

NEWPARK RESOURCES INC

Form 10-Q

October 29, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from _____ to _____.

**Commission File No. 1-2960
Newpark Resources, Inc.**

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

72-1123385
(I.R.S. Employer
Identification No.)

**2700 Research Forest Drive, Suite 100
The Woodlands, Texas**
(Address of principal executive offices)

77381
(Zip Code)

(281) 362-6800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a 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

As of October 19, 2010, a total of 90,453,974 shares of common stock, \$0.01 par value per share, were outstanding.

NEWPARK RESOURCES, INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2010

Item Number	Description	Page Number
<u>PART I-FINANCIAL INFORMATION</u>		
1	<u>Financial Statements:</u>	
	<u>Condensed Consolidated Balance Sheets as of September 30, 2010 (Unaudited) and December 31, 2009</u>	3
	<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2010 and 2009 (Unaudited)</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2010 and 2009 (Unaudited)</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2010 and 2009 (Unaudited)</u>	6
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
4	<u>Controls and Procedures</u>	29
<u>PART II-OTHER INFORMATION</u>		
1	<u>Legal Proceedings</u>	29
1A	<u>Risk Factors</u>	29
2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
3	<u>Defaults Upon Senior Securities</u>	30
4	<u>(Removed and Reserved)</u>	30
5	<u>Other Information</u>	30
6	<u>Exhibits</u>	30
	<u>Signatures</u>	31

Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. We also may provide oral or written forward-looking statements in other materials we release to the public. The words anticipates, believes, estimates, expects, intends, and similar expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management; however, various risks, uncertainties and contingencies, including the risks identified in Item 1A in Part II of this Quarterly Report, Item 1A, Risk Factors, in Part I of our Annual Report on Form 10-K for the year ended December 31, 2009, and those set forth from time to time in our filings with the Securities and Exchange Commission, could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, these statements, including the success or failure of our efforts to implement our business strategy.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-Q might not occur.

For further information regarding these and other factors, risks and uncertainties affecting us, we refer you to the risk factors set forth in Item 1A in Part II of this Quarterly Report and Part I of our Annual Report on Form 10-K for the year ended December 31, 2009.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****Newpark Resources, Inc.****Condensed Consolidated Balance Sheets**

(Unaudited)

	September 30, 2010	December 31, 2009
(In thousands, except share data)		
ASSETS		
Cash and cash equivalents	\$ 12,102	\$ 11,534
Receivables, net	175,078	122,386
Inventories	117,629	115,495
Deferred tax asset	23,315	7,457
Prepaid expenses and other current assets	13,398	11,740
Total current assets	341,522	268,612
Property, plant and equipment, net	212,382	224,625
Goodwill	62,029	62,276
Other intangible assets, net	13,648	16,037
Other assets	4,202	13,564
Total assets	\$ 633,783	\$ 585,114
LIABILITIES AND STOCKHOLDERS EQUITY		
Foreign bank lines of credit	\$ 3,028	\$ 6,901
Current maturities of long-term debt	10,192	10,319
Accounts payable	68,584	62,992
Accrued liabilities	37,320	25,290
Total current liabilities	119,124	105,502
Long-term debt, less current portion	86,549	105,810
Deferred tax liability	22,525	2,083
Other noncurrent liabilities	5,029	3,697
Total liabilities	233,227	217,092
Commitments and contingencies (Note 6)		
Common stock, \$0.01 par value, 200,000,000 shares authorized 93,099,069 and 91,672,871 shares issued, respectively	931	917
Paid-in capital	467,026	460,544
Accumulated other comprehensive income	7,629	8,635
Retained deficit	(59,804)	(86,660)
Treasury stock, at cost; 2,695,095 and 2,727,765 shares, respectively	(15,226)	(15,414)

Edgar Filing: NEWPARK RESOURCES INC - Form 10-Q

Total stockholders' equity	400,556	368,022
Total liabilities and stockholders' equity	\$ 633,783	\$ 585,114

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

Newpark Resources, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	\$ 179,278	\$ 118,208	\$ 521,428	\$ 354,745
Cost of revenues	145,224	103,985	424,041	332,442
Selling, general and administrative expenses	16,662	14,676	47,435	45,519
Other income, net	(2,140)	(2,691)	(3,185)	(2,753)
Operating income (loss)	19,532	2,238	53,137	(20,463)
Foreign currency exchange loss (gain)	1,184	(1,011)	(640)	(1,572)
Interest expense	3,278	3,361	7,654	6,611
Income (loss) from operations before income taxes	15,070	(112)	46,123	(25,502)
Provision for income taxes	6,836	(314)	19,267	(4,913)
Net income (loss)	\$ 8,234	\$ 202	\$ 26,856	\$ (20,589)
Basic weighted average common shares outstanding	89,334	88,544	88,938	88,469
Diluted weighted average common shares outstanding	90,557	88,655	89,635	88,469
Income (loss) per common share basic	\$ 0.09	\$	\$ 0.30	\$ (0.23)
Income (loss) per common share diluted	\$ 0.09	\$	\$ 0.30	\$ (0.23)

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

Newpark Resources, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Net income (loss)	\$ 8,234	\$ 202	\$ 26,856	\$ (20,589)
Changes in fair value of interest rate swap, net of tax		(39)		288
Reclassification adjustment, net of tax	819		858	
Foreign currency translation adjustments	6,503	4,523	(1,864)	7,480
Comprehensive income (loss)	\$ 15,556	\$ 4,686	\$ 25,850	\$ (12,821)

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

Newpark Resources, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Nine Months Ended September	
	2010	30, 2009
Cash flows from operating activities:		
Net income (loss)	\$ 26,856	\$ (20,589)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Non-cash impairment charges	225	1,091
Depreciation and amortization	20,382	20,890
Stock-based compensation expense	2,899	2,262
Provision for deferred income taxes	13,551	(7,718)
Provision for doubtful accounts	602	2,357
Gain on sale of assets	(183)	(752)
Change in assets and liabilities:		
(Increase) decrease in receivables	(54,568)	103,397
(Increase) decrease in inventories	(3,100)	28,179
Increase in other assets	(1,458)	(551)
Increase (decrease) in accounts payable	6,638	(44,911)
Increase (decrease) in accrued liabilities and other	14,264	(13,890)
Net cash provided by operating activities	26,108	69,765
Cash flows from investing activities:		
Capital expenditures	(7,412)	(17,219)
Proceeds from sale of property, plant and equipment	1,161	1,255
Net cash used in investing activities	(6,251)	(15,964)
Cash flows from financing activities:		
Borrowings on lines of credit	133,121	114,742
Payments on lines of credit	(155,726)	(168,763)
Principal payments on notes payable and long-term debt	(342)	(299)
Proceeds from employee stock plans	3,559	104
Purchase of treasury stock	(153)	(212)
Net cash used in financing activities	(19,541)	(54,428)
Effect of exchange rate changes on cash	252	(1,326)
Net increase (decrease) in cash and cash equivalents	568	(1,953)
Cash and cash equivalents at beginning of period	11,534	8,252
Cash and cash equivalents at end of period	\$ 12,102	\$ 6,299

Cash paid for:

Income taxes (net of refunds)	\$	5,356	\$	4,393
Interest	\$	6,424	\$	4,522

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

NEWPARK RESOURCES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Newpark Resources, Inc. and our wholly-owned subsidiaries, which we refer to as we, our or us, have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission (SEC), and do not include all information and footnotes required by the accounting principles generally accepted in the United States (U.S. GAAP) for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K, filed with the SEC on May 12, 2010 (Form 8-K). Our fiscal year end is December 31, our third quarter represents the three month period ending September 30 and our first nine months represents the nine month period ending September 30. The results of operations for the third quarter and first nine months of 2010 are not necessarily indicative of the results to be expected for the entire year.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of September 30, 2010, the results of our operations for the third quarter and first nine months of 2010 and 2009, and our cash flows for the first nine months of 2010 and 2009. All adjustments are of a normal recurring nature. Our balance sheet at December 31, 2009 is derived from the audited financial statements at that date.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For further information, see Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Form 8-K, filed with the SEC on May 12, 2010.

