Independence Contract Drilling, Inc.
Form 424B4
August 11, 2014
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Filed pursuant to Rule 424(b)(4)
Registration No. 333-196914

10,000,000 Shares

Common Stock

Independence Contract Drilling, Inc. is offering 10,000,000 shares of its common stock. This is our initial public offering and no public market currently exists for our shares.

Two of our affiliates, Sprott Resource Corp. and 4D Global Energy Advisors SAS, have indicated that they each intend to purchase 600,000 shares of common stock in this offering.

Our common stock has been approved for listing on the New York Stock Exchange under the symbol ICD.

Investing in our common stock involves risks. See Risk Factors beginning on page 14.

PRICE $11.00 A SHARE

	Price to Public	Underwriting Discounts and Commissions(1)(2)	Proceeds to Company
Per Share	*$11.00*	*$0.7425*	*$10.2575*
Total	*$110,000,000*	*$6,534,000*	*$103,466,000*

(1) We refer to you to Underwriters (Conflicts of Interest) beginning on page 105 of this prospectus for additional information regarding underwriting compensation.
(2) We will not pay any underwriting discount or commission on 1,200,000 shares included in this offering.
We have granted the underwriters the right to purchase up to 1,500,000 additional shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state regulators have not approved or disapproved of the securities described herein, or determined if the information contained in this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock on or about August 13, 2014 through the book-entry facilities of The Depository Trust Company.

Morgan Stanley *RBC Capital Markets* *Tudor, Pickering, Holt & Co.*

Canaccord Genuity *Capital One Securities* *Cowen and Company*

FBR *IBERIA Capital Partners L.L.C.* *Johnson Rice & Company L.L.C.*
August 7, 2014

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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us or on behalf of us or to the information which we have referred you. Neither we nor the underwriters have authorized anyone to provide you with information different from that contained in this prospectus and any free writing prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters are offering to sell shares of common stock and seeking offers to buy shares of common stock only in jurisdictions where such offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of any sale of the common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. See Risk Factors and Cautionary Statement Regarding Forward-Looking Statements.

Until September 6, 2014 (25 days after the commencement of our initial public offering), all dealers that buy, sell, or trade shares of our common stock, whether or not participating in our initial public offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Industry and Market Data

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications and other published independent sources. Although we believe these third-party sources are reliable as of their respective dates, neither we nor the underwriters have independently verified the accuracy or completeness of this information. Some data is also based on our good faith estimates. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled Risk Factors. These and other factors could cause results to differ materially from those expressed in these publications.

Trademarks and Trade Names

We own or have rights to various trademarks, service marks and trade names that we use in connection with the operation of our business. This prospectus may also contain trademarks, service marks and trade names of third parties, which are the property of their respective owners. Our use or display of third parties trademarks, service marks, trade names or products in this prospectus is not intended to, and does not imply, a relationship with, or endorsement or sponsorship by us. Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus may appear without the ®, or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, service marks and trade names.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully before making an investment decision, including the information included under the headings Risk Factors, Cautionary Statement Regarding Forward-Looking Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and the notes to those financial statements appearing elsewhere in this prospectus. Unless otherwise indicated, all numbers of shares and per share amounts give effect to a 1.57-for-1 stock split in the form of a stock dividend on July 24, 2014. The information presented in this prospectus, unless otherwise indicated, assumes that the underwriters do not exercise their option to purchase additional shares of common stock.

Except as expressly stated or the context otherwise requires, the terms we, us, our, the company, Successor and refer to Independence Contract Drilling, Inc., and the terms GES, Predecessor or our predecessor refer to Global Energy Services Operating, LLC. We currently have no subsidiaries.

This prospectus includes certain terms commonly used in the oil and natural gas drilling industry, which are defined elsewhere in Annex A to this prospectus.

Our Company

We provide land-based contract drilling services for oil and natural gas producers targeting unconventional resource plays in the United States. We construct, own and operate a premium fleet comprised entirely of newly constructed, technologically advanced, custom designed ShaleDriller rigs that are specifically engineered and designed to optimize the development of our customers most technically demanding oil and gas properties. All of our operating rigs are currently drilling in the Permian Basin, but our rigs have previously operated in the Mid-Continent region and Eagle Ford Shale. We are focused on creating stockholder and customer value through our commitment to operational excellence and our focus on safety. We believe that we are strategically positioned to take advantage of the ongoing land-rig replacement cycle as the industry upgrades legacy fleets with premium rigs. We believe we will be able to expand our fleet and grow our business due to the shortage of the type of premium rigs and drilling services that we provide.

Our standardized fleet currently consists of eleven premium rigs. Of these eleven rigs, two are currently under construction and scheduled for completion in August and November of 2014, and one is being upgraded with an integrated multi-directional walking system scheduled for completion in October 2014. After this upgrade, nine of our eleven rigs will contain our integrated multi-directional walking system that is specifically designed to optimize pad drilling for our customers. We also have the option to upgrade our two non-walking rigs after completion of their existing contracts in 2015. Every ShaleDriller rig in our fleet is a 1500-hp, AC programmable rig (AC rig) designed to be fast-moving between drilling sites and is equipped with top drives, automated tubular handling systems and blowout preventer (BOP) handling systems. Nine of our eleven rigs are equipped with bi-fuel capabilities (they operate on either diesel or a natural gas-diesel blend). We currently intend to use a portion of the net proceeds from this offering and available borrowing capacity under our revolving credit facility to fund the construction of up to seven additional rigs for completion in 2015.

Our first rig began drilling in May 2012 and since that time, we have averaged 96% utilization. All of our operating rigs have been contracted prior to the completion of construction, and every rig has been constructed and commenced drilling operations in accordance with our customers delivery requirements. All of our eleven premium rigs are currently under contract with customers, and seven of our operating rigs are currently working under contracts that represent repeat business in which our customer has either renewed the contract or contracted a second rig. Although our ShaleDriller rig is capable of drilling in virtually any onshore area in the U.S., we currently focus our operations on unconventional resource plays located in geographic regions that we can efficiently support from our Houston, Texas facilities in order to maximize economies of scale.

