subject to agreed upon exceptions, limit Basic s ability and the ability of certain of Basic s subsidiaries to:

- incur indebtedness;
- grant liens;
- enter into sale and leaseback transactions;
- make loans, capital expenditures, acquisitions and investments;
- change the nature of business;
- acquire or sell assets or consolidate or merge with or into other companies;
- declare or pay dividends;
- enter into transactions with affiliates;
- enter into burdensome agreements;
- prepay, redeem or modify or terminate other indebtedness;
- change accounting policies and reporting practices; and

amend organizational documents.

The Credit Agreement also contains covenants that, among other things, limit the amount of capital contributions Basic may make and require Basic to maintain specified ratios or conditions as follows:

- a minimum consolidated interest coverage ratio of not less than 2.50 to 1.00;
- a maximum consolidated leverage ratio not to exceed 4.00 to 1.00; and
- a maximum consolidated senior secured leverage ratio of 2.00 to 1.00.

If an event of default occurs under the Credit Agreement, then the lenders may (i) terminate their commitments under the Credit Agreement, (ii) declare any outstanding loans under the Credit Agreement to be immediately due and payable after applicable grace periods and (iii) foreclose on the collateral secured by the Security Agreement.

Basic had no borrowings and $18.8 million of letters of credit outstanding under the Credit Agreement as of June 30, 2012. At June 30, 2012, Basic had availability under the Credit Agreement of $231.2 million. At June 30, 2012, Basic was in compliance with its covenants under the Credit Agreement.

Other Debt

Basic has a variety of other capital leases and notes payable outstanding that are generally customary in its business. None of these debt instruments are individually material. Basic s leases with Banc of America Leasing & Capital, LLC require it to maintain a minimum debt service coverage ratio of 1.05 to 1.00. At June 30, 2012, Basic was in compliance with this covenant.

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Basic s interest expense consisted of the following (in thousands):

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Cash payments for interest	$ 28,236	$ 18,630
Commitment and other fees paid	807	438
Amortization of debt issuance costs and discount or premium on notes	1,290	1,213
Change in accrued interest	4	2,871
Capitalized interest	(293)	
Other	11	32
	$ 30,055	$ 23,184

Losses on Extinguishment of Debt

In February 2011, upon the retirement of the 11.625% Senior Secured Notes and the termination of Basic s $30.0 million revolving credit facility, Basic wrote off unamortized debt issuance costs of approximately $3.9 million and unamortized discount of $9.2 million. Basic also paid a premium of $36.2 million to the holders of the 11.625% Senior Secured Notes for the early termination of the notes.

6. Commitments and Contingencies

Environmental

Basic is subject to various federal, state and local environmental laws and regulations that establish standards and requirements for protection of the environment. Basic cannot predict the future impact of such standards and requirements, which are subject to change and can have retroactive effectiveness. Basic continues to monitor the status of these laws and regulations. Management believes that the likelihood of any of these items resulting in a material adverse impact to Basic s financial position, liquidity, capital resources or future results of operations is remote.

Currently, Basic has not been fined, cited or notified of any environmental violations that would have a material adverse effect upon its financial position, liquidity or capital resources. However, management does recognize that by the very nature of its business, material costs could be incurred in the near term to bring Basic into total compliance. The amount of such future expenditures is not determinable due to several factors, including the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions which may be required, the determination of Basic s liability in proportion to other responsible parties and the extent to which such expenditures are recoverable from insurance or indemnification.

During April 2011, Basic received notice from the Travis County District Attorney of a pending investigation of a potential felony criminal case referred by Texas Parks & Wildlife and the Texas Environmental Enforcement Task Force, to be presented to a Travis County grand jury. The potential matter relates to a land farm owned by Basic located in Jefferson County, Texas. While Basic continues to cooperate with authorities regarding the investigation, Basic has not been informed of any specific potential charges at this time. Basic does not believe it is probable or reasonably possible that this matter will result in any material adverse effect on its financial condition, results of operations or liquidity; however, there can be no assurance as to the ultimate outcome of this matter.

Litigation

From time to time, Basic is a party to litigation or other legal proceedings that Basic considers to be a part of the ordinary course of business. Basic is not currently involved in any legal proceedings that it considers probable or reasonably possible, individually or in the aggregate, to result in a material adverse effect on its financial condition, results of operations or liquidity.

In 2011, Basic was notified by the Texas State Comptroller s office that a sales and use tax audit for the period from 2006 through 2010 would be conducted. A preliminary report has been issued for this audit, and Basic will appeal the preliminary report through the redetermination process. Based on Basic s analysis, the potential liability associated with this audit ranges from $2.9 million to $13.6 million. An accrual for the estimated liability of $2.9 million has been recorded in Basic s financial statements as general and administrative expense. This range could potentially change in future periods after further review and discussions.

Corporate Office Relocation

On June 4, 2012, Basic announced that the Company was moving its corporate headquarters to Fort Worth, Texas from Midland, Texas. A transition plan was developed to provide for the move of the corporate operations, including relocation benefits for employees who will be transferring, and severance and retention benefits for employees who will not be continuing with the Company after the move. As part of the relocation, severance and retention plans, Basic recognized $1.0 million in general and administrative expense for the second quarter of 2012. It is anticipated that Basic will incur approximately $6.2 million in additional expense through the completion of the relocation process.

Self-Insured Risk Accruals

Basic is self-insured up to retention limits as it relates to workers compensation, general liability claims, and medical and dental coverage of its employees. Basic generally maintains no physical property damage coverage on its workover rig fleet, with the exception of certain of its 24-hour workover rigs and newly manufactured rigs. Basic has deductibles per occurrence for workers compensation, general liability claims and medical and dental coverage of $750,000, $750,000 and $300,000, respectively. Basic has lower deductibles per occurrence for automobile liability. Basic maintains accruals in the accompanying consolidated balance sheets related to self-insurance retentions based upon third-party data and claims history.

At June 30, 2012 and December 31, 2011, self-insured risk accruals totaled approximately $21.1 million net of a $452,000 receivable for medical and dental coverage and $19.7 million net of a $1,000 receivable for medical and dental coverage, respectively.

7. Stockholders Equity

Common Stock

At June 30, 2012 and December 31, 2011, Basic had 80,000,000 shares of common stock, par value $.01 per share, authorized.

During the year ended 2011, Basic issued 480,000 shares of common stock from treasury stock upon the exercise of stock options.

In March 2011, Basic granted various employees 510,399 restricted shares of common stock which vest over a three-year period.

In March 2011, the Compensation Committee of Basic s Board of Directors approved grants of performance-based stock awards to certain members of management. In January 2012, it was determined that 161,785 shares, or 111% of the target number of shares, were earned based on Basic s achievement of total stockholder return over the performance period from January 1, 2011 through December 31, 2011, as compared to other members of a defined peer group. These restricted shares remain subject to vesting over a three-year period, with the first shares vesting on March 15, 2013.

In March 2012, Basic granted various employees 646,438 restricted shares of common stock that vest over a three-year period and 179,000 shares that vest over a four-year period.

During the six months ended June 30, 2012, Basic issued 105,700 shares of common stock from treasury stock for the exercise of stock options.

Treasury Stock

In May 2012, Basic announced that its Board of Directors reinstated the share repurchase program initially adopted in 2008 and suspended in 2009. The program allows the repurchase of up to $50.0 million of Basic s shares of common stock from time to time in open market or private transactions, at Basic s discretion. The number of shares purchased and the timing of purchases is based on several factors, including the price of the common stock, general market conditions, available cash and alternative investment opportunities. During the second quarter of 2012, Basic repurchased 535,015 shares for a total price of approximately $5.0 million (an average of approximately $9.34 per share), inclusive of commissions and fees. As of June 30, 2012, Basic may purchase up to an additional $30.2 million of Basic s shares of common stock under this program.

Basic has also acquired treasury shares through net share settlements for payment of payroll taxes upon the vesting of restricted stock. Basic acquired a total of 79,730 shares through net share settlements during 2011 and 196,342 shares through net share settlements during the first six months of 2012.

Preferred Stock

At June 30, 2012 and December 31, 2011, Basic had 5,000,000 shares of preferred stock, par value $.01 per share, authorized, of which none was designated, issued or outstanding.

8. Incentive Plan

In May 2003, Basic s board of directors and stockholders approved the Basic Energy Services, Inc. 2003 Incentive Plan (as amended, the Plan), which provides for granting of incentive awards in the form of stock options, restricted stock, performance awards, bonus shares, phantom shares, cash awards and other stock-based awards to officers, employees, directors and consultants of Basic. The Plan assumed awards of the plans of Basic s predecessors that were awarded and remained outstanding prior to adoption of the Plan. The Plan provides for the issuance of 8,350,000 shares. The Plan is administered by the Plan committee, and in the absence of a Plan committee, by the Board of Directors, which determines the awards and the associated terms of the awards and interprets its provisions and adopts policies for implementing the Plan. The number of shares authorized under the Plan and the number of shares subject to an award under the Plan will be adjusted for stock splits, stock dividends, recapitalizations, mergers and other changes affecting the capital stock of Basic.

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During the three months ended June 30, 2012 and 2011, compensation expense related to share-based arrangements was approximately $3.2 million and $2.1 million, respectively. For compensation expense recognized during the three months ended June 30, 2012 and 2011, Basic recognized a tax benefit of approximately $1.0 million and $930,000, respectively. During the six months ended June 30, 2012 and 2010, compensation expense related to share based arrangements were approximately $5.4 and $3.8 million respectively. For compensation expense recognized during the six months ended June 30, 2012 and 2011, Basic recognized a tax benefit of approximately $1.9 million and $1.5 million respectively.