New Accounting Standards

In October 2009, the Financial Accounting Standards Board (FASB) issued additional guidance on multiple-deliverable revenue arrangements. The guidance provides amendments to the criteria for separating consideration in multiple-deliverable arrangements. It replaces the term fair value in the revenue allocation guidance with selling price to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant, and they establish a selling price hierarchy for determining the selling price of a deliverable. The amendments eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, and they significantly expand the required disclosures related to multiple-deliverable revenue arrangements. The amendments were effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010 and we do not expect the impact of this additional guidance to have a material impact on our financial statements.

Table of Contents**Note 2 Earnings per Share**

The following table presents the reconciliation of the numerator and denominator for calculating income per share:

(In thousands, except per share data)	Third Quarter		First Nine Months	
	2010	2009	2010	2009
Net income (loss)	\$ 8,234	\$ 202	\$ 26,856	\$ (20,589)
Weighted average number of common shares outstanding	89,334	88,544	88,938	88,469
Add: Net effect of dilutive stock options and restricted stock awards	1,223	111	697	
Adjusted weighted average number of common shares outstanding	90,557	88,655	89,635	88,469
Net income (loss) per common share:				
Basic	\$ 0.09	\$	\$ 0.30	\$ (0.23)
Diluted	\$ 0.09	\$	\$ 0.30	\$ (0.23)
Stock options, restricted stock and warrants excluded from calculation of diluted earnings per share because they were anti-dilutive for the period	2,167	7,289	3,941	6,346

For the third quarter of 2010 and 2009, we had weighted average dilutive stock options and restricted stock outstanding of approximately 5.0 million shares and 0.4 million shares respectively, and approximately 3.3 million shares for the first nine months of 2010. For the first nine months of 2009 we did not have any dilutive stock options or restricted stock. The resulting net effect of stock options and restricted stock were used in calculating diluted income per share for the period.

During the second quarter of 2010, the Compensation Committee of our Board of Directors approved equity-based compensation to executive officers and other key employees. These awards included a grant of 636,030 time-vesting shares of stock, which vest equally over a three year period. The fair value on the date of grant for these awards was \$5.61 per share.

Additionally, in June 2010, non-employee directors received shares of restricted stock totaling 100,970 shares, which will vest in full on the first anniversary of the grant date.

On June 1, 2000, we completed the sale of 120,000 shares of Series B Convertible Preferred Stock, \$0.01 par value per share (the Series B Preferred Stock), and a warrant (the Series B Warrant) to purchase up to 1,900,000 shares of our common stock at an exercise price of \$10.075 per share, subject to anti-dilution adjustments. Prior to 2006, all outstanding shares of the Series B Preferred Stock were converted to common stock. The Series B Warrant was originally issued with a seven year life, expiring June 1, 2007. This warrant contains certain registration provisions, which, if not met, reduce the exercise price of the warrant by 2.5%, for each year we are not in compliance with the registration requirements, and extend the term of the warrant. Effective May 1, 2009, we became compliant with the registration requirements for the warrant. Previously, because of a restatement of our earnings which occurred in 2006, we were not in compliance with these requirements which resulted in adjustments to the exercise price and extended the term of the warrant. As of September 30, 2010, the Series B Warrant, as adjusted for certain anti-dilution provisions, remains outstanding and provides for the right to purchase up to approximately 2.1 million shares of our common stock at an exercise price of \$8.97, and expires in February 2012.

Table of Contents**Note 3 Receivables and Inventories**

Receivables Receivables, net consist of the following:

(In thousands)	September 30, 2010	December 31, 2009
Gross trade receivables	\$ 174,075	\$ 123,909
Allowance for doubtful accounts	(6,409)	(5,969)
Net trade receivables	167,666	117,940
Notes and other receivables	7,412	4,446
Total receivables, net	\$ 175,078	\$ 122,386

Inventories Our inventories include \$116.8 million and \$113.3 million of raw materials and components for our drilling fluids systems at September 30, 2010 and December 31, 2009, respectively. The remaining balance consists primarily of composite mat finished goods.

Note 4 Financing Arrangements

Our financing arrangements include a \$150.0 million revolving credit facility, of which \$66.0 million was outstanding at September 30, 2010, and a term loan, of which \$30.0 million remained outstanding at September 30, 2010.

In October 2010, we completed the sale and issuance of unsecured Convertible Senior Notes due October 1, 2017 in the aggregate principle amount of \$172.5 million (Senior Notes). The Senior Notes bear interest at a rate of 4.0% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning April 1, 2011. Holders may convert the Senior Notes at their option at any time prior to the close of business on the business day immediately preceding the October 1, 2017 maturity date. The conversion rate is initially 90.8893 shares of Company common stock per \$1,000 principal amount of Senior Notes (equivalent to an initial conversion price of approximately \$11.00 per share of common stock), subject to adjustment in certain circumstances. Upon conversion, the Senior Notes will be settled in shares of the Company's common stock. The Company may not redeem the Senior Notes at its election prior to their maturity date.

Net proceeds of \$167.3 million were received in October 2010, reduced by \$5.2 million for the underwriters' discounts and commissions. Following the October 2010 funding of this offering, proceeds were used to fully repay the revolving credit facility balance and the \$30.0 million term loan balance. We expect \$0.2 million of deferred financing costs associated with our term loan to be written off in the fourth quarter of 2010.

Note 5 Fair Value of Financial Instruments

Our derivative financial instruments consist of interest rate swap agreements entered into in January 2008, which effectively fix the underlying LIBOR rate on our borrowings under our term loan. The initial notional amount of the swap agreements totaled \$50.0 million reducing by \$10.0 million each December, matching the required principal payments under the term loan. As of September 30, 2010, \$30.0 million remained outstanding on the term loan. As a result of the swap agreements, we pay a fixed rate of 3.74% plus the applicable margin.

Following the issuance of the Senior Notes in October 2010 and the subsequent repayment of the \$30.0 million term loan balance, the cash flow hedge agreements were terminated and settled in October 2010 for \$1.2 million. As a result of the pending termination, the swap agreements no longer qualified for cash flow hedge accounting at September 30, 2010 and a \$1.2 million derivative loss previously reported in accumulated other comprehensive income was recorded to interest expense in the third quarter of 2010.

Table of Contents

Our financial instruments include cash and cash equivalents, receivables, payables, debt, and certain derivative financial instruments. We believe the carrying values of these instruments approximated their fair values at September 30, 2010 and December 31, 2009.

At September 30, 2010 and December 31, 2009, the estimated fair value of total debt is equal to the carrying value of \$99.8 million and \$123.0 million, respectively.

Note 6 Commitments and Contingencies

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state and local levels. In the opinion of management, any liability in these matters should not have a material effect on our consolidated financial statements.

SEC Investigation

On March 12, 2007, we were advised that the SEC opened a formal investigation into the matters disclosed in Amendment No. 2 to our Annual Report on Form 10-K/A filed on October 10, 2006. We have and will continue to cooperate fully with the SEC's investigation. On July 16, 2009, the SEC filed a civil lawsuit against our former Chief Financial Officer, the former Chief Financial Officer of our Soloco business unit and one former vendor in connection with the transactions that were described in the Amended Form 10-K/A. Subsequently, the SEC announced that it reached settlement of its claims against all three defendants. We were not named as a defendant in this lawsuit. In October 2010, the SEC informed us that they have completed their investigation associated with these matters.