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We believe our fleet standardization gives us several benefits, including:

- Consistent branding to customers, who can quickly understand the capabilities of our premium rigs rather than analyzing individual rig specifications within a non-uniform fleet;

- More efficient crew training, improved safety and increased flexibility for crew deployment, as most tasks and skills are transferable across the entire fleet; and

- Savings from lower maintenance spending, smaller inventories of spare items and reduced parts procurement costs due to interchangeability of assets among rigs.

Our rigs are designed to optimize drilling results in challenging geological environments and incorporate features that improve safety, increase efficiency and reduce environmental impacts. In addition to the top drives and automated tubular handling systems with which all of our rigs are equipped, we believe the following designs and features maximize the value proposition of our ShaleDriller rig to our customers and will increase our ability to realize higher dayrates and utilization across industry cycles:

- *AC Programmable.* AC rigs use a variable frequency drive that allows precise computer control of motor speed during operations. This greater control of motor speed provides more precise drilling of the wellbore. Among other attributes, when compared to electrical silicon-controlled rectifier (SCR) rigs and mechanical rigs, AC rigs are electrically more efficient, produce consistent torque, utilize regenerative braking, and have digital controls and AC motors that require less maintenance. AC rigs allow our customers to drill faster, which, in general, eliminates reservoir permeability damage, and to drill wellbores that more precisely track planned trajectories without doglegs. This, in turn, minimizes open hole time and enables our customers to more effectively and efficiently run casing, cement and successfully complete their wells.

- *Pad Optimized, Multi-Directional Walking System.* Our multi-directional walking system is engineered and designed as an integrated part of our ShaleDriller rig s substructure to optimize pad drilling economics for our customers. Pad drilling involves the drilling of multiple wells from a single location, which provides benefits to the E&P company in the form of cost savings and accelerated cash flows. Our walking system allows our rigs to move in any direction quickly between wellheads, rapidly and efficiently adjust to misaligned wellbores, walk over raised wellheads, and increase operational safety due to fewer required rig up and rig down movements. We believe the advanced features of this walking system have enabled us to achieve higher premium dayrates and utilization.

- *Bi-Fuel Capable.* Nine of our eleven ShaleDriller rigs are bi-fuel capable. Bi-fuel operations can offer a reduction in carbon emissions and provide significant fuel cost savings for our customers.

- *Efficient Mobilization Between Drilling Sites.* A rig that can rapidly move between drilling sites has become increasingly desired by, and impactful to, E&P companies because it reduces cycle times allowing them to drill more wells in the same period of time. In addition to being specifically designed for moving between wells on a pad, our ShaleDriller rig is designed to move rapidly on conventional rig moves between drilling sites. Our custom designed substructure moves in a single semi-trailer load and allows for automated and rapid rig up and rig down without the use of cranes. This significantly reduces overall move time compared to a traditional substructure design, provides cost savings to our customers, and enables a safer rig up and rig down process.

1500-hp Drawworks. All of our rigs are powered with 1500-hp drawworks, which we believe are well suited for the development of the vast majority of our customers unconventional resource assets. Compared to a 1000-hp or smaller rig, a 1500-hp rig has superior capability to handle extended drill strength lengths required to drill long horizontal wells, which are becoming more common in our markets.

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BOP Handling Systems. Our BOP handling system allows precise control and positioning of the BOP stack via remote control and removes the handling of the BOP stack from the critical path of well operations. BOP handling systems also enable the drilling rig to walk from well to well by suspending the BOP stack from the substructure. BOP handling systems provide a safer and more efficient BOP handling operation when compared to conventional methods, which require lifting of the BOP by third party rental equipment or through use of the rig s traveling block.

We have assembled what we believe is a highly motivated and experienced senior management and operational team with the goal of providing the maximum value proposition to our customers through a focus on safety and operational excellence. Members of our executive management and senior operational team bring an average of over 25 years of experience in the energy sector. As of June 30, 2014, our rigs were operated by field and rig-level managers with an average of over 16 years of experience.

Industry Trends

Due to advances in drilling and completion techniques as well as favorable commodity prices, many E&P companies continue to invest substantial amounts of capital into onshore unconventional resource plays. As a result, land-based contract drilling providers have entered into a replacement cycle directed at replacing legacy SCR and mechanical rigs with premium rigs capable of meeting the increasing well complexity requirements of E&P companies. We believe the following industry trends have created a shortage of premium rigs and ongoing demand for our premium land-based contract drilling services:

- Continued increases in horizontal drilling activity;
- Shift to developmental drilling;
- Increased use of pad drilling;
- Shift to longer lateral lengths; and
- Significant investments by customers demanding operational efficiency and safety.

Our Competitive Strengths

We believe the following competitive strengths allow us to provide our customers with an optimal value proposition:

Premium Rig Fleet with 100% High-Specification Rigs. We operate one of the newest, most technologically advanced fleets in the industry based on the percentage of our fleet meeting the specifications discussed below. All of our rigs are fast-moving, 1500-hp AC rigs. Our ShaleDriller rigs are capable of drilling long laterals at significant depths more quickly, safely and efficiently when compared to legacy SCR and mechanical rigs. Our rigs have drilled some of the longest horizontal wells to date in the Permian Basin, including a well with a lateral section in excess of 13,980 feet. Nine of our eleven rigs are equipped with, or being upgraded with, multi-directional walking systems capable of drilling on our customers most challenging pad drilling applications. We have the option to upgrade our two non-walking rigs upon completion of their existing term contracts in 2015. Utilizing the ShaleDriller s multi-directional walking system, operators can complete one well, move to the next well location on a pad, and begin drilling in less than three hours. Our ShaleDriller rigs have successfully enabled batch drilling, and one is currently drilling on a pad designed for more than 40 wells where it has walked over 300 feet between wells. Nine of our eleven rigs are bi-fuel capable, and our two non-bi-fuel rigs can be rapidly converted to meet customer requirements. We believe a shortage remains of high-specification, AC programmable land drilling rigs like the ShaleDriller needed to develop unconventional resources efficiently. Since we began operations, our rig fleet has experienced overall fleet utilization of 96%, and our multi-directional walking rigs have experienced overall utilization exceeding 99%. We believe our fleet profile allows us to command premium dayrates and maintain higher fleet utilization compared to our competitors with legacy SCR and mechanical rigs, even during periods of reduced demand.