As of June 30, 2012, there was approximately $22.9 million of total unrecognized compensation related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.36 years. The total fair value of share-based awards vested during the six months ended June 30, 2012 and 2011 was approximately $12.4 million and $8.6 million, respectively. The actual tax benefit realized for the tax deduction from vested share-based awards was $2.8 million for the six months ended June 30, 2011. During the six months ended June 30, 2012, there was no excess tax benefit due to the net operating loss carryforwards (NOL). If there was no NOL, the excess tax benefit would have been $1.5 million.

Stock Option Awards

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Basic is required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest. Options granted under the Plan expire 10 years from the date they are granted, and generally vest over a three- to five-year service period.

The following table reflects the summary of stock options outstanding at June 30, 2012 and the changes during the three months then ended:

	Number of Options Granted	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Instrinsic Value (000 s)
Non-statutory stock options:				
Outstanding, beginning of period	787,450	$ 14.55		
Options granted				
Options forfeited		$		
Options exercised	(105,700)	$ 6.30		
Options expired		$		
Outstanding, end of period	681,750	$ 15.83	3.07	$ 1,455
Exercisable, end of period	681,750	$ 15.83	3.07	$ 1,455
Vested or expected to vest, end of period	681,750	$ 15.83	3.07	$ 1,455

The total intrinsic value of share options exercised during the six months ended June 30, 2012 and 2011 was approximately $874,000 and $8.3 million, respectively.

Cash received from share option exercises under the Plan was approximately $666,000 and $2.9 million for the six months ended June 30, 2012 and 2011, respectively. The actual tax benefit realized for the tax deductions from options exercised was $3.0 million for the six months ended June 30, 2011. During the six months ended June 30, 2012, there was no excess tax benefit due to the NOL. If there was no NOL, the excess tax benefit would have been $142,000.

Basic has a history of issuing treasury and newly issued shares to satisfy share option exercises.

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Restricted Stock Awards

On March 8, 2012, the Compensation Committee of Basic s Board of Directors approved grants of performance-based stock awards to certain members of management. The performance-based awards are tied to Basic s achievement of total stockholder return over the performance period from January 1, 2012 through December 31, 2012, as compared to other members of a defined peer group. The number of shares to be issued will range from 0% to 150% of the 190,126 target number of shares depending on the performance noted above. Any shares earned at the end of the performance period will then remain subject to vesting over a three-year period, with the first shares vesting March 15, 2014. As of June 30, 2012, Basic estimated that 0% of the target number of performance-based awards will be earned.

A summary of the status of Basic s non-vested share grants at June 30, 2012 and changes during the six months ended June 30, 2012 is presented in the following table:

Nonvested Shares	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested at beginning of period	1,962,171	$ 13.41
Granted during period	827,980	18.10
Vested during period	(682,009)	13.90
Forfeited during period	(89,574)	15.01
Nonvested at end of period	2,018,568	$ 15.10

9. Related Party Transactions

Basic had receivables from employees of approximately $74,000 and $65,000 as of June 30, 2012 and December 31, 2011, respectively. During 2006, Basic entered into a lease agreement with Darle Vuelta Cattle Co., LLC, an affiliate of the Chief Executive Officer, for approximately $69,000. The term of the lease is five years and will continue on a year-to-year basis unless terminated by either party. In December 2010, Basic entered into a lease agreement with Darle Vuelta Cattle Co., LLC, for the right to operate a salt water disposal well, brine well and fresh water well. The term of the lease is two years and will continue until the salt water disposal well and brine well are plugged and no fresh water is being sold. The lease payments are the greater of the sum of $0.10 per barrel of disposed oil and gas waste and $0.05 per barrel of brine or fresh water sold, or $5,000 per month. In April 2012, Basic purchased approximately 22 acres of land for approximately $215,000 from Darle Vuelta Cattle Co., LLC.

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10. Earnings Per Share

Basic s basic earnings per common share are determined by dividing net earnings applicable to common stock by the weighted average number of common shares actually outstanding during the period. Diluted earnings per common share is based on the increased number of shares that would be outstanding assuming conversion of dilutive outstanding securities using the as if converted method. The following table sets forth the computation of basic and diluted earnings per share (in thousands, except share data):

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(Unaudited)		(Unaudited)	
Numerator (both basic and diluted):				
Net income (loss)	$ 14,737	$ 16,550	$ 34,368	$ (1,943)
Denominator:				
Denominator for basic earnings per share	41,153,722	40,356,049	40,958,196	40,135,143
Stock options	167,272	422,110	195,703	
Unvested restricted stock	105,092	557,505	565,695	
Denominator for diluted earnings per share	41,426,086	41,335,664	41,719,594	40,135,143
Basic earnings (loss) per common share:	$ 0.36	$ 0.41	$ 0.84	$ (0.05)
Diluted earnings (loss) per common share:	$ 0.36	$ 0.40	$ 0.82	$ (0.05)

Stock options and unvested shares of restricted stock of approximately 1,222,000 were excluded in the computation of diluted earnings per share for the six months ended June 30, 2011 as the effect would have been anti-dilutive due to the net loss in the period.

11. Business Segment Information

Basic s reportable business segments are Completion and Remedial Services, Fluid Services, Well Servicing, and Contract Drilling. The following is a description of the segments:

Completion and Remedial Services: This segment utilizes a fleet of pressure pumping units, air compressor packages specially configured for underbalanced drilling operations, coiled tubing services, nitrogen services, water treatment, cased-hole wireline units, an array of specialized rental equipment and fishing tools, thru-tubing and snubbing units. The largest portion of this business consists of pumping services focused on cementing, acidizing and fracturing services in niche markets.

Fluid Services: This segment utilizes a fleet of trucks and related assets, including specialized tank trucks, storage tanks, water wells, disposal facilities, construction and other related equipment. Basic employs these assets to provide, transport, store and dispose of a variety of fluids, as well as provide well site construction and maintenance services. These services are required in most workover, completion and remedial projects and are routinely used in daily producing well operations.

Well Servicing: This business segment encompasses a full range of services performed with a mobile well servicing rig, including the installation and removal of downhole equipment and elimination of obstructions in the well bore to facilitate the flow of oil and natural gas. These services are performed to establish, maintain and improve production throughout the productive life of an oil and natural gas well and to plug and abandon a well at the end of its productive life. Well servicing equipment and capabilities such as Basic s are essential to facilitate most other services performed on a well. This segment also includes the manufacturing, refurbishment and servicing of mobile well servicing rigs and associated equipment.

Contract Drilling: This segment utilizes drilling rigs and associated equipment for drilling wells to a specified depth for customers on a contract basis.

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Basic s management evaluates the performance of its operating segments based on operating revenues and segment profits. Corporate expenses include general corporate expenses associated with managing all reportable operating segments. Corporate assets consist principally of working capital and debt financing costs.

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The following table sets forth certain financial information with respect to Basic s reportable segments (in thousands):

	Completion and Remedial Services	Fluid Services	Well Servicing	Contract Drilling	Corporate and Other	Total
Three Months Ended June 30, 2012 (Unaudited)						
Operating revenues	$ 156,560	$ 90,592	$ 98,723	$ 15,643	$	$ 361,518
Direct operating costs	(93,098)	(58,221)	(71,864)	(9,831)		$ (233,014)
Segment profits	$ 63,462	$ 32,371	$ 26,859	$ 5,812	$	$ 128,504
Depreciation and amortization	$ 13,644	$ 12,530	$ 14,574	$ 2,642	$ 2,146	$ 45,536
Capital expenditures, (excluding acquisitions)	$ 12,689	$ 10,377	$ 8,885	$ 2,890	$ 5,069	$ 39,910
Three Months Ended June 30, 2011 (Unaudited)						
Operating revenues	$ 121,807	$ 81,415	$ 83,881	$ 9,752	$	$ 296,855
Direct operating costs	(68,827)	(51,688)	(57,409)	(7,393)		(185,317)
Segment profits	$ 52,980	$ 29,727	$ 26,472	$ 2,359	$	$ 111,538
Depreciation and amortization	$ 9,841	$ 10,359	$ 10,398	$ 2,326	$ 1,860	$ 34,784
Capital expenditures, (excluding acquisitions)	$ 12,638	$ 12,847	$ 11,633	$ 2,986	$ 2,327	$ 42,431
Six Months Ended June 30, 2012 (Unaudited)						
Operating revenues	$ 320,980	$ 185,917	$ 194,625	$ 30,893	$	$ 732,415
Direct operating costs	(190,123)	(121,068)	(139,114)	(20,037)		$ (470,342)
Segment profits	$ 130,857	$ 64,849	$ 55,511	$ 10,856	$	$ 262,073
Depreciation and amortization	$ 26,495	$ 24,326	$ 28,915	$ 5,390	$ 4,394	$ 89,520
Capital expenditures, (excluding acquisitions)	$ 29,702	$ 19,429	$ 22,406	$ 7,497	$ 7,699	$ 86,733
Identifiable assets	$ 436,434	$ 253,582	$ 306,255	$ 56,712	$ 457,399	$ 1,510,382
Six Months Ended June 30, 2011 (Unaudited)						
Operating revenues	$ 219,314	$ 153,760	$ 153,028	$ 16,807	$	$ 542,909
Direct operating costs	(123,760)	(99,916)	(105,849)	(11,878)		$ (341,403)
Segment profits	$ 95,554	$ 53,844	$ 47,179	$ 4,929	$	$ 201,506
Depreciation and amortization	$ 17,909	$ 19,764	$ 22,351	$ 4,233	$ 3,507	$ 67,764
Capital expenditures, (excluding acquisitions)	$ 30,359	$ 33,503	$ 37,889	$ 7,176	$ 5,946	$ 114,873
Identifiable assets	$ 231,977	$ 195,403	$ 247,077	$ 70,245	$ 584,405	$ 1,329,107

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The following table reconciles the segment profits reported above to the operating income as reported in the consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Segment profits	$ 128,504	$ 111,538	$ 262,073	$ 201,506
General and administrative expenses	(45,540)	(34,138)	(86,898)	(65,479)
Depreciation and amortization	(45,536)	(34,784)	(89,520)	(67,764)
Gain (loss) on disposal of assets	(980)	(942)	(2,699)	763
Operating income (loss)	$ 36,448	$ 41,674	$ 82,956	$ 69,026

12. Supplemental Schedule of Cash Flow Information

The following table reflects non-cash financing and investing activity during the following periods:

	Six Months Ended June 30,	
	2012	2011
	(In thousands)	
Capital leases issued for equipment	$ 26,667	$ 24,104
Asset retirement obligation additions	$ 13	$ 11

Basic paid no income taxes during the six months ended June 30, 2012 or for the same period in 2011. Basic paid interest of approximately $28.2 million and $18.6 million during the six months ended June 30, 2012 and 2011, respectively.