Note 7 Segment Data

Summarized operating results for our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	Third Quarter		First Nine Months	
	2010	2009	2010	2009
Revenues				
Fluids systems and engineering	\$ 148,140	\$ 99,421	\$ 434,984	\$ 295,651
Mats and integrated services	18,186	7,578	48,787	25,079
Environmental services	12,952	11,209	37,657	34,015
Total revenues	\$ 179,278	\$ 118,208	\$ 521,428	\$ 354,745
Operating income (loss)				
Fluids systems and engineering	\$ 11,845	\$ 2,541	\$ 39,423	\$ (4,755)(4)
Mats and integrated services	8,592(1)	(879)	16,342(1)(3)	(9,067)(4)
Environmental services	3,944	4,070(2)	10,847	6,612(2)
Corporate office	(4,849)	(3,494)	(13,475)	(13,253)(4)
Operating income (loss)	\$ 19,532	\$ 2,238	\$ 53,137	\$ (20,463)

(1) Includes \$2.2 million of income related to a lawsuit settlement against a former raw materials

vendor.

- (2) Includes \$2.3 million of income reflecting proceeds from the settlement of business interruption claims related to hurricanes and storms in 2008.
- (3) Includes \$0.9 million of income reflecting proceeds from insurance claims related to Hurricane Ike in 2008.
- (4) Includes employee termination and related charges of \$4.5 million, which includes \$3.1 million in fluids systems and engineering, \$1.0 million in mats and integrated services and \$0.4 million in our corporate office.

Table of Contents**Note 8 Guarantor and Non-Guarantor Financials**

In May 2010, we filed a shelf registration statement on Form S-3 (Form S-3) registering up to \$200 million in securities that may be issued by the Company from time to time. The Form S-3 was declared effective by the SEC on May 19, 2010. In October 2010, we completed our offering of Senior Notes under this shelf registration statement (see Note 4 Financing Arrangements for additional information). Under our shelf registration statement, we may in the future issue additional debt securities registered pursuant to the Form S-3 that are fully and unconditionally guaranteed by certain subsidiaries of the Company, as identified in the Form S-3 and primarily consisting of our U.S. subsidiaries. As a result, we are required to present consolidating financial information regarding the guarantors and non-guarantors of the securities in accordance with SEC Regulation S-X Rule 3-10. As specified in Rule 3-10, the unaudited condensed consolidating balance sheets, results of operations, and statements of cash flows presented on the following pages meet the requirements for financial statements of the issuer and each guarantor of the debt securities because the guarantors are all direct or indirect wholly-owned subsidiaries of Newpark Resources, Inc., and all of the guarantees are full and unconditional on a joint and several basis. The unaudited condensed consolidating balance sheet as of September 30, 2010 and December 31, 2009, the unaudited condensed consolidating statements of operations for the third quarter and first nine months of 2010 and 2009, and the unaudited condensed consolidated statements of cash flows for the first nine months of 2010 and 2009 are as follows:

Condensed Consolidating Balance Sheets

(in thousands) (unaudited)	September 30, 2010				
	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Consolidating entries	Consolidated
ASSETS					
Cash and cash equivalents	\$ 244	\$	\$ 11,858	\$	\$ 12,102
Receivables, net	201	118,357	56,520		175,078
Inventories		77,115	40,514		117,629
Deferred tax asset	15,937	7,091	287		23,315
Prepaid expenses and other current assets	1,639	2,132	9,627		13,398
Total current assets	18,021	204,695	118,806		341,522
Property, plant and equipment, net	3,834	183,424	25,124		212,382
Goodwill		38,237	23,792		62,029
Other intangible assets, net		11,231	2,417		13,648
Other assets	2,037	682	1,483		4,202
Investment in subsidiaries	153,757	26,165		(179,922)	
Total assets	\$ 177,649	\$ 464,434	\$ 171,622	\$ (179,922)	\$ 633,783
LIABILITIES AND STOCKHOLDERS EQUITY					
Foreign bank lines of credit	\$	\$	\$ 3,028	\$	\$ 3,028
Current maturities of long-term debt	10,000		192		10,192
Accounts payable	706	46,647	21,231		68,584
Accrued liabilities	12,947	11,658	12,715		37,320

Edgar Filing: NEWPARK RESOURCES INC - Form 10-Q

Total current liabilities	23,653	58,305	37,166		119,124
Long-term debt, less current portion	86,000		549		86,549
Deferred tax liability	(6,137)	27,436	1,226		22,525
Other noncurrent liabilities	2,764	10	2,255		5,029
Net intercompany (receivable) payable	(329,187)	261,214	67,973		
Total liabilities	(222,907)	346,965	109,169		233,227
Common stock	931	24,557	25,991	(50,548)	931
Paid-in capital	467,026	56,417	3	(56,420)	467,026
Accumulated other comprehensive income	7,629		14,956	(14,956)	7,629
Retained (deficit) earnings	(59,804)	36,495	21,503	(57,998)	(59,804)
Treasury stock, at cost	(15,226)				(15,226)
Total stockholders equity	400,556	117,469	62,453	(179,922)	400,556
Total liabilities and stockholders equity	\$ 177,649	\$ 464,434	\$ 171,622	\$ (179,922)	\$ 633,783

Table of Contents

(in thousands) (unaudited)	December 31, 2009				
	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Consolidating Entries	Consolidated
ASSETS					
Cash and cash equivalents	\$ 162	\$	\$ 11,372	\$	\$ 11,534
Receivables, net	9	72,985	49,392		122,386
Inventories		72,197	43,298		115,495
Deferred tax asset	155	7,091	211		7,457
Prepaid expenses and other current assets	1,937	2,384	7,419		11,740
Total current assets	2,263	154,657	111,692		268,612
Property, plant and equipment, net	3,766	194,902	25,957		224,625
Goodwill		38,237	24,039		62,276
Other intangible assets, net		13,249	2,788		16,037
Deferred tax and other assets	38,379	680	1,151	(26,646)	13,564
Investment in subsidiaries	93,860	26,171		(120,031)	
Total assets	\$ 138,268	\$ 427,896	\$ 165,627	\$ (146,677)	\$ 585,114
LIABILITIES AND STOCKHOLDERS' EQUITY					
Foreign bank lines of credit	\$	\$	\$ 6,901	\$	\$ 6,901
Current maturities of long-term debt	10,000	107	212		10,319
Accounts payable	1,195	38,317	23,480		62,992
Accrued liabilities	7,940	7,945	9,405		25,290
Total current liabilities	19,135	46,369	39,998		105,502
Long-term debt, less current portion	105,000		810		105,810
Deferred tax liability		27,437	1,292	(26,646)	2,083
Other noncurrent liabilities	1,782	10	1,905		3,697
Net intercompany (receivable) payable	(356,257)	295,408	60,849		
Total liabilities	(230,340)	369,224	104,854	(26,646)	217,092
Common stock	917	24,907	25,945	(50,852)	917
Paid-in capital	460,544	56,423	3	(56,426)	460,544
Accumulated other comprehensive income	5,230		17,241	(13,836)	8,635
Retained (deficit) earnings	(82,669)	(22,658)	17,584	1,083	(86,660)
Treasury stock, at cost	(15,414)				(15,414)

Edgar Filing: NEWPARK RESOURCES INC - Form 10-Q

Total stockholders equity	368,608	58,672	60,773	(120,031)	368,022
Total liabilities and stockholders equity	\$ 138,268	\$ 427,896	\$ 165,627	\$ (146,677)	\$ 585,114

Table of Contents**Condensed Consolidated Statements of Operations***Third Quarter 2010 and 2009*

(in thousands) (unaudited)	Third Quarter 2010				Consolidated
	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Consolidating entries	
Revenues	\$	\$ 135,029	\$ 44,249	\$	\$ 179,278
Cost of revenues		108,094	37,130		145,224
Selling, general and administrative expenses	4,849	7,424	4,389		16,662
Other (income) expense, net		(2,186)	46		(2,140)
Operating (loss) income	(4,849)	21,697	2,684		19,532
Foreign currency exchange (gain) loss		(33)	1,217		1,184
Interest expense	3,131	28	119		3,278
Intercompany interest (income) expense		(746)	746		
(Loss) income from operations before income taxes	(7,980)	22,448	602		15,070
Provision for income taxes	(3,568)	10,055	349		6,836
Equity in income of subsidiaries	12,646	472		(13,118)	
Net income	\$ 8,234	\$ 12,865	\$ 253	\$ (13,118)	\$ 8,234