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Scalable and Cost Effective Rig Construction Process. We designed our ShaleDriller rig to meet the most challenging technical needs of our customers, and we oversee all aspects of its construction and branding. We construct our rigs utilizing a network, modular manufacturing process. We select key outside vendors who manufacture major components and subassemblies of our rigs to our engineering designs and specifications, with oversight by our quality assurance and control staff. Our drilling crews are intimately involved in our rig construction process. The drilling crew that will operate the rig assembles, tests and commissions the rig, rigs it down and moves with the rig to its initial drilling operation. We believe our rig construction approach provides us with several key advantages including:

- Control over our ShaleDriller brand, including control over all design and equipment changes;
- Increased operational performance due to the seamless transition of our drilling rigs from construction to drilling;
- Enhanced crew training and reinforcement of our culture of personal performance, accountability and teamwork as the rig crews acquire valuable knowledge of our ShaleDriller rig throughout the rig construction process;
- The ability to stop or accelerate rig construction operations in response to market conditions without excessive financial or operational stress on us; and
- Significant savings compared to costs associated with purchasing, commissioning and fully outfitting a rig from a third-party manufacturer.

Strong Presence in Liquids-Rich Basins. All of our rigs are currently operating in the Permian Basin, which we believe provides the ideal anchor basin from which we can successfully grow and expand into other geographical areas. We have also operated in the Mid-Continent region and Eagle Ford Shale. We currently focus on these markets because they provide attractive economics for E&P companies, and we can support these operations logistically from our facilities in Houston, Texas. Each of these regions is experiencing growing demand for the type of premium drilling services that we provide through our technologically advanced fleet. We view the Permian Basin as an ideal anchor basin because of its existing infrastructure and high oil and liquids-rich natural gas content among multiple horizontal target horizons, or stacked formations, and the trend by Permian operators towards increased utilization of horizontal drilling techniques and pad drilling. We believe this production environment and the basin s ongoing transition from SCR and mechanical rigs to more advanced and efficient rigs provides excellent growth opportunities for the utilization of our pad-optimized ShaleDriller rig.

Management Experience and Industry Relationships. Our management team brings a successful track record of starting and building profitable drilling, oilfield services and equipment manufacturing businesses, managing high-growth public companies, and executing successful growth and acquisition strategies. We believe this management experience and related industry relationships have provided us with credibility to targeted E&P customers with significant investments and activity in our target markets. All of our eleven premium rigs are currently under contract with customers, and seven of our operating rigs are currently working under contracts that represent repeat business in which our customer has either renewed the contract or contracted a second rig.

Strong Balance Sheet with Financial Flexibility. As of March 31, 2014, on an as adjusted basis after giving effect to this offering and use of proceeds, we would have cash on hand of approximately $66.4 million and $78.8 million in availability under our $125 million revolving credit facility. We believe the cash on our balance sheet, cash flows from operations and borrowing capacity under our revolving credit facility will be sufficient to fund our near-term growth plan and construct up to seven additional rigs for completion during 2015.

Culture of Ownership Focused on Operational Excellence and Safety. We believe that we have assembled a highly motivated, experienced team of skilled employees with a focus on safety and operational excellence. We

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believe our rig crews value the opportunity to work for a fast-growing premium contract driller under experienced leadership with new, modern drilling equipment. Our training encourages our rig crews to take ownership of their rigs beginning with their involvement in the construction process. We believe their in-depth knowledge of the rig and its capabilities allows them to immediately deliver superior value for our customers as soon as the rig begins operations in the field.

Our Business Strategy

Our principal business objectives are to profitably grow our business and increase stockholder value. We expect to achieve these objectives through the following strategies:

Continuing to Focus on Safety and Operational Efficiency. Our incentive compensation programs are designed to directly align all levels of our operations with our strategic goal of providing the highest level of service through a focus on safety and operational efficiency while maintaining a cost effective operating structure. We believe we are one of only a few land drilling contractors who have implemented a safety management system compliant with the U.S. Bureau of Safety and Environmental Enforcement s SEMS II workplace safety rules. These workplace rules are independently developed standards applicable to offshore oil and natural gas operations in U.S. federal waters, which we believe also provide enhanced safety practices for our onshore activities. In addition, we have implemented proven training programs to enhance competency and prepare for future workforce needs. We intend to maintain and enhance our organizational culture to promote a safer work environment, and to maximize operational performance and value for our customers.

Capitalizing on Growth in Developmental Drilling in Unconventional Resource Plays. We intend to continue to focus our services in demanding unconventional resource plays with what we view as long-term development potential, where we believe our ShaleDriller rig and operating strategy will provide superior returns. Due to advances in drilling and completion technologies as well as favorable commodity prices, E&P companies continue to invest significant capital into onshore unconventional resource plays, which are economically more attractive relative to other domestic and international oil and natural gas opportunities. Our premium rigs features are specifically designed to efficiently and economically address the technical challenges posed by these and other resource plays where horizontal drilling is utilized.

Accelerating Expansion of our New-Build Rig Fleet. We believe that we are strategically positioned to take advantage of the shortage in our target markets of the type of premium rigs and contract drilling services we provide. Utilizing a portion of the proceeds from this offering, operating cash flow and borrowing capacity under our revolving credit facility, we intend to accelerate the expansion of our ShaleDriller rig fleet by constructing up to an additional seven rigs equipped with multi-directional walking systems for completion during 2015. Compared to our competitors, we have one of the newest, most advanced drilling fleets in our industry, and we do not own or operate any legacy drilling equipment. As a result, our advanced new-build rigs do not require costly upgrades to meet increasing customer demands in unconventional resource plays. Unlike our competitors with legacy SCR and mechanical rigs, we are not experiencing technical disruptions from the roll-out of new rigs with advanced features that we believe are reducing the utilization and profitability of legacy rigs.