13. Fair Value Measurements

Fair value is the price that would be received to sell an asset or the amount paid to transfer a liability in an orderly transaction between market participants (an exit price) at the measurement date. Fair value is a market based measurement considered from the perspective of a market participant. Basic uses market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation. These inputs can be readily observable, market corroborated, or unobservable. If observable prices or inputs are not available, unobservable prices or inputs are used to estimate the current fair value, often using an internal valuation model. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the item being valued. Basic primarily applies a market approach for recurring fair value measurements using the best available information while utilizing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Basic classifies fair value balances based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities that Basic has the ability to access. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable. These inputs are either directly observable in the marketplace or indirectly observable through corroboration with market data for substantially the full contractual term of the asset or liability being measured.

Level 3 Inputs reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

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In valuing certain assets and liabilities, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. Basic s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

Basic s asset retirement obligation related to its salt water disposal sites, brine water wells, gravel pits and land farm sites, each of which is subject to rules and regulations regarding usage and eventual closure, is measured using primarily Level 3 inputs. The significant unobservable inputs to this fair value measurement include estimates of plugging, abandonment and remediation costs, inflation rate and well life. The inputs are calculated based on historical data as well as current estimated costs. The fair value is calculated by taking the present value of the expected cash flow at the time of the closure of the site. The following table reflects the changes in the fair value of the liability during the six months ended June 30, 2012 (in thousands):

	Asset Retirement Obligation
Balance, December 31, 2011	$ 1,845
Additional asset retirement obligation	13
Accretion expense	56
Settlements	(92)
Balance, June 30, 2012	$ 1,822

14. Subsequent Events

From July 1, 2012 to July 25, 2012, Basic repurchased 546,726 shares of common stock for a total price of approximately $5.2 million (an average of approximately $9.59 per share), inclusive of commissions and fees.

ITEM 2. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

Management s Overview

We provide a wide range of well site services to oil and natural gas drilling and producing companies, including completion and remedial services, fluid services and well site construction services, well servicing and contract drilling. Our results of operations reflect the impact of our acquisition strategy as a leading consolidator in the domestic land-based well services industry. Our acquisitions have increased our breadth of service offerings at the well site and expanded our market presence. In implementing our acquisition strategy, we purchased businesses and assets in seven separate acquisitions from January 1, 2011 to June 30, 2012. Our total hydraulic horsepower increased from 142,000 at December 31, 2010 to 277,000 at June 30, 2012. Our weighted average number of fluid service trucks increased from 820 in the first quarter of 2011 to 918 in the second quarter of 2012. Our weighted average number of well servicing rigs increased from 412 in the first quarter of 2011 to 431 in the second quarter of 2012. These acquisitions make our revenues, expenses and income not directly comparable between periods.

Our operating revenues from each of our segments, and their relative percentages of our total revenues, consisted of the following (dollars in millions):

	Six Months Ended June 30, 2012		2011	
Revenues:				
Completion and remedial services	$ 321.0	44%	$ 219.3	40%
Fluid services	185.9	25%	153.8	29%
Well servicing	194.6	27%	153.0	28%
Contract drilling	30.9	4%	16.8	3%

Total revenues	$ 732.4	100%	$ 542.9	100%

Our core businesses depend on our customers willingness to make expenditures to produce, develop and explore for oil and natural gas in the United States. Industry conditions are influenced by numerous factors, such as the supply of and demand for oil and natural gas, domestic and worldwide economic conditions, political instability in oil producing countries and merger and divestiture activity among oil and natural gas producers. The volatility of the oil and natural gas industry, and the consequent impact on exploration and production activity, has adversely impacted, and could continue to adversely impact, the level of drilling and workover activity by some of our customers. This volatility affects the demand for our services and the price of our services.

In the first half of 2009, utilization and pricing for our services declined due to low oil and natural gas prices. In the third quarter of 2009, oil prices began to increase and remained relatively stable through 2010. During the first half of 2011, oil prices increased primarily due to political instability in several oil producing countries. In the last half of 2011 and through the first half of 2012, oil prices remained at levels that allowed our customers to continue new drilling projects and workover activities. The trend in oil prices since 2009 has caused utilization and pricing for our services to increase in our oil-based operating areas. Utilization and pricing for our services in our natural gas-based operating areas throughout 2011 and during the first six months of 2012 have remained depressed due to low natural gas prices.

We expect that our utilization levels across all of our business segments should decline slightly through the remainder of 2012 as competition has increased in our established oil-oriented market areas as competitors have moved equipment from gas-related areas. We anticipate activity in natural gas-oriented markets to remain at depressed levels through 2012 due to low natural gas prices. We believe that pricing for our frac pumping services could decline by up to 10% to 15% in the second half of 2012 due to competitors relocating equipment from the slow gas markets into the busier oil-oriented markets.

We derive a significant portion of our revenues from services supporting production from existing oil and natural gas operations. Demand for these production-related services, including well servicing and fluid services, tends to remain relatively stable, even in moderate oil and natural gas price environments, as ongoing maintenance spending is required to sustain production. As oil and natural gas prices fluctuate, demand for all of our services changes correspondingly as our customers must balance maintenance and capital expenditures against their available cash flows. Because our services are required to support drilling and workover activities, we are also subject to changes in capital spending by our customers as oil and natural gas prices increase or decrease.

Our customers are currently pursuing aggressive drilling and production programs in our oil and liquid rich markets. As new equipment has come on line and as equipment is shifted from natural gas rich areas to oil rich areas there has been increased price competition for our services, primarily in our pumping and completion services.

We believe that the most important performance measures for our lines of business are as follows:

Completion and Remedial Services segment profits as a percent of revenues;

Fluid Services trucking hours, revenue per truck, segment profits per truck and segment profits as a percent of revenues;

Well Servicing rig hours, rig utilization rate, revenue per rig hour, profits per rig hour and segment profits as a percent of revenues; and

Contract Drilling rig operating days, revenue per drilling day, profits per drilling day and segment profits as a percent of revenues.

Segment profits are computed as segment operating revenues less direct operating costs. These measurements provide important information to us about the activity and profitability of our lines of business. For a detailed analysis of these indicators for our company, see below in Segment Overview.

We will continue to evaluate opportunities to expand our business through selective acquisitions and internal growth initiatives. Our capital investment decisions are determined by an analysis of the projected return on capital employed for each of those alternatives, which is substantially driven by the cost to acquire existing assets from a third party, the capital required to build new equipment and the point in the oil and natural gas commodity price cycle. Based on these factors, we make capital investment decisions that we believe will support our long-term growth strategy. While we believe our costs of integration for prior acquisitions have been reflected in our historical results of operations, integration of acquisitions may result in unforeseen operational difficulties or require a disproportionate amount of our management s attention.

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Selected Acquisitions

During 2011, we made four acquisitions that complemented our existing business segments. These included, among others:

The Maverick Companies

On July 8, 2011, we acquired all of the outstanding equity interests of Maverick Stimulation Company, LLC, Maverick Coil Tubing Services, LLC, Maverick Thru-Tubing Services, LLC, Maverick Solutions, LLC, The Maverick Companies, LLC, MCM Holdings, LLC, and MSM Leasing, LLC (collectively, the Maverick Companies) for total cash consideration of $186.3 million including working capital. This acquisition operates in our completion and remedial services segment.

During the first six months of 2012, we made three acquisitions that complemented our existing business segments, including:

Surface Stac, Inc.

On May 16, 2012, we acquired all of the assets of Surface Stac Inc. for total cash consideration of $23.2 million. This acquisition operates in our completion and remedial services segment.

Segment Overview

Completion and Remedial Services

During the first six months of 2012, our completion and remedial services segment represented 44% of our revenues. Revenues from our completion and remedial services segment are generally derived from a variety of services designed to complete and stimulate new oil and natural gas production or place cement slurry within the wellbores. Our completion and remedial services segment includes pumping services, rental and fishing tool operations, coiled tubing services, nitrogen services, cased-hole wireline services, snubbing, water treatment and underbalanced drilling.

Our pumping services concentrate on providing single truck, lower-horsepower cementing, acidizing and fracturing services in selected markets. Our total hydraulic horsepower capacity for our pressure pumping operations was 277,000 and 176,000 at June 30, 2012 and June 30, 2011, respectively.