(in thousands) (unaudited)	Third Quarter 2009				Consolidated
	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Consolidating entries	
Revenues	\$	\$ 76,998	\$ 41,210	\$	\$ 118,208
Cost of revenues		71,903	32,082		103,985
Selling, general and administrative expenses	3,494	6,162	5,020		14,676
Other income, net		(2,686)	(5)		(2,691)
Operating (loss) income	(3,494)	1,619	4,113		2,238
Foreign currency exchange loss (gain)		38	(1,049)		(1,011)

Edgar Filing: NEWPARK RESOURCES INC - Form 10-Q

Interest expense (income)	3,307	(4)	58		3,361
Intercompany interest (income) expense	(342)	(643)	985		
(Loss) income from operations before income taxes	(6,459)	2,228	4,119		(112)
Provision for income taxes	(2,018)	621	1,083		(314)
Equity in income of subsidiaries	4,643	3,480		(8,123)	
Net income	\$ 202	\$ 5,087	\$ 3,036	\$ (8,123)	\$ 202

Table of Contents**First Nine Months 2010 and 2009****First Nine Months 2010**

(in thousands) (unaudited)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Consolidating entries	Consolidated
Revenues	\$	\$ 386,274	\$ 135,154	\$	\$ 521,428
Cost of revenues		311,527	112,514		424,041
Selling, general and administrative expenses	13,484	21,169	12,782		47,435
Other (income) expense, net	(11)	(3,434)	260		(3,185)
Operating (loss) income	(13,473)	57,012	9,598		53,137
Foreign currency exchange loss (gain)		41	(681)		(640)
Interest expense	7,314	13	327		7,654
Intercompany interest (income) expense		(2,194)	2,194		
(Loss) income from operations before income taxes	(20,787)	59,152	7,758		46,123
Provision for income taxes	(8,543)	24,312	3,498		19,267
Equity in income of subsidiaries	39,100	4,134		(43,234)	
Net income	\$ 26,856	\$ 38,974	\$ 4,260	\$ (43,234)	\$ 26,856

First Nine Months 2009

(in thousands) (unaudited)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Consolidating entries	Consolidated
Revenues	\$	\$ 247,089	\$ 107,656	\$	\$ 354,745
Cost of revenues		242,983	89,459		332,442
Selling, general and administrative expenses	13,253	21,289	10,977		45,519
Other (income) expense, net		(2,778)	25		(2,753)
Operating (loss) income	(13,253)	(14,405)	7,195		(20,463)
Foreign currency exchange gain		(54)	(1,518)		(1,572)
Interest expense (income)	6,456	(10)	165		6,611
	(1,052)	(1,481)	2,533		

Intercompany interest
(income) expense

(Loss) income from operations						
before income taxes	(18,657)	(12,860)	6,015			(25,502)
Provision for income taxes	(5,694)	(3,927)	4,708			(4,913)
Equity in income (loss) of subsidiaries	(7,626)	5,681		1,945		
Net (loss) income	\$ (20,589)	\$ (3,252)	\$ 1,307	\$ 1,945		\$ (20,589)

Table of Contents**Condensed Consolidated Statements of Cash Flows**

(in thousands) (unaudited)	First Nine Months 2010			Consolidated
	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	
Net cash (used in) provided by operating activities	\$ (11,408)	\$ 36,778	\$ 738	\$ 26,108
Net cash used in investing activities	(92)	(3,078)	(3,081)	(6,251)
Borrowings on lines of credit	103,000		30,121	133,121
Payments on lines of credit	(122,000)		(33,726)	(155,726)
Inter-company borrowings (repayments)	27,176	(33,593)	6,417	
Other financing activities	3,406	(107)	(235)	3,064
Net cash provided by (used in) financing activities	11,582	(33,700)	2,577	(19,541)
Effect of exchange rate changes on cash			252	252
Net increase in cash	82		486	568
Cash at the beginning of the period	162		11,372	11,534
Cash at the end of the period	\$ 244	\$	\$ 11,858	\$ 12,102

(in thousands) (unaudited)	First Nine Months 2009			Consolidated
	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	
Net cash (used in) provided by operating activities	\$ (18,286)	\$ 91,015	\$ (2,964)	\$ 69,765
Net cash (used in) provided by investing activities	(291)	(6,987)	(8,686)	(15,964)
Borrowings on lines of credit	86,000		28,742	114,742
Payments on lines of credit	(137,000)		(31,763)	(168,763)
Inter-company borrowings (repayments)	69,846	(83,785)	13,939	
Other financing activities	(108)	(243)	(56)	(407)
Net cash provided by (used in) financing activities	18,738	(84,028)	10,862	(54,428)

Effect of exchange rate changes on cash				(1,326)		(1,326)
Net increase in cash		161		(2,114)		(1,953)
Cash at the beginning of the period				8,252		8,252
Cash at the end of the period	\$	161	\$		\$	6,138
					\$	6,299

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion of our financial condition, results of operations, liquidity and capital resources should be read together with our unaudited condensed consolidated financial statements and notes to unaudited condensed consolidated financial statements contained in this report as well as our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K, filed with the SEC on May 12, 2010 (Form 8-K). Our third quarter represents the three month period ended September 30, and our first nine month represents the nine month period ended September 30.

Overview

We are a diversified oil and gas industry supplier, and have three reportable segments: Fluids Systems and Engineering, Mats and Integrated Services, and Environmental Services. We provide these products and services primarily to the oil and gas exploration (E&P) industry domestically in the U.S. Gulf Coast, West Texas, Oklahoma, East Texas, North Louisiana, Rocky Mountains and Northeast regions, as well as Canada, Brazil, United Kingdom (U.K.), Mexico and certain areas of Europe and North Africa. Further, we established a presence outside the E&P sector, particularly in Mats and Integrated Services, where we are marketing to utilities, municipalities and government sectors. Our North American operations generated 77% of total reported revenues for the first nine months of 2010, and our consolidated revenues by segment are as follows:

(In thousands)	First Nine Months 2010 Revenues	%
Fluids systems and engineering	\$ 434,984	84%
Mats and integrated services	48,787	9%
Environmental services	37,657	7%
Total revenues	\$ 521,428	100%

Our operating results depend, to a large extent, on oil and gas drilling activity levels in the markets we serve, as well as the depth of drilling, which governs the revenue potential of each well. The drilling activity in turn, depends on oil and gas commodity pricing, inventory levels and demand, and more recently, regulatory actions affecting operations in the Gulf of Mexico.

Rig count data is the most widely accepted indicator of drilling activity. Average North American rig count data for the third quarter and first nine months of 2010, as compared to the comparable period of the prior year is as follows:

	Third Quarter		2010 vs 2009	
	2010	2009	Count	%
U.S. Rig Count	1,618	970	648	67%
Canadian Rig Count	360	186	174	94%
North America	1,978	1,156	822	71%

	First Nine Months		2010 vs 2009	
	2010	2009	Count	%
U.S. Rig Count	1,486	1,083	403	37%
Canadian Rig Count	324	203	121	60%

North America	1,810	1,286	524	41%
---------------	-------	-------	-----	-----

Source: Baker Hughes
Incorporated

Table of Contents

North American drilling activity declined dramatically during 2009 from the elevated levels experienced in 2008. In response to these declines, we executed cost reduction programs during 2009 including workforce reductions, reduced discretionary spending and salary reductions. As part of this cost reduction program, we reduced our North American workforce by 548 employees, in addition to eliminating substantially all contract employee positions. As a result of these workforce reductions, operating results for the first nine months of 2009 include \$4.5 million of charges associated with employee termination and related costs, nearly all of which were incurred during the first half of the year.

In April 2010, the Deepwater Horizon drilling rig sank in the Gulf of Mexico after an explosion and fire, resulting in the discharge of oil from the well. Following the Deepwater Horizon oil spill, the Department of Interior of the U.S. government has taken several actions aimed at restricting and temporarily prohibiting certain drilling activity in the Gulf of Mexico. While the Department of Interior recently announced the formal end of the drilling moratorium placed in effect in May 2010, increased permitting requirements are applicable to both shallow water and deepwater drilling activities. As a result, the near-term outlook for drilling activity in the Gulf of Mexico remains uncertain.