Expanding Customer Relationships. We target customers who have significant investments in our target markets, who value safe and efficient operations and who have the financial stability to drill through industry cycles and enter into long-term relationships with us. We believe there is significant opportunity to gain market share by providing our customers with superior service and advanced rig capabilities. We seek to deliver the best value to our customers through our dual focus on safety and operating efficiencies. Our existing and recent customer base includes high quality, well-known operators such as Anadarko Petroleum Corporation, Apache Corporation, BOPCO, L.P., COG

Operating, LLC, a subsidiary of Concho Resources Inc., Laredo Petroleum, Inc., Newfield Exploration Company, Pioneer Natural Resources USA, Inc. and Rosetta Resources Operating, L.P. We will seek to diversify our customer base while maintaining strong relationships with existing top-tier customers in our target markets. We seek to balance the goals of maximizing the length of our customer contracts to provide stability and visibility into our future revenues, on the one hand, and seeking to balance our desire to maximize dayrates for our advanced rig fleet, on the other hand.

Predecessor and Corporate History

We were incorporated in November 2011 but did not have meaningful operations until March 2012. In March 2012, we acquired substantially all of the rig manufacturing and related field service assets and intellectual property (the GES assets) of Global Energy Services Operating, LLC (GES), including GES Houston-based manufacturing facility (the Houston Facility), which we currently use to construct our rig fleet. The Houston Facility is located on 14.6 acres in northwest Houston. The rig intellectual property acquired by us included the detailed rig designs, drawings and technical expertise associated with the engineering and construction of an established, fast-moving AC rig, which formed the basis for the design of our multi-directional walking ShaleDriller rig. We also hired substantially all of GES employees dedicated to the acquired operations. We believe this acquisition provided us with the necessary infrastructure and asset platform required to accelerate the introduction of our ShaleDriller rig into our target markets and secure initial contracts with key customers. In exchange for the GES assets, we issued approximately 1.6 million shares of our common stock and a warrant to purchase approximately 2.2 million shares of our common stock (the GES Warrant), and we assumed approximately $2.1 million of long-term indebtedness from GES. Because we had only limited operations before the GES acquisition and we succeeded to substantially all of the ongoing operations of GES, GES is considered our predecessor for accounting purposes.

Contemporaneously with the acquisition of the GES assets, we acquired cash balances and two drilling contracts from an affiliate, Independence Contract Drilling LLC (referred to as RigAssetCo) in exchange for approximately 2.4 million shares of our common stock. As a condition to the completion of these two transactions, we also closed a private placement of shares of our common stock resulting in net proceeds to us of $98.4 million. We used the net proceeds of the private placement primarily to continue the construction of our ShaleDriller rig fleet and expansion of our operating capacity, and to repay the indebtedness assumed from GES. We refer to the GES and RigAssetCo transactions, together with the private placement of common stock, collectively as the GES Transaction.

Risk Factors

An investment in our common stock involves a high degree of risk. You should consider carefully all of the risks described below, together with the other information contained in this prospectus, before making a decision to invest in our common stock. If any of the following events occur, our business, results of operations, financial condition and ability to timely and successfully implement our growth strategy (including planned rig construction) may be materially adversely affected. In that event, the value of our securities could decline, and you could lose all or part of your investment.

We derive all our revenues from companies in the oil and gas exploration and production industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility in oil and gas prices.

Our limited operating history and growth of our business make it difficult to evaluate our business.

We cannot assure you that we will timely complete the construction of our planned additional rigs in 2014 and 2015. A significant delay in the completion of their construction could materially and adversely affect our ability to execute our growth strategy.

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- Our growth strategy will likely require that we commit to the construction of new drilling rigs prior to securing an executed contract for its use. The inability to secure drilling contracts for our new rigs promptly following the completion of their construction could materially and adversely affect our financial condition.

- Any loss of large customers could have a material adverse effect on our financial condition and results of operations.

- Six of our current drilling contracts are scheduled to terminate in 2015. We cannot assure you that each of our existing contracts will be renewed with existing customers at favorable pricing, or if terminated, that we will be able to immediately secure a new contract with a new customer.

- Our operations involve operating hazards, which if not insured or indemnified against, could adversely affect our results of operations and financial condition.

- We operate in a highly competitive, fragmented industry in which price competition could reduce our profitability.

- We face competition from many competitors with greater resources and greater ability to rapidly respond to changing customer requirements.

- New technology may cause our drilling methods or equipment to become less competitive.

- Reduced demand for or excess capacity of drilling services could adversely affect our profitability.

- We depend on the services of key executives, the loss of whom could materially harm our business.

- We depend on a limited number of vendors, some of which are thinly capitalized and the loss of any of which could disrupt our operations.

- Federal and state legislative and regulatory initiatives related to hydraulic fracturing could result in operating restrictions or delays in the completion of oil and natural gas wells that may reduce demand for our activities and could adversely affect our financial position, results of operations and cash flows.

For a discussion of these risks and other considerations that could negatively affect us, including risks related to this offering and our common stock, see Risk Factors and Cautionary Statement Regarding Forward-Looking Statements.

Emerging Growth Company

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act (the JOBS Act). For as long as we are an emerging growth company, unlike public companies that are not emerging growth companies under the JOBS Act, we are not required to:

- provide an auditor s attestation report on management s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002;

- provide audited financial statements and related management s discussion and analysis of financial condition and results of operations for periods preceding those contained in this prospectus;

- comply with any new requirements adopted by the Public Company Accounting Oversight Board (the PCAOB) requiring mandatory audit firm rotation or a supplement to the auditor s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;

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- provide certain disclosure regarding executive compensation required of larger public companies or hold stockholder advisory votes on executive compensation required by the Dodd-Frank Wall Street Reform and Consumer Protection Act; or

- obtain stockholder approval of any golden parachute payments not previously approved.