In this segment, we generally derive our revenues on a project-by-project basis in a competitive bidding process. Our bids are generally based on the amount and type of equipment and personnel required, with the materials consumed billed separately. During periods of decreased spending by oil and gas companies, we may be required to discount our rates to remain competitive, which would cause lower segment profits.

The following is an analysis of our completion and remedial services segment for each of the quarters in 2011, the full year ended December 31, 2011 and the quarters ended March 31, 2012 and June 30, 2012 (dollars in thousands):

	Revenues	Segment Profits %
2011:		
First Quarter	$ 97,507	44%
Second Quarter	$ 121,807	44%
Third Quarter	$ 157,121	46%
Fourth Quarter	$ 160,699	45%
Full Year	$ 537,134	45%
2012:		
First Quarter	$ 164,420	41%
Second Quarter	$ 156,560	41%

We gauge the performance of our completion and remedial services segment based on the segment s operating revenues and segment profits as a percent of revenues.

The decrease in completion and remedial services revenue to $156.6 million in the second quarter of 2012 from $164.4 million in the first quarter of 2012 resulted primarily from increased competition and lower pricing. Segment profits as a percentage of revenue remained flat at 41% for both the first and second quarters of 2012.

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Fluid Services

During the first six months of 2012, our fluid services segment represented 25% of our revenues. Revenues in our fluid services segment are earned from the sale, transportation, storage and disposal of fluids used in the drilling, production and maintenance of oil and natural gas wells. Revenues also include well site construction and maintenance services. The fluid services segment has a base level of business consisting of transporting and disposing of salt water produced as a by-product of the production of oil and natural gas. These services are necessary for our customers and generally have a stable demand but typically produce lower relative segment profits than other parts of our fluid services segment. Fluid services for completion and workover projects typically require fresh or brine water for making drilling mud, circulating fluids or frac fluids used during a job, and all of these fluids require storage tanks and hauling and disposal. Because we can provide a full complement of fluid sales, trucking, storage and disposal required on most drilling and workover projects, the add-on services associated with drilling and workover activity enable us to generate higher segment profits. The higher segment profits are due to the relatively small incremental labor costs associated with providing these services in addition to our base fluid services segment. Revenues from our well site construction services are derived primarily from preparing and maintaining access roads and well locations, installing small diameter gathering lines and pipelines, constructing foundations to support drilling rigs and providing maintenance services for oil and natural gas facilities. We typically price fluid services by the job, by the hour or by the quantities sold, disposed of or hauled.

The following is an analysis of our fluid services operations for each of the quarters in 2011, the full year ended December 31, 2011 and the quarters ended March 31, 2012 and June 30, 2012 (dollars in thousands):

	Weighted Average Number of Fluid Service Trucks	Trucking Hours	Revenue Per Fluid Service Truck	Segment Profits Per Fluid Service Truck	Segment Profits %
2011:					
First Quarter	820	494,700	$ 88	$ 29	33%
Second Quarter	837	525,700	$ 97	$ 36	37%
Third Quarter	869	563,900	$ 101	$ 38	37%
Fourth Quarter	875	570,800	$ 104	$ 38	37%
Full Year	850	2,155,100	$ 391	$ 141	36%
2012:					
First Quarter	900	580,700	$ 106	$ 36	34%
Second Quarter	918	552,400	$ 99	$ 35	36%

We gauge activity levels in our fluid services segment based on trucking hours, revenue and segment profits per fluid service truck, and segment profits as a percent of revenues.

Revenue per fluid service truck decreased by 7% to $99,000 in the second quarter of 2012 compared to $106,000 in the first quarter of 2012, primarily due to increased competition in oil-oriented markets. Segment profit percentage increased to 36% for the second quarter of 2012 from 34% for the first quarter of 2012, primarily due to lower unemployment taxes and overall lower operating costs in the second quarter.

Well Servicing

During the first six months of 2012, our well servicing segment represented 27% of our revenues. Revenue in our well servicing segment is derived from maintenance, workover, completion, manufacturing and plugging and abandonment services. We provide maintenance-related services as part of the normal, periodic upkeep of producing oil and natural gas wells. Maintenance-related services represent a relatively consistent component of our business. Workover and completion services generate more revenue per hour than maintenance work, due to the use of auxiliary equipment, but demand for workover and completion services fluctuates more with the overall activity level in the industry. We also have a rig manufacturing and servicing facility that builds new workover rigs, performs large-scale refurbishments of used workover rigs and provides maintenance services on previously manufactured rigs.

We typically charge our well servicing rig customers for services on an hourly basis at rates that are determined by the type of service and equipment required, market conditions in the region in which the rig operates, the ancillary equipment provided on the rig and the necessary personnel. Depending on the type of job, we may also charge by the project or by the day. We measure the activity levels of our well servicing rigs on a weekly basis by calculating a rig utilization rate based on a 55-hour work week per rig. Our fleet increased from a weighted average number of 412 rigs in the first quarter of 2011 to 431 in the second quarter of 2012.

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The following is an analysis of our well servicing operations for each of the quarters in 2011, the full year ended December 31, 2011 and the quarters ended March 31, 2012 and June 30, 2012:

	Weighted Average Number of Rigs	Rig Hours	Rig Utilization Rate	Revenue Per Rig Hour	Profits Per Rig Hour	Segment Profits %
2011:						
First Quarter	412	184,700	62.7%	$ 356	$ 105	30%
Second Quarter	412	205,700	69.8%	$ 376	$ 122	32%
Third Quarter	415	222,100	74.8%	$ 386	$ 117	31%
Fourth Quarter	417	217,100	72.8%	$ 398	$ 132	33%
Full Year	414	829,600	70.1%	$ 380	$ 119	31%
2012:						
First Quarter	423	231,300	76.5%	$ 393	$ 117	30%
Second Quarter	431	232,500	75.4%	$ 399	$ 111	27%

We gauge activity levels in our well servicing segment based on rig hours, rig utilization rate, revenue per rig hour, segment profits per rig hour and segment profits as a percent of revenues. Revenue per rig hour and profits per rig hour in the table above do not include revenues and profits from the rig manufacturing and maintenance division of this business segment.

Rig utilization decreased to 75.4% in the second quarter of 2012 compared to 76.5% in the first quarter of 2012. Lower utilization resulted from declining utilization in several gas markets and in particular the Appalachian market, along with aggressive competition in oil markets. Our segment profit percentage decreased to 27% during the second quarter of 2012 from 30% during the first quarter of 2012 due to lower profitability in several gas markets and increased labor and other operating costs offset against lower unemployment taxes in the second quarter.

Contract Drilling

During the first six months of 2012, our contract drilling segment represented 4% of our revenues. Revenues from our contract drilling segment are derived primarily from the drilling of new wells.

Within this segment, we typically charge our drilling rig customers at a daywork daily rate, or footage at an established rate per number of feet drilled. We measure the activity level of our drilling rigs on a weekly basis by calculating a rig utilization rate based on a seven-day work week per rig. Our contract drilling rig fleet had a weighted average of 12 rigs during the second quarter of 2012 compared to a weighted average of six rigs in the first quarter of 2011, due to the purchase of six drilling rigs.

The following is an analysis of our contract drilling segment for each of the quarters in 2011, the full year ended December 31, 2011 and the quarters ended March 31, 2012 and June 30, 2012:

	Weighted Average Number of Rigs	Rig Operating Days	Revenue Per Drilling Day	Profits (Loss) Per Drilling Day	Segment Profits %
2011:					
First Quarter	6	522	$ 13,500	$ 4,900	36%
Second Quarter	10	714	$ 13,700	$ 3,300	24%
Third Quarter	10	802	$ 14,600	$ 4,700	32%
Fourth Quarter	10	851	$ 14,700	$ 5,000	34%
Full Year	9	2,889	$ 14,200	$ 4,500	31%
2012:					
First Quarter	12	967	$ 15,800	$ 5,200	33%
Second Quarter	12	1,007	$ 15,500	$ 5,800	37%

We gauge activity levels in our drilling operations based on rig operating days, revenue per drilling day, profits per drilling day and segment profits as a percent of revenues.

Revenue per day decreased slightly to $15,500 in the second quarter of 2012 from $15,800 in the first quarter of 2012. Segment profit percentage increased to 37% in the second quarter of 2012 from 33% in the first quarter of 2012 due to one-time costs incurred in the first quarter of 2012 related to bringing two new rigs into service.

Operating Cost Overview

Our operating costs are comprised primarily of labor, including workers compensation and health insurance, repair and maintenance, fuel and insurance. The majority of our employees are paid on an hourly basis. We also incur costs to employ personnel to sell and supervise our services and perform maintenance on our fleet. These costs are not directly tied to our level of business activity. Compensation for our administrative personnel in local operating yards and in our corporate office is accounted for as general and administrative expenses. Repair and maintenance is performed by our crews, company maintenance personnel and outside service providers. Insurance is generally a fixed cost regardless of utilization and relates to the number of rigs, trucks and other equipment in our fleet, employee payroll and safety record.

Critical Accounting Policies and Estimates

Our unaudited consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. A complete summary of our critical accounting policies is included in note 2 of the notes to our historical audited consolidated financial statements in our most recent annual report on Form 10-K. The following is a discussion of our critical accounting policies and estimates.

Critical Accounting Policies

We have identified below certain accounting policies that are of particular importance in the presentation of our financial position, results of operations and cash flows and that require the application of significant judgment by management.