We generated \$11.3 million and \$36.8 million of revenues during the third quarter and first nine months of 2010, respectively, within the areas of the Gulf of Mexico impacted by the restrictions. Included in this, our Environmental Services segment generated \$5.4 million and \$7.4 million of revenues for the disposal of waste from the Deepwater Horizon spill, during the third quarter and first nine months of 2010, respectively. We expect revenues generated directly from the Deepwater Horizon oil spill to decline in the fourth quarter of 2010, and we expect modest declines in non-oil spill revenues generated in this area.

Net income in the third quarter of 2010 includes a \$1.2 million foreign currency exchange loss, primarily driven by the weakening U.S. dollar. The third quarter of 2010 also had an unusually high effective tax rate of 45.4%, primarily due to losses generated in Brazil for which the recording of a tax benefit is not permitted.

Financing Arrangements

In October 2010, we completed the sale and issuance of unsecured Convertible Senior Notes due October 1, 2017 in the aggregate principle amount of \$172.5 million (Senior Notes). The Senior Notes bear interest at a rate of 4.0% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning April 1, 2011. Holders may convert the Senior Notes at their option at any time prior to the close of business on the business day immediately preceding the October 1, 2017 maturity date. The conversion rate is initially 90.8893 shares of Company common stock per \$1,000 principal amount of Senior Notes (equivalent to an initial conversion price of approximately \$11.00 per share of common stock), subject to adjustment in certain circumstances. Upon conversion, the Senior Notes will be settled in shares of the Company's common stock. The Company may not redeem the Senior Notes at its election prior to their maturity date.

Net proceeds of \$167.3 million were received in October 2010, reduced by \$5.2 million for the underwriters' discounts and commissions. Following the October 2010 funding of this offering, proceeds were used to fully repay the revolving credit facility balance and the \$30.0 million term loan balance. We expect \$0.2 million of deferred financing costs associated with our term loan to be written off in the fourth quarter of 2010.

Table of Contents**Third Quarter of 2010 Compared to Third Quarter of 2009****Results of Operations**

Summarized results of operations for the third quarter of 2010 compared to the third quarter of 2009 are as follows:

(In thousands)	Third Quarter		2010 vs 2009
	2010	2009	\$
Revenues	\$ 179,278	\$ 118,208	\$ 61,070
Cost of revenues	145,224	103,985	41,239
Selling, general and administrative expenses	16,662	14,676	1,986
Other income, net	(2,140)	(2,691)	551
Operating income	19,532	2,238	17,294
Foreign currency exchange loss (gain)	1,184	(1,011)	2,195
Interest expense	3,278	3,361	(83)
Income (loss) from operations before income taxes	15,070	(112)	15,182
Provision for income taxes	6,836	(314)	7,150
Net income	\$ 8,234	\$ 202	\$ 8,032

Revenues

Revenues increased 52% to \$179.3 million in the third quarter of 2010, compared to \$118.2 million in the third quarter of 2009. This increase in revenues is primarily driven by the 67% improvement in the U.S. rig count, along with our expansion into new markets and market share gains, including increased revenues of \$9.9 million from East Texas and North Louisiana and \$9.4 million from the Northeast U.S. region. Revenues from our international operations remained relatively flat in the third quarter of 2010 compared to the third quarter of 2009. Additional information regarding the change in revenues is provided within the operating segment results below.

Cost of revenues

Cost of revenues increased 40% to \$145.2 million in the third quarter of 2010, as compared to \$104.0 million in the third quarter of 2009. The increase is primarily driven by the 52% increase in revenues. Additional information regarding the change in cost of revenues is provided within the operating segment results below.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$2.0 million to \$16.7 million in the third quarter of 2010 from \$14.7 million for the third quarter of 2009. The increase is primarily attributable to a \$1.8 million increase in performance-based employee incentive costs in the 2010 period.

Foreign currency exchange

Foreign currency exchange primarily reflects the impact of currency translations on assets and liabilities held in our foreign operations that are denominated in currencies other than functional currencies. Our foreign operations have a portion of their cash and accounts receivable that are denominated in U.S. dollars. During the third quarter of 2010, foreign currency exchange was unfavorably impacted by the weakening U.S. dollar as compared to other currencies in our foreign operations, while the third quarter of 2009 benefitted from the strengthening U.S. dollar as compared to such currencies.

Table of Contents**Interest expense**

Interest expense totaled \$3.3 million for the third quarter of 2010 compared to \$3.4 million for the third quarter of 2009. Following our Senior Notes offering completed in October 2010 and repayment of our revolving credit facility and term loan, we terminated our interest rate swap agreements associated with the term loan, resulting in the payment of \$1.2 million. As a result of the pending termination at September 30, 2010, the swap agreements no longer qualified for cash flow hedge accounting, and the \$1.2 million derivative loss previously reported in accumulated other comprehensive income was recorded to interest expense. The remaining decrease in interest expense is primarily attributable to higher interest rates paid in the third quarter of 2009, following the First Amendment and Waiver to the Amended Credit Agreement (First Amendment), which was entered into in July 2009. The weighted average borrowing rate under our credit facility was 8.99% at September 30, 2009, declining to 6.72% at September 30, 2010.

Provision for income taxes

The provision for income taxes for the third quarter of 2010 was a \$6.8 million expense, reflecting an effective tax rate of 45.4%, compared to a \$0.3 million benefit in the third quarter of 2009. The high effective tax rate in the third quarter of 2010 is due to losses generated in Brazil for which the recording of a tax benefit is not permitted. The small benefit in the third quarter of 2009 is attributable to the small pre-tax loss in the period, along with favorable tax adjustments following the completion of the 2008 U.S. tax returns.

Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	Third Quarter		2010 vs 2009	
	2010	2009	\$	%
Revenues				
Fluids systems and engineering	\$ 148,140	\$ 99,421	\$ 48,719	49%
Mats and integrated services	18,186	7,578	10,608	140%
Environmental services	12,952	11,209	1,743	16%
Total revenues	\$ 179,278	\$ 118,208	\$ 61,070	52%
Operating income (loss)				
Fluids systems and engineering	\$ 11,845	\$ 2,541	\$ 9,304	
Mats and integrated services	8,592	(879)	9,471	
Environmental services	3,944	4,070	(126)	
Corporate office	(4,849)	(3,494)	(1,355)	
Operating income	\$ 19,532	\$ 2,238	\$ 17,294	
Segment operating margin				
Fluids systems and engineering	8.0%	2.6%		
Mats and integrated services	47.2%	(11.6%)		
Environmental services	30.5%	36.3%		

Table of Contents**Fluids Systems and Engineering***Revenues*

Total revenues for this segment consisted of the following:

(In thousands)	Third Quarter		2010 vs 2009	
	2010	2009	\$	%
Drilling fluids and engineering	\$ 83,675	\$ 48,209	\$ 35,466	74%
Completion fluids and services	12,079	5,567	6,512	117%
Industrial minerals	13,416	7,283	6,133	84%
Total North America	109,170	61,059	48,111	79%
Mediterranean	28,600	29,443	(843)	(3%)
Brazil	10,370	8,919	1,451	16%
Total	\$ 148,140	\$ 99,421	\$ 48,719	49%

North America revenues increased 79% to \$109.2 million for the third quarter of 2010, as compared to \$61.1 million for the third quarter of 2009. Of this \$48.1 million increase, drilling fluids and engineering revenues increased \$35.5 million (or 74%), largely attributable to the 67% increase in the U.S. rig count, along with expansion in the Northeast U.S. region, and market share gains in East Texas and North Louisiana. Our completion fluids and services operations were up 117% and our wholesale industrial minerals revenues were up 84%, both driven by the increased activity levels.