We will cease to be an emerging growth company upon the earliest of:

- the last day of the fiscal year in which we have $1.0 billion or more in annual revenues;

- the date on which we become a large accelerated filer, as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), which generally requires more than $700 million in market value of our common units held by non-affiliates as of June 30 of the year such determination is made;

- the date on which we issue more than $1.0 billion of non-convertible debt over a three-year period; or

- the last day of the fiscal year following the fifth anniversary of our initial public offering.

We may choose to take advantage of some but not all of these reduced obligations. We have availed ourselves of the reduced reporting obligations with respect to financial statements, selected financial data, management s discussion and analysis of financial condition and results of operations and executive compensation disclosure in this prospectus and expect to continue to avail ourselves of the reduced reporting obligations available to emerging growth companies in future filings. For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may be different than information provided by other public companies in which you hold equity interests.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the Securities Act), for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

Principal Executive Offices and Internet Address

Our principal executive offices are located at 11601 North Galayda Street, Houston, Texas 77086, and our telephone number at that address is (281) 598-1230. Our website address is www.icdrilling.com. We expect to make our periodic reports and other information filed with or furnished to the Securities and Exchange Commission (the SEC) available free of charge through our website as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. The information on, or otherwise accessible through, our website or any other website does not constitute a part of this prospectus.

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The Offering

Common stock offered by us	10,000,000 shares.
Common stock to be outstanding after our initial public offering(1)	22,855,155 shares (or 24,355,155 shares, if the underwriters exercise in full the over-allotment option).
Over-allotment option offered by us	1,500,000 shares.
Use of proceeds	We expect to receive approximately $101.4 million of net proceeds from the sale of the common stock offered by us after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use a portion of the net proceeds from this offering to repay outstanding amounts under our existing revolving credit facility. The remaining net proceeds will be used to finance the construction of additional drilling rigs and for working capital and general corporate purposes. Please read Use of Proceeds.
Conflicts of Interest	A portion of the net proceeds from this offering will be used to repay borrowings under our revolving credit facility. Because affiliates of Morgan Stanley & Co. LLC and Capital One Securities, Inc. are lenders under our revolving credit facility and will each receive 5% or more of the net proceeds of this offering due to such repayment, each of Morgan Stanley & Co. LLC and Capital One Securities, Inc. are deemed to have a conflict of interest under Rule 5121 of the Financial Industry Regulatory Authority, Inc. (FINRA). As a result, this offering will be conducted in accordance with FINRA Rule 5121, which requires, among other things, that a qualified independent underwriter has participated in the preparation of and has exercised the standards of due diligence with respect to the registration statement and this prospectus. RBC Capital Markets, LLC has agreed to act as qualified independent underwriter for the offering and to undertake legal responsibilities and liabilities, of an underwriter under the Securities Act specifically including those inherent in Section 11 of the Securities Act. See Use of Proceeds and Underwriters (Conflicts of Interest).
Dividend policy	

We do not anticipate paying any cash dividends on our common stock. In addition, our revolving credit facility places restrictions on our ability to pay cash dividends. Please read Dividend Policy.

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Directed share program	The underwriters have reserved for sale at the initial public offering price up to 5% of the common stock being offered by this prospectus for sale to our employees, executive officers, directors, director nominees, business associates and related persons who have expressed an interest in purchasing common stock in this offering. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Please read Underwriters (Conflicts of Interest).
Risk factors	You should carefully read and consider the information set forth under the heading Risk Factors beginning on page 14 and all other information set forth in this prospectus before deciding to invest in our common stock.
Listing and trading symbol	Our shares of common stock have been approved for listing on the New York Stock Exchange (the NYSE) under the symbol ICD.

(1) The common stock to be outstanding after our initial public offering includes 457,255 shares of restricted common stock with an aggregate value of $5,029,800 to be issued by us to our officers and directors upon the consummation of this offering. The outstanding shares of common stock above excludes (a) 2,198,000 shares of common stock issuable upon the exercise of an outstanding warrant held by GES and (b) 2,719,640 shares of common stock reserved for issuance but unissued under our equity incentive plan, including options to purchase 963,196 shares of common stock issued thereunder and shares of common stock issuable upon grants pursuant to performance-based awards with an aggregate target value of $3,353,200 over a three-year performance period.

Unless we indicate otherwise or the context otherwise requires, all information in this prospectus assumes no exercise of the underwriters option to purchase additional shares of our common stock.

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Summary Historical Financial Data

The following tables summarize our historical financial data. We have derived our summary historical financial data as of and for the three months ended March 31, 2014 and March 31, 2013 from our unaudited financial statements included elsewhere in this prospectus, and as of and for the years ended December 31, 2013 and December 31, 2012 from our audited financial statements included elsewhere in this prospectus. Prior to completion of the GES Transaction on March 2, 2012, we did not have meaningful operations. We have derived the summary historical financial data of GES, our predecessor, for the period from January 1, 2012 through March 1, 2012 from their audited financial statement included elsewhere in this prospectus. Our predecessor s line of business was substantially different from ours, and you should not evaluate our results based on our predecessor, or consider our results and those of our predecessor on a combined basis. Our historical results are not necessarily indicative of the results that we may achieve in the future. The following summary other financial and operating data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and related notes included elsewhere in this prospectus.