Property and Equipment. Property and equipment are stated at cost or at estimated fair value at acquisition date if acquired in a business combination. Expenditures for repairs and maintenance are charged to expenses as incurred. We also review the capitalization of refurbishment of workover rigs as described in note 2 of the notes to our unaudited consolidated financial statements.

Impairments. We review our assets for impairment at least annually, or whenever, in management s judgment, events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recovered over its remaining service life. Provisions for asset impairment are charged to income when the sum of the estimated future cash flows, on an undiscounted basis, is less than the asset s carrying amount. When impairment is indicated, an impairment charge is recorded based on an estimate of future cash flows on a discounted basis.

Self-Insured Risk Accruals. We are self-insured up to retention limits with regard to workers compensation, general liability claims, and medical and dental coverage of our employees. We generally maintain no physical property damage coverage on our workover rig fleet, with the exception of certain of our 24-hour workover rigs and newly manufactured rigs. We have deductibles per occurrence for workers compensation, general liability claims, and medical and dental coverage of $750,000, $750,000 and $300,000, respectively. We have lower deductibles per occurrence for automobile liability. We maintain accruals in our consolidated balance sheets related to self-insurance retentions based upon third-party actuarial data and claims history.

Revenue Recognition. We recognize revenues when the services are performed, collection of the relevant receivables is probable, persuasive evidence of the arrangement exists and the price is fixed or determinable.

Income Taxes. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in the period that includes the statutory enactment date. A valuation allowance for deferred tax assets is recognized when it is more likely than not that the benefit of deferred tax assets will not be realized.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and

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liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. We analyze our estimates based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. However, actual results could differ from such estimates. The following is a discussion of our critical accounting estimates.

Depreciation and Amortization. In order to depreciate and amortize our property and equipment and our intangible assets with finite lives, we estimate the useful lives and salvage values of these items. Our estimates may be affected by such factors as changing market conditions, technological advances in the industry or changes in regulations governing the industry.

Impairment of Property and Equipment. Our analysis for potential impairment of property and equipment requires us to estimate undiscounted future cash flows. Actual impairment charges are recorded using an estimate of discounted future cash flows. The determination of future cash flows requires us to estimate rates and utilization in future periods and such estimates can change based on market conditions, technological advances in the industry or changes in regulations governing the industry.

Impairment of Goodwill. Our goodwill is considered to have an indefinite useful economic life and is not amortized. We assess impairment of our goodwill annually as of December 31 or on an interim basis if events or circumstances indicate that the fair value of the asset has decreased below its carrying value. A qualitative assessment of whether it is more likely than not that the fair value of the reporting unit is less than its carrying value is allowed but not required. If it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then the two-step impairment test is performed. In the two-step test, first, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. If impairment is indicated, then the fair value of the reporting unit s goodwill is determined by allocating the unit s fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The amount of impairment for goodwill is measured as the excess of its carrying value over its fair value.

Allowance for Doubtful Accounts. We estimate our allowance for doubtful accounts based on an analysis of historical collection activity and specific identification of overdue accounts. Factors that may affect this estimate include (1) changes in the financial positions of our significant customers and (2) a decline in commodity prices that could affect our entire customer base.

Litigation and Self-Insured Risk Reserves. We estimate our reserves related to litigation and self-insured risk based on the facts and circumstances specific to the litigation and self-insured risk claims and our past experience with similar claims. The actual outcome of litigation and self-insured claims could differ significantly from estimated amounts. As discussed in Self-Insured Risk Accruals above with respect to our critical accounting policies, we maintain accruals on our balance sheet to cover self-insured retentions. These accruals are based on certain assumptions developed based upon third-party actuarial data and historical data to project future losses. Loss estimates in the calculation of these accruals are adjusted based upon actual claim settlements and reported claims.

Fair Value of Assets Acquired and Liabilities Assumed. We estimate the fair value of assets acquired and liabilities assumed in business combinations, which involves the use of various assumptions. These estimates may be affected by such factors as changing market conditions, technological advances in the industry or changes in regulations governing the industry. The most significant assumptions, and the ones requiring the most judgment, involve the estimated fair value of property and equipment, intangible assets and the resulting amount of goodwill, if any. We test annually for impairment of the goodwill and intangible assets with indefinite useful lives recorded in business combinations. This requires us to estimate the fair values of our own assets and liabilities at the reporting unit level. Therefore, considerable judgment, similar to that described above in connection with our estimation of the fair value of an acquired company, is required to assess goodwill and certain intangible assets for impairment.

Cash Flow Estimates. Our estimates of future cash flows are based on the most recent available market and operating data for the applicable asset or reporting unit at the time the estimate is made. Our cash flow estimates are used for asset impairment analyses.

Stock-Based Compensation. Our stock-based awards consist of stock options and restricted stock. Stock options have not been issued since 2007 but are valued on the grant date using the Black-Scholes-Merton option-pricing model and restricted stock issued is valued based on the fair value of our common stock at the grant date. All stock-based awards are adjusted for an expected forfeiture rate and amortized over the vesting period.

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Income Taxes. The amount and availability of our loss carryforwards (and certain other tax attributes) are subject to a variety of interpretations and restrictive tests. The utilization of such carryforwards could be limited or lost upon certain changes in ownership and the passage of time. Accordingly, although we believe substantial loss carryforwards are available to us, no assurance can be given concerning the realization of such loss carryforwards, or whether or not such loss carryforwards will be available in the future.

Asset Retirement Obligations. We record the fair value of an asset retirement obligation as a liability in the period in which we incur a legal obligation associated with the retirement of tangible long-lived assets and capitalize an equal amount as a cost of the asset, depreciating it over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each quarter to reflect the passage of time, changes in the estimated future cash flows underlying the obligation, acquisition or construction of assets, and settlement of obligations.

Results of Operations

The following is a comparison of our results of operations for the three months and six months ended June 30, 2012 compared to the three months and six months ended June 30, 2011. For additional segment-related information and trends, please read Segment Overview above.

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Revenues. Revenues increased by 22% to $361.5 million during the second quarter of 2012 from $296.9 million during the same period in 2011. This increase was primarily due to increased demand by our customers for our services, which resulted from higher drilling and well maintenance activity among our customers. Our acquisitions in the latter half of 2011 and during the first six months of 2012 also increased our revenues, with the Maverick Companies acquisition adding approximately $33.2 million in revenue during the second quarter of 2012.

Completion and remedial services revenues increased by 29% to $156.6 million during the second quarter of 2012 compared to $121.8 million in the same period in 2011. The increase in revenue between these periods was primarily due to the addition of new equipment through acquisitions and capital expenditures, including the Maverick Companies acquisition in the third quarter of 2011 that added approximately $33.2 million in revenue during the second quarter of 2012. Total hydraulic horsepower increased to 277,000 at June 30, 2012 from 176,000 at June 30, 2011.

Fluid services revenues increased by 11% to $90.6 million during the second quarter of 2012 compared to $81.4 million in the same period in 2011. Our revenue per fluid service truck increased 2% to $99,000 in the second quarter of 2012 compared to $97,000 in the same period in 2011. Our weighted average number of fluid service trucks increased to 918 during the second quarter of 2012 from 837 in the same period in 2011.

Well servicing revenues increased by 18% to $98.7 million during the second quarter of 2012 compared to $83.9 million during the same period in 2011. The higher revenues were due to the 13% increase in rig hours to 232,500 during the second quarter of 2012 from 205,700 during the second quarter of 2011. There was also a 6% increase in revenue per rig hour to $399 during the second quarter of 2012 from $376 during the second quarter of 2011. Our average number of well servicing rigs increased to 431 during the second quarter of 2012 compared to 412 in the same period in 2011, primarily due to the acquisition of Pat s P&A, Inc. in the third quarter of 2011 and Mayo Marrs Casing in the first quarter of 2012.

Contract drilling revenues increased by 59% to $15.6 million during the second quarter of 2012 compared to $9.8 million in the same period in 2011. The number of rig operating days increased 41% to 1,007 in the second quarter of 2012 compared to 714 in the second quarter of 2011. There was also a 13% increase in revenue per drilling day to $15,500 in the second quarter of 2012 from $13,700 in the second quarter of 2011. The increases in revenue and rig operating days were due to the addition of four drilling rigs in the first half of 2011 and two drilling rigs in the first quarter of 2012.

Direct Operating Expenses. Direct operating expenses, which primarily consist of labor costs, including workers compensation and health insurance, fuel and maintenance and repair costs, increased by 26% to $233.0 million during the second quarter of 2012 from $185.3 million in the same period in 2011. This increase was primarily due to increased activity levels and the addition of newly acquired assets in each of our four business segments.

Direct operating expenses for the completion and remedial services segment increased by 35% to $93.1 million during the second quarter of 2012 as compared to $68.8 million for the same period in 2011 due in part to increased activity levels and the acquisition of the Maverick Companies in July 2011. Segment profits decreased to 41% of revenues during the second quarter of 2012 compared to 44% for the same period in 2011, primarily due to higher material costs such as sand and chemicals, and increased personnel costs.

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Direct operating expenses for the fluid services segment increased by 13% to $58.2 million during the second quarter of 2012 as compared to $51.7 million for the same period in 2011, mainly due to personnel and other costs associated with increased activity levels. Segment profits were 36% of revenues during the second quarter of 2012 compared to 37% for the same period in 2011.

Direct operating expenses for the well servicing segment increased by 25% to $71.9 million during the second quarter of 2012 as compared to $57.4 million for the same period in 2011. The increase in direct operating expenses was due to increased activity levels along with increased payroll, insurance and incentive compensation costs. Segment profits were 27% of revenues during the second quarter of 2012 compared to 32% for the same period in 2011, primarily due to lower profitability in several gas markets and increased labor and other operating costs.