Internationally, revenues were up 2% to \$39.0 million for the third quarter of 2010, as compared to \$38.4 million for the third quarter of 2009. This increase is primarily due to a \$1.5 million increase from Brazil, while Mediterranean revenues were down 3% primarily due to timing of specific customer activities.

Operating Income

Operating income for this segment was \$11.8 million in the third quarter of 2010, reflecting an improvement of \$9.3 million from the \$2.5 million operating income for the third quarter of 2009. Of this \$9.3 million improvement, our North American operations generated a \$10.9 million improvement in operating income on a \$48.1 million increase in revenues, reflecting an incremental profit margin of 23%. Operating income from international operations decreased \$1.6 million on a \$0.6 million increase in revenues. The lower operating income is attributable to Brazil, which generated a \$2.7 million operating loss in the third quarter of 2010, compared to a break-even third quarter of 2009.

Our consolidated balance sheet as of September 30, 2010 includes \$12.9 million of long-lived assets within our Brazil operation, of which \$12.4 million consists of property, plant and equipment. For the nine months ended September 30, 2010, our Brazil operation generated an operating loss of \$4.5 million. While the operating results from this operation are expected to improve in the future and management currently believes that the carrying value of the long-lived assets is recoverable, an impairment of the long-lived assets in a future period is possible if current expectations change and management's outlook for the Brazil operation deteriorates.

Table of Contents**Mats and Integrated Services***Revenues*

Total revenues for this segment consisted of the following:

(In thousands)	Third Quarter		2010 vs 2009	
	2010	2009	\$	%
Mat rental and integrated services	\$ 12,413	\$ 6,690	\$ 5,723	86%
Mat sales	5,773	888	4,885	550%
Total	\$ 18,186	\$ 7,578	\$ 10,608	140%

The \$10.6 million increase in revenues is primarily driven by revenues from mat rentals, including an \$8.2 million increase in the Northeast U.S. region, partially offset by declines in rental and service revenues in the Gulf Coast locations, as we continue to re-deploy our rental mat fleet to the higher demand areas. Mat sales also increased \$4.9 million, as demand for these products has improved from the E&P and other industries, following the economic downturn in 2009.

Operating Income

Segment operating income increased by \$9.5 million to \$8.6 million for the third quarter of 2010, as compared to a \$0.9 million operating loss in the third quarter of 2009. The third quarter of 2010 includes \$2.2 million of income reflecting net proceeds from the settlement of a lawsuit we filed in 2007 against a former raw materials vendor. The remaining \$7.3 million improvement in operating income is primarily attributable to the \$10.6 million increase in revenues, which benefited from a higher mix of mat rental activity. Incremental margins on mat rentals are stronger than mat sales or service activities, due to the fixed nature of operating expenses, including depreciation expense on our rental mat fleet. As a result, we experienced significantly higher operating margins in the third quarter of 2010, as compared to the third quarter of 2009.

Environmental Services*Revenues*

Total revenues for this segment consisted of the following:

(In thousands)	Third Quarter		2010 vs 2009	
	2010	2009	\$	%
E&P waste Gulf Coast	\$ 9,839	\$ 6,695	\$ 3,144	47%
E&P waste West Texas	740	679	61	9%
NORM and industrial waste	2,373	3,835	(1,462)	(38%)
Total	\$ 12,952	\$ 11,209	\$ 1,743	16%

Environmental services revenues increased 16% to \$13.0 million in the third quarter of 2010, as compared to the third quarter of 2009. The increase is attributable to higher E&P waste in the Gulf Coast, which included \$5.4 million of revenues from the Deepwater Horizon oil spill for the third quarter of 2010. Revenues from non-oil spill activities declined by \$3.7 million to \$7.6 million in the third quarter of 2010, reflecting the impact of U.S. government restrictions on drilling activity in the Gulf of Mexico.

Table of Contents*Operating Income*

Environmental services operating income decreased by \$0.1 million in the third quarter of 2010, compared to the third quarter of 2009. The third quarter of 2009 included \$2.3 million of other income associated with the settlement of business interruption insurance claims, resulting from hurricanes and storms in 2008. The remaining \$2.2 million improvement in operating income is attributable to the \$1.7 million increase in revenues, combined with lower operating expenses, including a \$1.7 million reduction in equipment rent and maintenance expense, following the non-renewal of barge leases in 2009.

In addition to the \$5.4 million of revenues generated directly from the Deepwater Horizon oil spill, approximately 25% of third quarter 2010 revenues for this segment were derived from areas of the Gulf of Mexico affected by the U.S. government restrictions. We expect revenues generated directly from the Deepwater Horizon oil spill to decline in the fourth quarter of 2010, and we expect modest declines in non-oil spill revenues generated in this area. Due to the fixed nature of the majority of our operating expenses in this segment, we expect any reduction in segment revenues to have a high incremental impact on segment operating income.

First Nine Months of 2010 Compared to First Nine Months of 2009**Results of Operations**

Summarized results of operations for the first nine months of 2010 compared to the first nine months of 2009 are as follows:

(In thousands)	First Nine Months		2010 vs 2009
	2010	2009	\$
Revenues	\$ 521,428	\$ 354,745	\$ 166,683
Cost of revenues	424,041	332,442	91,599
Selling, general and administrative expenses	47,435	45,519	1,916
Other income, net	(3,185)	(2,753)	(432)
Operating income (loss)	53,137	(20,463)	73,600
Foreign currency exchange gain	(640)	(1,572)	932
Interest expense	7,654	6,611	1,043
Income (loss) from operations before income taxes	46,123	(25,502)	71,625
Provision for income taxes	19,267	(4,913)	24,180
Net income (loss)	\$ 26,856	\$ (20,589)	\$ 47,445

Revenues

Revenues increased 47% to \$521.4 million in the first nine months of 2010, compared to \$354.7 million in the first nine months of 2009. This increase in revenues is primarily driven by the 37% improvement in the U.S. rig count, along with our expansion into new markets and market share gains, including increased revenues of \$43.9 million from East Texas and North Louisiana, \$27.7 million from the Northeast U.S. region and \$21.5 million from Brazil. Additional information regarding the change in revenues is provided within the operating segment results below.

Cost of revenues

Cost of revenues increased 28% to \$424.0 million in the first nine months of 2010, as compared to \$332.4 million in the first nine months of 2009. The increase is primarily driven by the 47% increase in revenues, partially offset by the benefits of the 2009 cost reduction programs, workforce reductions and non-recurring employee termination and

related costs recorded in the first nine months of 2009. Additional information regarding the change in cost of revenues is provided within the operating segment results below.

Table of Contents

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$1.9 million to \$47.4 million in the first nine months of 2010 from \$45.5 million for the first nine months of 2009. The increase is primarily attributable to \$4.2 million of performance-based employee incentive costs in the 2010 period, partially offset by the impact of cost reduction programs implemented during 2009.

Other income, net

Other income, net was \$3.2 million during the first nine months of 2010, reflecting \$0.9 million of proceeds from insurance claims resulting from Hurricane Ike in 2008 and \$2.2 million of net proceeds from a lawsuit settlement, both within our Mats and Integrated Services business. Other income, net was \$2.8 million during the first nine months of 2009, including \$2.3 million of proceeds from business interruption insurance claims within our Environmental Services business.

Foreign currency exchange

Foreign currency exchange was a \$0.6 million gain in the first nine months of 2010, compared to a \$1.6 million gain in the first nine months of 2009, reflecting the impact of currency fluctuations on our non-functional currency-denominated assets and liabilities within our foreign operations.

Interest expense

Interest expense increased to \$7.7 million in the first nine months of 2010, compared to \$6.6 million for the first nine months of 2009. The first nine months of 2010 includes a \$1.2 million charge for the termination of our interest rate swap agreements associated with the term loan. The remaining interest expense of \$6.5 million in the first nine months of 2010 is down \$0.1 million from the comparable period of 2009, as higher average interest rates following the First Amendment were more than offset by lower debt levels.