	Successor Independence Contract Drilling, Inc.				Predecessor
	Three Months Ended		Year Ended		
	March 31, 2014	March 31, 2013	December 31, 2013	December 31, 2012	January 1, 2012 through March 1, 2012
	(dollars in thousands, except operating data)				
Statement of operations data[1]:					
Revenues	$ 13,549	$ 8,257	$ 42,786	$ 15,123	$ 7,698
Operating costs	8,777	5,937	28,401	15,400	6,973
Selling, general and administrative	2,094	2,098	8,911	7,813	1,383
Depreciation and amortization	3,416	2,125	10,186	5,904	92
Asset impairment[2]	4,650				
Gain on disposition of assets	(189)	(41)	(55)		
Total cost and expenses	18,748	10,119	47,443	29,117	8,448
Operating loss	(5,199)	(1,862)	(4,657)	(13,994)	(750)
Interest expense, net	(394)		(257)	(10)	(15)
Loss on forgiveness of related party balances[3]					(6,063)
Gain (loss) on warrant derivative[4]	3	(433)	1,035	3,655	
Loss before income taxes	(5,590)	(2,295)	(3,879)	(10,349)	(6,828)
Income tax benefit	(1,885)	(599)	(1,882)	(5,401)	(2,149)
Net loss	$ (3,705)	$ (1,696)	$ (1,997)	$ (4,948)	$ (4,679)

Cash flow data:

Net cash provided by (used in) operating activities	$ (4,737)	$ 1,536	$ 5,997	$ (8,337)	$ (3,857)
Net cash used in investing activities	(11,968)	(14,150)	(59,273)	(49,743)	(18)
Net cash provided by (used in) financing activities	17,086	(37)	18,599	95,486	(25)
Balance sheet data:					
Total assets	$ 202,346	$ 163,988	$ 184,968	$ 167,436	
Long-term debt	38,097		19,780		
Total liabilities	60,625	20,472	40,096	22,736	
Total stockholders equity	$ 141,721	$ 143,516	144,872	144,700	
Other financial and operating data:					
Adjusted EBITDA[(2)]	$ 3,315	$ 683	$ 7,280	$ (6,207)	
Number of completed rigs (end of period)	6	4	7	4	
Rig operating days	607	327	1,745	472	
Average number of operating rigs	6.74	3.63	4.78	1.29	
Rig utilization	100%	91%	96%	97%	
Average revenue per operating day	$ 20,918	$ 22,740	$ 21,351	$ 19,528	
Average cost per operating day	$ 12,697	$ 13,187	$ 12,632	$ 15,787	
Average rig margin per operating day	$ 8,221	$ 9,553	$ 8,719	$ 3,740	

(1) There are no other components of comprehensive income or loss.

(2) Adjusted EBITDA is a supplemental non-GAAP measure. Please read below under Non-GAAP Financial Measure.

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(2) Represents asset impairment expense associated with damage sustained to the mast and other operating equipment of one of our non-walking rigs during the three months ended March 31, 2014. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013 Asset Impairment.

(3) Represents amounts owed to our predecessor by its affiliate that were forgiven in the GES Transaction.

(4) Represents a gain associated with the decrease in estimated fair value of the warrant to purchase approximately 2.2 million shares issued to GES in the GES Transaction. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Comparability of Historical Operating and Financial Results.

Non-GAAP Financial Measure

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We define EBITDA as earnings (or loss) before interest, taxes, depreciation, and amortization, and we define Adjusted EBITDA as EBITDA before stock-based compensation, gain/loss on warrant derivative liability and non-cash asset impairments. Adjusted EBITDA is not a measure of net income as determined by U.S. generally accepted accounting principles (GAAP).

Management believes Adjusted EBITDA is useful because it allows us and our stockholders to more effectively evaluate our operating performance and compare the results of our operations from period to period and against our peers without regard to our financing methods or capital structure. We exclude the items listed above from net income (loss) in calculating Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income (loss), the most closely comparable financial measure calculated in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company s financial performance, such as a company s cost of capital and tax structure, as well as stock-based compensation and the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our results will be unaffected by unusual or non-recurring items. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

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The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most closely comparable financial measure calculated in accordance with GAAP.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Year Ended December 31, 2013	Year Ended December 31, 2012
	(in thousands)			
Net loss	$ (3,705)	$ (1,696)	$ (1,997)	$ (4,948)
Add back:				
Income tax benefit	(1,885)	(599)	(1,882)	(5,401)
Interest expense, net	394		257	10
Depreciation and amortization	3,416	2,125	10,186	5,904
EBITDA	(1,780)	(170)	6,564	(4,435)
Stock-based compensation	448	420	1,751	1,883
(Gain) loss on warrant derivative liability	(3)	433	(1,035)	(3,655)
Non-cash asset impairment	4,650			
Adjusted EBITDA	$ 3,315	$ 683	$ 7,280	$ (6,207)

Recent Developments

During the three months ended June 30, 2014, we completed the construction of our ninth ShaleDriller rig, which spudded its initial well on June 9, 2014 under a multi-year contract. The following summarizes certain operating data during this three-month period:

Number of Completed Rigs (end of period)(1):	8
Rig Operating Days:	636
Average number of operating rigs:	6.99
Rig Utilization:	100%

(1) Excludes one completed rig undergoing an upgrade to add our multi-directional walking system to the rig.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should consider carefully all of the risks described below, together with the other information contained in this prospectus, before making a decision to invest in our common stock. If any of the following events occur, our business, results of operations, financial condition and ability to timely and successfully implement our growth strategy (including planned rig construction) may be materially adversely affected. In that event, the value of our securities could decline, and you could lose all or part of your investment.

Risks Relating to the Oil and Gas Industry

We derive all our revenues from companies in the oil and gas exploration and production industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility in oil and gas prices.

As a provider of land-based contract drilling services, our business depends on the level of exploration and production activity by oil and gas companies operating in the U.S., and in particular, the regions where we actively market our contract drilling services. The oil and gas exploration and production industry is a historically cyclical industry characterized by significant changes in the levels of exploration and development activities. Oil and gas prices and market expectations of potential changes in those prices significantly affect the levels of those activities. Worldwide political, regulatory, economic, and military events as well as natural disasters have contributed to oil and gas price volatility and are likely to continue to do so in the future. Any prolonged reduction in the overall level of exploration and development activities in the U.S. and the regions where we market our contract drilling services, whether resulting from changes in oil and gas prices or otherwise, could materially and adversely affect us in many ways by negatively impacting:

- our revenues, cash flows and profitability;
- the fair market value of our drilling rig fleet and other assets;
- our ability to obtain additional debt and equity capital required to implement our rig construction and growth strategy, and the cost of that capital; and
- our ability to retain skilled rig personnel whom we need to implement our growth strategy.