Direct operating expenses for the contract drilling segment were $9.8 million during the second quarter of 2012 and $7.4 million for the same period in 2011. Segment profits were 37% of revenues during the second quarter of 2012 compared to 24% for the same period in 2011, primarily due to improved pricing and the addition of two rigs that commenced on contract in the first quarter of 2012.

General and Administrative Expenses. General and administrative expenses increased by 33% to $45.5 million during the second quarter of 2012 from $34.1 million for the same period in 2011, due mainly to increased personnel costs, including incentive compensation, and increased costs from the Maverick Companies acquisition and other acquisitions completed in the second half of 2011 and the first half of 2012. Included in general and administrative expense is a $2.9 million charge related to a Texas state sales and use tax audit, covering the period from 2006 to 2010. This liability may change as additional review is performed. Also included is a $1.0 million charge for the pro rata portion of costs associated with the relocation of Basic s Corporate offices. Additional costs of approximately $6.2 million are anticipated to be incurred through the completion of the relocation process. General and administrative expenses included $3.2 million and $2.1 million of stock-based compensation expense during the second quarter of 2012 and 2011, respectively.

Depreciation and Amortization Expenses. Depreciation and amortization expenses were $45.5 million during the second quarter of 2012 as compared to $34.8 million for the same period in 2011. The increase in depreciation expense was due to the increased investment in our property and equipment over the past twelve months through internal growth and through the seven acquisitions completed since June 30, 2011.

Interest Expense. Interest expense increased by 25% to $14.8 million during the second quarter of 2012 compared to $11.8 million for the same period in 2011. The increased expense was due to the issuance of an aggregate of $475.0 million of 7.75% senior notes in 2011.

Income Tax Expense. Income tax expense was $7.1 million during the second quarter of 2012 as compared to income tax expense of $13.4 million for the same period in 2011. Our effective tax rate during the second quarter of 2012 and 2011 was approximately 33% and 45%, respectively. The decrease in our effective tax rate was primarily due to an increased tax effect related to the early tender of our 11.625% Senior Secured Notes in February 2011 as well as a Texas margin tax refund of $1.9 million associated with the amended return for 2008.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Revenues. Revenues increased by 35% to $732.4 million during the first six months of 2012 from $542.9 million during the same period in 2011. This increase was primarily due to increased demand by our customers for our services, which resulted from higher drilling and well maintenance activity among our customers. Our acquisitions in the latter half of 2011 and during the first six months of 2012 also increased our revenues, with the Maverick Companies acquisition adding approximately $68.1 million in revenue during the first six months of 2012.

Completion and remedial services revenues increased by 46% to $321.0 million during the first six months of 2012 compared to $219.3 million in the same period in 2011. The increase in revenue between these periods was primarily due to the addition of new equipment, through both acquisitions and capital expenditures, including the Maverick Companies acquisition in the third quarter of 2011 that added approximately $68.1 million in revenue during the first six months of 2012. Total hydraulic horsepower increased to 277,000 at June 30, 2012 from 176,000 at June 30, 2011, primarily due to the acquisition of the Maverick Companies in the third quarter of 2011.

Fluid services revenues increased by 21% to $185.9 million during the first six months of 2012 compared to $153.7 million in the same period in 2011. Our revenue per fluid service truck increased 10% to $205,000 in the first six months of 2012 compared to $186,000 in the same period in 2011, which reflects the expansion of our truck and frac tank fleets and increases in both utilization and pricing for our services. Our weighted average number of fluid service trucks increased 10% to 909 during the first six months of 2012 from 828 in the same period in 2011.

Well servicing revenues increased by 27% to $194.6 million during the first six months of 2012 compared to $153.0 million during the same period in 2011. The higher revenues were due to the 19% increase in rig hours to 463,800 during the first six months of 2012 from 390,400 during the first six months of 2011. This segment also experienced an increase in revenue per rig hour to $396 during the first six months of 2012 from $366 during the first six months of 2011. Our average number of well servicing rigs increased to 427 during the first six months of 2012 compared to 412 in the same period in 2011, primarily due to the acquisition of Pat s P&A, Inc. in the third quarter of 2011 and Mayo Marrs Casing in the first quarter of 2012.

Contract drilling revenues increased by 84% to $30.9 million during the first six months of 2012 compared to $16.8 million in the same period in 2011. The number of rig operating days increased 60% to 1,974 in the first six months of 2012 compared to 1,236 in the first six months of 2011. The increases in revenue and rig operating days were due to the addition of four drilling rigs in the first half of 2011 and two drilling rigs in the first quarter of 2012.

Direct Operating Expenses. Direct operating expenses, which primarily consist of labor, including workers compensation and health insurance, repair and maintenance, fuel and insurance, increased by 38% to $470.3 million during the first six months of 2012 from $341.4 million in the same period in 2011. This increase was primarily due to increased activity levels in each of our four business segments which reflects the impact of the Maverick Companies acquisition and other acquisitions completed in the second half of 2011 and the first half of 2012.

Direct operating expenses for the completion and remedial services segment increased by 54% to $190.1 million during the first six months of 2012 compared to $123.8 million for the same period in 2011 due primarily to personnel and other costs associated with additional equipment and increased activity levels overall, especially in our pumping services line with the acquisition of the Maverick Companies. Segment profits decreased to 41% of revenues during the first six months of 2012 compared to 44% for the same period in 2011, due to higher material costs such as sand and chemicals, and increased personnel costs.

Direct operating expenses for the fluid services segment increased by 21% to $121.1 million during the first six months of 2012 compared to $99.9 million for the same period in 2011, mainly due to personnel and other costs associated with increased activity levels. Segment profits were 35% of revenues for both the first six months of 2012 and 2011.

Direct operating expenses for the well servicing segment increased by 31% to $139.1 million during the first six months of 2012 compared to $105.8 million for the same period in 2011. The increase in direct operating expenses was due to increased activity levels along with increased payroll, insurance and incentive compensation costs. Segment profits were 29% of revenues for the first six months of 2012 and 31% for the first six months of 2011, primarily due to lower profitability in several gas markets and increased labor and other operating costs.

Direct operating expenses for the contract drilling segment increased by 68% to $20.0 million during the first six months of 2012 from $11.9 million for the same period in 2011. Segment profits increased to 35% of revenues during the first six months of 2012 compared to 29% for the same period in 2011, due to improved pricing and the addition of two rigs that commenced on contract in the first quarter of 2012.

General and Administrative Expenses. General and administrative expenses increased by 33% to $86.8 million during the first six months of 2012 from $65.5 million for the same period in 2011, due mainly to increased personnel costs, including incentive compensation, and increased costs from the Maverick Companies acquisition and other acquisitions completed in the second half of 2011 and the first half of 2012. Included in general and administrative expense is a $2.9 million charge related to a Texas state sales and use tax audit, covering the period from 2006 to 2010. This liability may change as additional review is performed. Also included is a $1.0 million charge for the pro rata portion of costs associated with the relocation of Basic s Corporate offices. Additional costs of approximately $6.2 million are anticipated to be incurred through the completion of the relocation process. General and administrative expenses included $5.4 million and $3.8 million of stock-based compensation expense during the first six months of 2012 and 2011, respectively.

Depreciation and Amortization Expenses. Depreciation and amortization expenses were $89.5 million during the first six months of 2012 compared to $67.8 million for the same period in 2011. The increase in depreciation expense was due to the increased investment in our property and equipment over the past twelve months through internal growth and through the seven acquisitions completed since June 30, 2011.

Interest Expense. Interest expense increased to $30.1 million during the first six months of 2012 compared to $23.2 million during the first six months of 2011. The increased expense was due to the issuance of an aggregate of $475.0 million of 7.75% senior notes in the first half of 2011.

Loss on Early Extinguishment of Debt. Loss on early extinguishment of debt was $49.4 million in the first six months of 2011 due to the retirement of our 11.625% Senior Secured Notes in February 2011.

Income Tax Expense. Income tax expense was $18.9 million during the first six months of 2012 compared to an income tax benefit of $1.3 million for the same period in 2011. Our effective tax rate during the first six months of 2012 and 2011 was approximately 36% and 40%, respectively. The decrease in our effective tax rate was primarily due to an increased tax effect related to the early tender of our 11.625% Senior Secured Notes in February 2011 as well as a Texas margin tax refund of $1.9 million associated with the amended return for 2008.

Liquidity and Capital Resources

As of June 30, 2012, our primary capital resources were net cash flows from our operations, utilization of capital leases and our $250.0 million revolving credit facility. As of June 30, 2012, we had unrestricted cash and cash equivalents of $103.5 million compared to $78.5 million as of December 31, 2011. When appropriate, we will consider public or private debt and equity offerings and non-recourse transactions to meet our liquidity needs.

Net Cash Provided by Operating Activities

Cash provided by operating activities was $177.5 million for the six months ended June 30, 2012 compared to cash provided by operating activities of $55.6 million during the same period in 2011. Operating cash flow in the first six months of 2012 was higher mainly due to the increase in profitability resulting from higher revenues across all of our business segments. Operating cash flow also increased significantly due to higher depreciation and amortization associated with the growth in our asset base in 2011 and the first six months of 2012. The cash provided by operating activities in the first six months of 2011 was reduced by the increase in accounts receivable due to the rapidly increasing revenues in the same period.

Capital Expenditures

Capital expenditures are the main component of our investing activities. Cash capital expenditures (including acquisitions) during the first six months of 2012 were $128.5 million compared to $114.9 million in the same period of 2011. We added $26.7 million of additional assets through our capital lease program during the first six months of 2012 compared to $24.1 million of additional assets in the same period in 2011.