Provision for income taxes

The provision for income taxes for the first nine months of 2010 was a \$19.3 million expense, reflecting an effective tax rate of 41.8%, compared to a \$4.9 million benefit for the first nine months of 2009, reflecting an effective tax rate of 19.3%. The high effective tax rate in the first nine months of 2010 is due to losses generated in Brazil for which the recording of a tax benefit is not permitted. The low effective tax benefit rate in the first nine months of 2009 is primarily due to the write off of a previously recognized net operating loss carryforward tax asset in Canada, along with losses generated in certain foreign countries for which the recording of a tax benefit is not permitted.

Table of Contents**Operating Segment Results**

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	First Nine Months		2010 vs 2009	
	2010	2009	\$	%
Revenues				
Fluids systems and engineering	\$ 434,984	\$ 295,651	\$ 139,333	47%
Mats and integrated services	48,787	25,079	23,708	95%
Environmental services	37,657	34,015	3,642	11%
Total revenues	\$ 521,428	\$ 354,745	\$ 166,683	47%
Operating income (loss)				
Fluids systems and engineering	\$ 39,423	\$ (4,755)	\$ 44,178	
Mats and integrated services	16,342	(9,067)	25,409	
Environmental services	10,847	6,612	4,235	
Corporate office	(13,475)	(13,253)	(222)	
Operating income (loss)	\$ 53,137	\$ (20,463)	\$ 73,600	
Segment operating margin				
Fluids systems and engineering	9.1%	(1.6%)		
Mats and integrated services	33.5%	(36.2%)		
Environmental services	28.8%	19.4%		

Fluids Systems and Engineering**Revenues**

Total revenues for this segment consisted of the following:

(In thousands)	First Nine Months		2010 vs 2009	
	2010	2009	\$	%
Drilling fluids and engineering	\$ 247,424	\$ 150,845	\$ 96,579	64%
Completion fluids and services	31,918	22,262	9,656	43%
Industrial minerals	37,901	23,386	14,515	62%
Total North America	317,243	196,493	120,750	61%
Mediterranean	81,037	83,956	(2,919)	(3%)
Brazil	36,704	15,202	21,502	141%
Total	\$ 434,984	\$ 295,651	\$ 139,333	47%

North America revenues increased 61% to \$317.2 million for the first nine months of 2010, as compared to \$196.5 million for the first nine months of 2009. Of this \$120.8 million increase, drilling fluids and engineering revenues increased \$96.6 million, largely attributable to the 37% increase in the U.S. rig count, along with expansion in the Northeast U.S. region and market share gains in East Texas and North Louisiana. Our completion fluids and

services activity was up 43% and our wholesale industrial minerals revenues were up 62%, both driven by the increased activity levels.

Internationally, revenues were up 19% to \$117.7 million for the first nine months of 2010, as compared to \$99.2 million for the first nine months of 2009, primarily due to a \$21.5 million increase from Brazil as activity under new contracts continues to ramp-up. Mediterranean revenue is down 3% primarily due to timing of our customer activities.

Table of Contents*Operating Income*

Operating income for this segment was \$39.4 million in the first nine months of 2010, reflecting an improvement of \$44.2 million from a \$4.8 million operating loss for the same period in 2009. Substantially all of this improvement was provided by the North American operations, which generated a \$44.7 million improvement in operating income. This improvement is primarily attributable to the incremental profit from the \$120.8 million increase in revenues described above, combined with operating expense reductions from programs implemented during 2009, and \$3.1 million of charges in the 2009 period associated with employee terminations.

Operating income from international operations decreased \$0.5 million, including a \$0.3 million decrease in Brazil, as the higher revenues in 2010 include a large component of low margin pass-through billings.

Mats and Integrated Services*Revenues*

Total revenues for this segment consisted of the following:

(In thousands)	First Nine Months		2010 vs 2009	
	2010	2009	\$	%
Mat rental and integrated services	\$ 30,755	\$ 18,980	\$ 11,775	62%
Mat sales	18,032	6,099	11,933	196%
Total	\$ 48,787	\$ 25,079	\$ 23,708	95%

The \$11.8 million increase in mat rental and integrated services revenue is primarily driven by a \$16.0 million increase in mat rentals in the Northeast U.S. region, partially offset by a \$3.1 million decline in Colorado rental and service revenues. Mat sales increased \$11.9 million, as demand for these products has improved from the E&P and other industries, following the economic downturn in 2009.

Operating Income

Segment operating income increased by \$25.4 million to \$16.3 million for the first nine months of 2010. This improvement in operating income is primarily attributable to the \$23.7 million increase in revenues, along with \$3.8 million in operating expense reductions following 2009 cost reduction programs. The first nine months of 2009 included \$1.0 million of employee termination costs and \$1.1 million of non-cash write-downs of inventory. Operating income in the first nine months of 2010 benefited from a higher mix of mat rental activity. Incremental margins on mat rentals are stronger than mat sales or service activities, due to the fixed nature of operating expenses, including depreciation expense on the rental mat fleet. As a result, we experienced significantly higher operating margins in the first nine months of 2010, as compared to the first nine months of 2009. Additionally, the first nine months of 2010 included \$3.1 million of other income reflecting proceeds from insurance claims and the settlement of a lawsuit against a former vendor.

Table of Contents**Environmental Services****Revenues**

Total revenues for this segment consisted of the following:

(In thousands)	First Nine Months		2010 vs 2009	
	2010	2009	\$	%
E&P waste Gulf Coast	\$ 28,384	\$ 22,893	\$ 5,491	24%
E&P waste West Texas	2,125	2,467	(342)	(14%)
NORM and industrial waste	7,148	8,655	(1,507)	(17%)
Total	\$ 37,657	\$ 34,015	\$ 3,642	11%

Environmental services revenues increased 11% to \$37.7 million in the first nine months of 2010, as compared to the first nine months of 2009. The \$3.6 million increase in revenues from the prior year included \$7.4 million of revenues from the Deepwater Horizon oil spill. Revenues from non oil spill activities declined by \$3.8 million in the first nine months of 2010, primarily reflecting the impact of U.S. government restrictions on drilling activity in the Gulf of Mexico.

Operating Income

Environmental services operating income increased by \$4.2 million in the first nine months of 2010, partially driven by the \$3.6 million increase in revenues compared to the first nine months of 2009. In addition, operating expenses are down \$2.9 million in the first nine months of 2010, including a \$2.2 million reduction in equipment rental expenses, following the non-renewal of barge leases in 2009.

Liquidity and Capital Resources

Net cash provided by operating activities during the first nine months of 2010 totaled \$26.1 million. Net income adjusted for non-cash items provided \$64.3 million of cash during the period, while changes in operating assets and liabilities used \$38.2 million of cash. The changes in operating assets and liabilities during the period includes \$54.6 million from increases in receivables reflecting the impact of increased revenue levels along with a \$3.1 million increase in inventories, partially offset by a \$6.6 million increase in accounts payable and \$14.3 million in increases in accrued liabilities.

Net cash used in investing activities during the first nine months of 2010 was \$6.3 million, consisting primarily of capital expenditures. Net cash used in financing activities during the first nine months of 2010 was \$19.5 million, primarily reflecting net payments on our revolving credit facilities during the period.

We anticipate that our working capital requirements for our operations will fluctuate with our sales activity in the near term. Cash generated by operations, net cash proceeds from our Senior Notes offering completed in October 2010, and availability under our existing credit agreement is expected to be adequate to fund our anticipated capital needs.

In December 2007, we entered into a \$225.0 million Amended and Restated Credit Agreement (Credit Agreement) which consisted of a \$175.0 million revolving credit facility and a \$50.0 million term loan. The Credit Agreement contained certain financial covenants including a minimum fixed charge coverage ratio, a maximum consolidated leverage ratio, and a maximum funded debt-to-capitalization ratio. At June 30, 2009, we were not in compliance with the fixed charge coverage ratio and consolidated leverage ratio covenants. However, in July 2009, we entered into the First Amendment, which provided a waiver of the financial covenant violations as of June 30, 2009 and modified certain covenant requirements.