Depending on the market prices of oil and gas, oil and gas exploration and production companies may cancel or curtail their drilling programs and may lower production spending on existing wells, thereby reducing demand for our services. Many factors beyond our control affect oil and gas prices, including, but not limited to:

- the cost of exploring for, producing and delivering oil and gas;

the discovery and development rate of new oil and gas reserves, especially shale and other unconventional gas resources for which we market our rigs;

the rate of decline of existing and new oil and gas reserves;

available pipeline and other oil and gas transportation capacity;

the levels of oil and gas storage;

the ability of oil and gas exploration and production companies to raise capital;

economic conditions in the U.S. and elsewhere;

actions by the Organization of Petroleum Exporting Countries;

political instability in the Middle East and other major oil and gas producing regions;

governmental regulations, sanctions and trade restrictions, both domestic and foreign;

domestic and foreign tax policy;

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- weather conditions in the U.S.;
- the pace adopted by foreign governments for the exploration, development and production of their national reserves;
- the price of foreign imports of oil and gas;
- the overall supply and demand for oil and gas; and
- the development of alternate energy sources and the long-term effects of worldwide energy conservation measures.

Oil and natural gas prices have been volatile historically and, we believe, will continue to be so in the future. During 2009, oil and natural gas prices fell significantly below the levels seen in late 2008, and while oil prices have improved since 2009, natural gas prices have remained depressed. For example, the average closing price for the Cushing WTI Spot Oil Price for each calendar year since 2009 has ranged from $61.65/bbl to $97.91/bbl. The average closing price for the Henry Hub Natural Gas Spot Price for each calendar year since 2009 has ranged from $2.75/mcf to $4.48/mcf. Future declines and volatility in oil and gas prices could materially and adversely affect our business, results of operations, financial condition and growth strategy.

Oil and natural gas prices, and market expectations of potential changes in these prices, significantly impact the level of worldwide drilling and production services activities. Reduced demand for oil and natural gas generally results in lower prices for these commodities and may impact the economics of planned drilling projects and ongoing production projects, resulting in the curtailment, reduction, delay or postponement of such projects for an indeterminate period of time. When drilling and production activity and spending decline, both dayrates and utilization have also historically declined. Declines in oil and natural gas prices and the general economy could materially and adversely affect our business, results of operations, financial condition and growth strategy.

In addition, if oil and natural gas prices decline, companies that planned to finance exploration, development or production projects through the capital markets may be forced to curtail, reduce, postpone or delay drilling activities, and also may experience an inability to pay suppliers. Adverse conditions in the global economic environment could also impact our vendors and suppliers ability to meet obligations to provide materials and services in general. If any of the foregoing were to occur, it could have a material adverse effect on our business and financial results and our ability to timely and successfully implement our growth strategy.

Risks Related to our Business

Our limited operating history and growth of our business make it difficult to evaluate our business.

We were formed in November 2011. As a result, there is only limited historical financial and operating information available upon which to base your evaluation of our performance. In addition, the growth in our business to date and the expected continued growth and number of operating rigs will make historical performance less representative of performance in future periods.

A significant delay in the completion of the construction of our planned additional rigs in 2014 and 2015 could materially and adversely affect our ability to execute our growth strategy.

Following completion of this offering, we expect to have approximately $34.6 million in cash and $89.2 million of availability under our $125.0 million revolving credit facility available to us to fund our growth strategy. Our borrowing base under this revolving credit facility will increase upon each of our additional rigs placed into service and spudding of its initial well. Our growth strategy requires us to invest significant funds in the construction of new ShaleDriller rigs and the skilled crews and personnel necessary to operate these rigs. We also will be required to invest significant capital into our facilities and the corporate infrastructure and overhead necessary to operate and manage a publicly-traded company.

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We expect to have eleven rigs operating by the end of 2014 and to complete the construction of up to an additional seven rigs by the end of 2015. It typically takes six to seven months to order and receive long lead time items and construct a ShaleDriller rig, with a significant portion of the costs required to be invested at the beginning of the process in order to procure the longer lead time items, such as variable frequency drive (VFD) houses and drillers cabins, masts and substructures, motors, blowout preventers (BOPs), top drives and drill pipe.

While we intend to immediately begin investing the proceeds from this offering into the construction of our state-of-the-art ShaleDriller rigs, we cannot assure you of the quantity and timing of the construction and completion of those rigs. The speed at which we will be able to construct rigs is dependent on a variety of factors, including our ability to obtain favorable drilling contracts, our ability to continue to successfully ramp-up rig construction at our facility, and our ability to acquire certain critical rig components from third party vendors. If we experience significant delays in the implementation of our business strategy, our growth strategy and long-term results of operations and financial condition could be adversely affected.

Our growth strategy will likely require that we commit to the construction of new drilling rigs prior to securing an executed contract for its use. The inability to secure drilling contracts for our new rigs promptly following the completion of their construction could materially and adversely affect our financial condition.

We currently do not have a drilling contract for any of our additional planned newbuild rigs. Because much of the equipment and parts required for the construction of our rigs must be ordered in advance, our growth strategy will likely require that we make significant purchases of equipment, and commit to constructing our rigs, prior to having executed customer contracts for their use. If we are unable to timely secure drilling contracts for all of our newly constructed rigs, it could materially and adversely affect our financial condition.

Any loss of large customers could have a material adverse effect on our financial condition and results of operations.