For 2012, we plan to spend $175 million to $200 million for capital expenditures. Based on our view of short-term operating conditions, our capital expenditure program may be increased or decreased accordingly. The foregoing budget excludes acquisitions of other businesses. We do not budget acquisitions in the normal course of business, and we regularly engage in discussions related to potential acquisitions related to the well services industry.

Capital Resources and Financing

We currently believe that our operating cash flows, available funds from our revolving credit facility, and cash on hand will be sufficient to fund our near term liquidity requirements.

Our ability to access additional sources of financing will be dependent on our operating cash flows and demand for our services, which could be negatively impacted due to the extreme volatility of commodity prices and declines in capital and debt markets.

7.125% Senior Notes due 2016

In April 2006, we completed a private offering of $225.0 million aggregate principal amount of 7.125% Senior Notes due April 15, 2016 (the 7.125% Senior Notes). The 7.125% Senior Notes were jointly and severally guaranteed by each of our restricted subsidiaries (currently all of our subsidiaries other than three immaterial subsidiaries). As of June 30, 2012, these three subsidiaries held no assets and performed no operations.

We issued the 7.125% Senior Notes pursuant to an indenture, dated as of April 12, 2006, by and among us, the guarantor parties thereto and The Bank of New York Trust Company, N.A., as trustee (the 7.125% Senior Notes Indenture).

Interest on the 7.125% Senior Notes accrues at a rate of 7.125% per year. Interest on the 7.125% Senior Notes is payable in cash semi-annually in arrears on April 15 and October 15 of each year. The 7.125% Senior Notes mature on April 15, 2016. The 7.125% Senior Notes and the guarantees are unsecured and rank equally with all of our and the guarantors existing and future unsecured and unsubordinated obligations. The 7.125% Senior Notes and the guarantees rank senior in right of payment to any of our and the guarantors existing and future obligations that are, by their terms, expressly subordinated in right of payment to the 7.125% Senior Notes and the guarantees. The 7.125% Senior Notes and the guarantees are effectively subordinated to our and the guarantors secured obligations to the extent of the value of the assets securing such obligations.

The 7.125% Senior Notes Indenture contains covenants that limit our ability and the ability of certain of our subsidiaries to:

incur additional indebtedness;

pay dividends or repurchase or redeem capital stock;

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make certain investments;

incur liens;

enter into certain types of transactions with affiliates;

limit dividends or other payments by restricted subsidiaries; and

sell assets or consolidate or merge with or into other companies.

These limitations are subject to a number of important qualifications and exceptions. As of June 30, 2012, we were in compliance with the restrictive covenants under the 7.125% Senior Notes Indenture.

Upon an Event of Default (as defined in the 7.125% Senior Notes Indenture), the trustee or the holders of at least 25% in aggregate principal amount of the 7.125% Senior Notes then outstanding may declare all of the amounts outstanding under the 7.125% Senior Notes to be due and payable immediately.

We may, at our option, redeem all or part of the 7.125% Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus a premium declining ratably to par and accrued and unpaid interest, if any, to the date of redemption.

Following a change of control, as defined in the 7.125% Senior Notes Indenture, we will be required to make an offer to repurchase all or any portion of the 7.125% Senior Notes at a purchase price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase.

7.75% Senior Notes due 2019

On February 15, 2011, we issued $275.0 million of 7.75% Senior Notes due 2019 (the 7.75% Senior Notes). On June 13, 2011, we issued an additional $200.0 million of 7.75% Senior Notes. The 7.75% Senior Notes are jointly and severally, and unconditionally, guaranteed on a senior unsecured basis initially by all of our current subsidiaries other than three immaterial subsidiaries. The 7.75% Senior Notes and the guarantees rank (i) equally in right of payment with any of our and the subsidiary guarantors existing and future senior indebtedness, including our existing 7.125% Senior Notes and the related guarantees, and (ii) effectively junior to all existing or future liabilities of our subsidiaries that do not guarantee the 7.75% Senior Notes and to our and the subsidiary guarantors existing or future secured indebtedness to the extent of the value of the collateral therefor.

The 7.75% Senior Notes and the guarantees were offered and sold in private transactions in accordance with Rule 144A and Regulation S under the Securities Act of 1933, as amended. The purchase price for the $275.0 million of 7.75% Senior Notes and guarantees issued on February 15, 2011 was 100.000% of their principal amount, and the purchase price for the $200.0 million of 7.75% Senior Notes and guarantees issued on June 13, 2011 was 101.000%, plus accrued interest from February 15, 2011. We received net proceeds from the issuance of the 7.75% Senior Notes of approximately $464.6 million after premiums and offering expenses. We used a portion of the net proceeds from the February offering to fund our tender offer and consent solicitation for our Senior Secured Notes and to redeem the Senior Secured Notes not purchased in the tender offer. We used a portion of the net proceeds from the June offering to fund the $186.3 million purchase price for the Maverick Companies acquisition completed in July 2011 and for general corporate purposes.

The 7.75% Senior Notes and the guarantees were issued pursuant to an indenture dated as of February 15, 2011 (the 7.75% Senior Notes Indenture), by and among us, the guarantors party thereto and Wells Fargo Bank, N.A., as trustee. Interest on the 7.75% Senior Notes accrues at a rate of 7.75% per year. Interest on the 7.75% Senior Notes is payable semi-annually in arrears on February 15 and August 15 of each year. The 7.75% Senior Notes mature on February 15, 2019.

The 7.75% Senior Notes Indenture contains covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to:

incur additional indebtedness;

pay dividends or repurchase or redeem capital stock;

make certain investments;

incur liens;

enter into certain types of transactions with affiliates;

limit dividends or other payments by our restricted subsidiaries to us; and

sell assets or consolidate or merge with or into other companies.

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These and other covenants that are contained in the 7.75% Senior Notes Indenture are subject to important exceptions and qualifications. As of June 30, 2012, we were in compliance with the restrictive covenants under the 7.75% Senior Notes Indenture.

Additionally, during any period of time that the 7.75% Senior Notes have a Moody s rating of Baa3 or higher or an Standard & Poor s rating of BBB- or higher and no default has occurred and is then continuing, certain of the restrictive covenants contained in the 7.75% Senior Notes Indenture will cease to apply.

We may, at our option, redeem all or part of the 7.75% Senior Notes, at any time on or after February 15, 2015, at a redemption price equal to 100% of the principal amount thereof, plus a premium declining ratably to par and accrued and unpaid interest to the date of redemption.

At any time before February 15, 2014, we, at our option, may redeem up to 35% of the aggregate principal amount of the 7.75% Senior Notes issued under the 7.75% Senior Notes Indenture with the net cash proceeds of one or more qualified equity offerings at a redemption price of 107.750% of the principal amount of the 7.75% Senior Notes to be redeemed, plus accrued and unpaid interest to the date of redemption, as long as:

- at least 65% of the aggregate principal amount of the 7.75% Senior Notes issued under the 7.75% Senior Notes Indenture remains outstanding immediately after the occurrence of such redemption; and

- such redemption occurs within 90 days of the date of the closing of any such qualified equity offering.

In addition, at any time before February 15, 2015, we may redeem some or all of 7.75% Senior Notes at a redemption price equal to 100% of the principal amount of the 7.75% Senior Notes, plus an applicable premium and accrued and unpaid interest to the date of redemption.

Following a change of control, as defined in the 7.75% Senior Notes Indenture, we will be required to make an offer to repurchase all or a portion of the 7.75% Senior Notes at 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase.

Revolving Credit Facility

On February 15, 2011, in connection with the initial offering of 7.75% Senior Notes, we terminated our previous $30.0 million secured revolving credit facility with Capital One, National Association, and entered into a new $165.0 million revolving credit facility (the Credit Agreement) with Merrill Lynch, Pierce, Fenner & Smith Incorporated and Capital One, National Association, as joint lead arrangers and joint book managers, the lenders party thereto and Bank of America, N.A., as administrative agent. The Credit Agreement includes an accordion feature whereby the total credit available to us can be increased by up to $100.0 million under certain circumstances, subject to additional lender commitments. The obligations under the Credit Agreement are guaranteed on a joint and several basis by each of our current subsidiaries, other than three immaterial subsidiaries, and are secured by substantially all of our and our subsidiary guarantors assets as collateral under a related Security Agreement (the Security Agreement). As of June 30, 2012, the non-guarantor subsidiaries held no assets and performed no operations. On July 15, 2011, we exercised the accordion feature and amended the Credit Agreement to increase our total credit available from $165.0 million to $225.0 million. On April 5, 2012, we entered into another amendment to the Credit Agreement that, among other things, increased the available credit thereunder from $225.0 million to $250.0 million.

Borrowings under the Credit Agreement mature on January 15, 2016, and we have the ability at any time to prepay the Credit Agreement without premium or penalty. At our option, advances under the Credit Agreement may be comprised of (i) alternate base rate loans, at a variable base interest rate plus a margin ranging from 1.50% to 2.25% based on our leverage ratio or (ii) Eurodollar loans, at a variable base interest rate plus a margin ranging from 2.50% to 3.25% based on our leverage ratio. We will pay a commitment fee equal to 0.50% on the daily unused amount of the commitments under the Credit Agreement.