Table of Contents

We were in compliance with our covenants as of September 30, 2010, and expect to remain in compliance through September 30, 2011. The calculated performance for these covenants as of September 30, 2010 is as follows:

	Covenant Requirement	Calculation as of September 30, 2010
Fixed charge coverage ratio	1.20 minimum	3.22
Consolidated leverage ratio	3.00 maximum	1.24
Funded debt-to-capitalization ratio	45.0% maximum	19.4%

The First Amendment also reduced the revolving credit facility from \$175.0 million to \$150.0 million, and provided for adjustments in the interest rates and commitment fees under the credit facility.

Our capitalization is as follows:

(In thousands)	September 30, 2010	December 31, 2009
Term loan	\$ 30,000	\$ 30,000
Revolving credit facility	66,000	85,000
Foreign bank lines of credit	3,028	6,901
Other	741	1,129
Total	99,769	123,030
Stockholder s equity	400,556	368,022
Total capitalization	\$ 500,325	\$ 491,052
Total debt to capitalization	19.9%	25.1%

In October 2010, we issued \$172.5 million of our Senior Notes, bearing interest at 4.0%. Following the completion of this offering, all outstanding balances under the term loan and revolving credit facility were fully repaid.

As of September 30, 2010, \$66.0 million of the outstanding principal under the revolving credit facility was bearing interest at Prime Rate plus 300 basis points, or 6.25%. In January 2008, we entered into interest rate swap agreements to effectively fix the underlying LIBOR rate on our borrowings under the Term Loan. The initial notional amount of the swap agreements totaled \$50.0 million, reducing by \$10.0 million each December, matching the required principal repayments under the Term Loan. As a result of the swap agreements, we pay a fixed rate of 3.74% over the term of the loan plus the applicable margin to lenders, which was 400 basis points at September 30, 2010. The weighted average interest rate on the outstanding balances under our Credit Agreement including the interest rate swaps as of September 30, 2010 and December 31, 2009 was 6.72% and 5.55%, respectively. Following the issuance of the Senior Notes in October 2010 and the subsequent repayment of the \$30.0 million term loan balance, the cash flow hedge agreement was terminated and settled in October 2010 for \$1.2 million. As a result of this termination, the \$1.2 million was recorded to interest expense in the third quarter of 2010.

The Credit Agreement is a senior secured obligation, secured by first liens on all of our U.S. tangible and intangible assets, including our accounts receivable and inventory. Additionally, a portion of the capital stock of our non-U.S.

subsidiaries has also been pledged as collateral.

Table of Contents

At September 30, 2010, \$9.8 million in letters of credit were issued and outstanding relating to our insurance programs. In addition, we had \$66.0 million outstanding under our revolving credit facility at September 30, 2010, leaving \$74.2 million of availability at that date. Additionally, we had \$3.1 million in letters of credit outstanding relating to foreign operations.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which requires us to make assumptions, estimates and judgments that affect the amounts reported. We periodically evaluate our estimates and judgments related to uncollectible accounts and notes receivable, customer returns, reserves for obsolete and slow moving inventory, impairments of long-lived assets, including goodwill and other intangibles and our valuation allowance for deferred tax assets. Our estimates are based on historical experience and on our future expectations that we believe to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

For additional discussion of our critical accounting estimates and policies, see Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2009. Our critical accounting policies have not changed materially since December 31, 2009.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates and changes in foreign currency rates. A discussion of our primary market risk exposure in financial instruments is presented below.

Interest Rate Risk

At September 30, 2010, we had \$69.8 million of variable rate debt including \$66.0 million outstanding under our credit facility, bearing interest at a weighted average of 6.07%. At the September 30, 2010 balance, a 200 basis point increase in market interest rates during 2010 would cause our annual interest expense to increase approximately \$1.4 million, resulting in a \$0.01 per diluted share reduction in annual net earnings.

In October 2010, we issued \$172.5 million of our Senior Notes, bearing interest at 4.0%. Following the completion of this offering, all outstanding balances under our term loan and revolving credit facility were repaid in full. As a result, substantially all of our outstanding debt is fixed rate debt.

Foreign Currency

Our principal foreign operations are conducted in certain areas of Europe and North Africa, Brazil, Canada, U.K. and Mexico. We have foreign currency exchange risks associated with these operations, which are conducted principally in the foreign currency of the jurisdictions in which we operate which include European euros, Canadian dollars and Brazilian reais. Historically, we have not used off-balance sheet financial hedging instruments to manage foreign currency risks when we enter into a transaction denominated in a currency other than our local currencies because the dollar amount of these transactions has not warranted our using hedging instruments.

Table of Contents

ITEM 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Based on their evaluation of our disclosure controls and procedures as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of September 30, 2010, the end of the period covered by this quarterly report.

Changes in internal control over financial reporting

There has been no change in internal control over financial reporting during the quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

The information set forth in the legal proceedings section of Note 6 Commitments and Contingencies, to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1.

ITEM 1A. Risk Factors

Information regarding risk factors appears in Item 1A to our Annual Report on Form 10-K for the year ended December 31, 2009. The risk factor described below updates, and should be read in conjunction with, the risk factors identified in our Annual Report on Form 10-K for the period ended December 31, 2009.

Our operations could be adversely impacted by restrictions on offshore drilling activity in the Gulf of Mexico.

In April 2010, the Deepwater Horizon drilling rig sank in the Gulf of Mexico after a blowout and fire, resulting in the ongoing discharge of oil from the well. Following the Deepwater Horizon oil spill, the Department of Interior of the U.S. government has taken several actions aimed at restricting and temporarily prohibiting certain drilling activity in the Gulf of Mexico. While the Department of Interior recently announced the formal end of the drilling moratorium placed in effect in May 2010, increased permitting requirements are applicable to both shallow water and deepwater drilling activities. As a result, the near-term outlook for drilling activity in the Gulf of Mexico remains uncertain. During the first nine months of 2010, we have generated approximately \$37 million of revenues from the area impacted by the restrictions, including \$8.1 million of revenue generated directly related to the Deepwater Horizon oil spill.

As a result of the restrictions imposed by the Department of Interior, our customers may possibly be forced to delay or cease operations in the areas impacted by the spill, resulting in less demand for our drilling fluids and waste disposal services. Further, our facilities on the coast of the Gulf of Mexico may be forced to suspend operations as a result of impacts from the restrictions, which could potentially result in a reduction in revenues or an increase in our costs. Depending on the scope of restrictions on Gulf of Mexico drilling activity, we expect revenues and operating income from this region to be lower in future periods, as compared to first nine months 2010 levels, for as long as the restrictions remain in effect.

In addition, we cannot predict whether changes in laws and regulations concerning operations in the Gulf of Mexico, or more generally throughout the U.S. will be enacted. Significant changes in regulations regarding future exploration and production activities in the Gulf of Mexico or other government or regulatory actions could reduce drilling and production activity, or increase the costs of our services, which could have a material adverse impact on our business.

Table of Contents**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(a) Not applicable

(b) Not applicable

(c) The following table details our repurchases of shares of our common stock, for the three months ended September 30, 2010:

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
July 1 - 31, 2010				\$ 9.9 million
August 1 - 31, 2010				\$ 9.9 million
September 1 - 30, 2010		\$		\$ 9.9 million
Total		\$		

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. (Removed and Reserved)**ITEM 5. Other Information**

Not applicable.

ITEM 6. Exhibits

- 31.1 Certification of Paul L. Howes pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of James E. Braun pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Paul L. Howes pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of James E. Braun pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

**NEWPARK RESOURCES, INC.
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.

Date: October 29, 2010

NEWPARK RESOURCES, INC.

By: /s/ Paul L. Howes

Paul L. Howes, President and
Chief Executive Officer
(Principal Executive Officer)

By: /s/ James E. Braun

James E. Braun, Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Gregg S. Piontek

Gregg S. Piontek, Vice President, Controller
and
Chief Accounting Officer
(Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

- 31.1 Certification of Paul L. Howes pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of James E. Braun pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Paul L. Howes pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.3 Certification of James E. Braun pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.