The Credit Agreement contains various covenants that, subject to agreed upon exceptions, limit our ability and the ability of certain of our subsidiaries to:

- incur indebtedness;

grant liens;

enter into sale and leaseback transactions;

make loans, capital expenditures, acquisitions and investments;

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- change the nature of business;
- acquire or sell assets or consolidate or merge with or into other companies;
- declare or pay dividends;
- enter into transactions with affiliates;
- enter into burdensome agreements;
- prepay, redeem or modify or terminate other indebtedness;
- change accounting policies and reporting practices; and
- amend organizational documents.

The Credit Agreement also contains covenants that, among other things, limit the amount of capital contributions we may make and require us to maintain specified ratios or conditions as follows:

- a minimum consolidated interest coverage ratio of not less than 2.50 to 1.00;
- a maximum consolidated leverage ratio not to exceed 4.00 to 1.00; and
- a maximum consolidated senior secured leverage ratio of 2.00 to 1.00.

If an event of default occurs under the Credit Agreement, then the lenders may (i) terminate their commitments under the Credit Agreement, (ii) declare any outstanding loans under the Credit Agreement to be immediately due and payable after applicable grace periods and (iii) foreclose on the collateral secured by the Security Agreement.

We had no borrowings and $18.8 million of letters of credit outstanding under the Credit Agreement as of June 30, 2012. At June 30, 2012, we had available borrowing capacity under the Credit Agreement of $231.2 million. At June 30, 2012, we were in compliance with our covenants under the Credit Agreement.

Other Debt

We have a variety of other capital leases and notes payable outstanding that is generally customary in our business. None of these debt instruments is material individually. Our leases with Banc of America Leasing & Capital, LLC require us to maintain a minimum debt service coverage ratio of 1.05 to 1.00. As of June 30, 2012, we had total capital leases of approximately $88.0 million.

Preferred Stock

At June 30, 2012 and December 31, 2011, we had 5,000,000 shares of $.01 par value preferred stock authorized, of which none was designated, issued or outstanding.

Other Matters

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Net Operating Losses

As of June 30, 2012, we had approximately $9.0 million of net operating loss carryforwards.

Recent Accounting Pronouncements

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles Goodwill and Other* (ASU 2011-08). ASU 2011-08 allows a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the two-step impairment test for that reporting unit would be performed. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. Basic adopted this accounting standard update early, and although it has changed the process Basic uses to determine if goodwill is impaired, it has not had a material impact on Basic s consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet* (ASU 2011-11). The standard amends and expands disclosure requirements about balance sheet offsetting and related arrangements. ASU 2011-11 becomes effective for Basic on January 1, 2013. Basic does not anticipate any impact to its results of operations, financial position or liquidity when the guidance becomes effective.

Impact of Inflation on Operations

Management is of the opinion that inflation has not had a significant impact on our business.

ITEM 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

As of June 30, 2012, we had no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 4. ***CONTROLS AND PROCEDURES***

Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and effective to ensure that information required to be disclosed in such reports is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the most recent fiscal quarter, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. ***LEGAL PROCEEDINGS***

From time to time, Basic is a party to litigation or other legal proceedings that Basic considers to be a part of the ordinary course of business. Basic is not currently involved in any legal proceedings that it considers probable or reasonably possible, individually or in the aggregate, to result in a material adverse effect on its financial condition, results of operations or liquidity. The information regarding litigation and environmental matters described in note 6 of the notes to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. ***RISK FACTORS***

For information regarding risks that may affect our business, see the risk factors included in our most recent annual report on Form 10-K under the heading Risk Factors.

ITEM 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes stock repurchase activity for the three months ended June 30, 2012 (in thousands, except average price paid per share):

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (1)
April 1 April 30 (2)	2	$ 15.43		$
May 1 May 31 (2)	12	$ 11.86		$
June 1 June 30	535	$ 9.34	535	$ 30,189
Total	549	$ 9.42	535	$ 30,189

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(1) On May 24, 2012, we announced that our Board of Directors had reauthorized the repurchase of up to approximately $35.2 million of shares of our common stock from time to time in open market or private transactions, at our discretion, as a continuation of our prior $50.0 million stock repurchase program announced in 2008 (of which $14.8 million has been previously purchased). The stock repurchase program may be suspended or discontinued at any time.

(2) These shares were repurchased from various employees to provide such employees the cash amounts necessary to pay certain tax liabilities associated with the vesting of restricted shares owned by them. The shares were repurchased on various dates based on the closing price per share on the date of repurchase.

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ITEM 6. ***EXHIBITS***

Exhibit No.	Description
3.1*	Amended and Restated Certificate of Incorporation of the Company, dated September 22, 2005. (Incorporated by reference to Exhibit 3.1 of the Company s Registration Statement on Form S-1 (SEC File No. 333-127517), filed on September 28, 2005)
3.2*	Amended and Restated Bylaws of the Company, effective as of March 9, 2010. (Incorporated by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on March 15, 2010)
4.1*	Specimen Stock Certificate representing common stock of the Company. (Incorporated by reference to Exhibit 3.1 of the Company s Registration Statement on Form S-1 (SEC File No. 333-127517), filed on November 4, 2005)
4.2*	Indenture dated April 12, 2006, among the Company, the guarantors party thereto, and The Bank of New York Trust Company, N.A., as trustee. (Incorporated by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on April 13, 2006)
4.3*	Form of 7.125% Senior Note due 2016. (Included in the Indenture filed as Exhibit 4.1 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on April 13, 2006)
4.4*	First Supplemental Indenture dated as of July 14, 2006 to Indenture dated as of April 12, 2006 among the Company as Issuer, the Subsidiary Guarantors named therein and The Bank of New York Trust Company, N.A., as trustee. (Incorporated by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on July 20, 2006)
4.5*	Second Supplemental Indenture dated as of April 26, 2007 and effective as of March 7, 2007 to Indenture dated as of April 12, 2006 among the Company as Issuer, the Subsidiary Guarantors named therein and the Bank of New York Trust Company, N.A., as trustee. (Incorporated by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K (SEC File No 001-32693), filed on May 1, 2007)
4.6*	Third Supplemental Indenture dated as of April 26, 2007 to Indenture dated as of April 12, 2006 among the Company as Issuer, the Subsidiary Guarantors named therein and the Bank of New York Trust Company, N.A., as trustee. (Incorporated by reference to Exhibit 4.2 of the Company s Current Report on Form 8-K (SEC File No 001-32693), filed on May 1, 2007)
4.7*	Fourth Supplemental Indenture dated as of February 9, 2009 to Indenture dated as of April 12, 2006 among the Company as Issuer, the Subsidiary Guarantors named therein and the Bank of New York Mellon Trust Company, N.A., as Trustee. (Incorporated by reference to Exhibit 4.7 of the Company s Annual Report on Form 10-K (SEC File No. 001-32693), filed on March 9, 2009)
4.8*	Fifth Supplemental Indenture dated as of July 23, 2009 to Indenture dated as of April 12, 2006 among the Company as Issuer, the Subsidiary Guarantors named therein and the Bank of New York Mellon Trust Company, N.A., as Trustee. (Incorporated by reference to Exhibit 4.8 of the Company s Annual Report on Form 10-K (SEC File No. 001-32693), filed on March 1, 2010)
4.9*	Sixth Supplemental Indenture dated as of December 22, 2010 to Indenture dated as of April 12, 2006, by and among Basic Energy Services, Inc. as Issuer, the Subsidiary Guarantors named therein and The Bank of New York Mellon Trust Company, N.A. as trustee. (Incorporated by reference to Exhibit 10.4 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on December 22, 2010)
4.10*	Seventh Supplemental Indenture dated as of August 5, 2011 to Indenture dated as of April 12, 2006, by and among Basic Energy Services, Inc. as Issuer, the Subsidiary Guarantors named therein and The Bank of New York Mellon Trust Company, N.A. as trustee. (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on August 10, 2011)
4.11*	Indenture dated as of February 15, 2011, among Basic Energy Services, Inc. as Issuer, the Subsidiary Guarantors named therein and Wells Fargo Bank, N.A., as trustee. (Incorporated by reference to Exhibit 4.2 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on February 18, 2011)
4.12*	Form of 7.75% Senior Note due 2019. (Included as Exhibit A to Exhibit 4.2 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on February 18, 2011)

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4.13*	First Supplemental Indenture dated as of August 5, 2011 to Indenture dated as of February 15, 2011 among Basic Energy Services, Inc. as Issuer, the Subsidiary Guarantors named therein and Wells Fargo Bank, N.A., as trustee. (Incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on August 10, 2011)
10.1*	Amendment No. 3 to Credit Agreement, dated as of April 5, 2012, by and among Basic Energy Services, Inc., the lenders party thereto and Bank of America, N.A., as administrative agent, a swing line lender and l/c issuer. (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K (SEC File No. 001-32693), filed on April 10, 2012)
31.1#	Certification by Chief Executive Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
31.2#	Certification by Chief Financial Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
32.1#	Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2#	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.CAL#	XBRL Calculation Linkbase Document
101.DEF#	XBRL Definition Linkbase Document
101.INS#	XBRL Instance Document
101.LAB#	XBRL Labels Linkbase Document
101.PRE#	XBRL Presentation Linkbase Document
101.SCH#	XBRL Schema Document

* Incorporated by reference
\# Filed with this report

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SIGNATURES

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.

BASIC ENERGY SERVICES, INC.

By: /s/ Kenneth V. Huseman
Name: Kenneth V. Huseman
Title: *President, Chief Executive Officer and Director (Principal Executive Officer)*

By: /s/ Alan Krenek
Name: Alan Krenek
Title: *Senior Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer)*

By: /s/ John Cody Bissett
Name: John Cody Bissett
Title: *Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)*

Date: July 30, 2012

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