Our customer base consists of exploration and production companies that drill oil and gas wells in the United States in the regions where we market our rigs. We currently have executed eleven drilling contracts (including for two rigs under construction) with seven different customers, including Apache Corporation, BOPCO, L.P., COG Operating, LLC, a subsidiary of Concho Resources Inc., Elevation Resources LLC, Laredo Petroleum, Inc., Parsley Energy, LP and Pioneer Energy Resources USA, Inc., each of whom constitutes more than 10% of our existing revenues. Furthermore, it is likely that we will continue to derive a significant portion of our revenue from a relatively small number of customers in the future. Daywork contracts in the contract drilling industry typically do not obligate those customers to order additional services from the drilling contractor beyond those for which they have currently contracted. If a major customer decided not to continue to use our services or to terminate an existing contract, or if there is a change of management or ownership of a major customer, revenue would decline and our business, results of operations, financial condition and growth strategy could be adversely affected.

Six of our current drilling contracts are scheduled to terminate in 2015. If we are unable to renew our current drilling contracts at favorable pricing, or alternatively secure new contracts at favorable pricing, it could have a material and adverse effect on our results of operations and financial condition.

All of our current drilling contracts have original or current extended terms of between 12 and 24 months. In any event, our contracts provide that our customers may terminate at any time upon payment to us of an early termination payment. Six of our current drilling contracts have terms expiring in 2015. Our customers have no obligation to extend the term of any drilling contract and may elect to release the rig. We cannot assure you that any particular contract will be renewed, or if terminated, that a replacement contract could be immediately secured. The failure to renew or timely replace one or more of our existing drilling contracts could have a material and adverse effect on our results of operations and financial condition.

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Our operations involve operating hazards, which if not insured or indemnified against, could adversely affect our results of operations and financial condition.

Our operations are subject to the many hazards inherent in the drilling and well services industries, including the risks of:

- personal injury and loss of life;
- blowouts;
- cratering;
- fires and explosions;
- loss of well control;
- collapse of the borehole;
- damaged or lost drilling equipment; and
- damage or loss from extreme weather and natural disasters.

Any of these hazards can result in substantial liabilities or losses to us from, among other things:

- suspension of operations;
- damage to, or destruction of, our property and equipment and that of others;
- damage to producing or potentially productive oil and gas formations through which we drill; and
- environmental damage.

Although, we seek to protect ourselves from some but not all operating hazards through insurance coverage, some risks are either not insurable or insurance is available only at rates that we consider uneconomical. Depending on competitive conditions and other factors, we attempt to obtain contractual protection against uninsured operating risks from our customers. However, customers who provide contractual indemnification protection may not in all cases maintain adequate insurance or otherwise have the financial resources necessary to support their indemnification obligations. Our insurance or indemnification arrangements may not adequately protect us against liability or loss from all the hazards of our operations. For example, during March 2014, we experienced damage to the mast of one of our operating rigs that removed the rig from operations for a period of time, during which we were not compensated. We do not carry loss of business insurance for this rig being out of service.

We maintain insurance against some, but not all, of the potential risks affecting our operations and only in coverage amounts and deductible levels that we believe to be economical. Our insurance coverage includes deductibles which must be met prior to recovery. Additionally, our insurance is subject to exclusions and limitations, and there is no assurance that such coverage will adequately protect us against liability from all potential consequences and damages. The occurrence of a significant event that we have not fully insured or indemnified against or the failure of a customer to meet its indemnification obligations to us could materially and adversely affect our results of operations and financial condition. Furthermore, we may be unable to maintain adequate insurance in the future at rates we consider reasonable. Incurring a liability for which we are not fully insured or indemnified could have a material adverse effect on our financial condition and results of operations.

We operate in a highly competitive, fragmented industry in which price competition could reduce our profitability.

We encounter substantial competition from other drilling contractors. The markets in which we operate have intensified as recent mergers among E&P companies have reduced the number of available customers.

Contract drilling companies compete primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time. Most drilling services contracts are awarded on the basis of competitive bids, which also results in price competition.

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In addition to pricing and rig availability, the principal competitive factors in our markets are reputation for safety, service quality, rig availability, responsiveness, experience, technology and equipment quality. The success of our business will depend on our ability to offer safe and highly efficient operations, the quality and efficiency of our rigs and the skills and experience of our rig crews.

As a result of competition, we may lose market share or be unable to maintain or increase prices for our present services or to acquire additional business opportunities, which could have a material adverse effect on our business, results of operations, financial condition and ability to implement our growth strategy. In addition, the failure to maintain an adequate safety record could harm our ability to secure new drilling contracts. As a relatively new contract driller with limited operating history, there can be no assurance that we will be able to maintain the reputation for safety and quality required to successfully compete against our competition.

We face competition from many competitors with greater resources and greater ability to rapidly respond to changing customer requirements.

We compete with large national and multi-national companies that have longer operating histories, greater financial, technical and other resources and greater name recognition than we do. Several of our competitors provide a broader array of services and have a stronger presence in more geographic markets.

Furthermore, some of our competitors greater capabilities in these areas may enable them to better withstand industry downturns, compete more effectively on the basis of price and technology, retain skilled rig personnel, and build new rigs or acquire and refurbish existing rigs so as to be able to place rigs into service more quickly than us in periods of high drilling demand.

In addition, we compete with several smaller companies capable of competing effectively on a regional or local basis. Smaller competitors may be able to respond more quickly to new or emerging technologies and services and changes in customer requirements.

Finally, some E&P companies have begun performing horizontal and directional drilling on their wells using their own equipment and personnel. Any increase in the development and utilization of in-house drilling capabilities by our customers could decrease the demand for our services and have a material adverse impact on our business.

New technology may cause our drilling methods or equipment to become less competitive.

The drilling industry is subject to the introduction of new drilling and completion methods and equipment using new technologies, some of which may be subject to patent protection. Changes in technology or improvements in competitors equipment could make our equipment less competitive or require significant capital investments to build and maintain a competitive advantage. Further, we may face competitive pressure to design, implement or acquire certain new technologies at a substantial cost. Some of our competitors have greater financial, technical and personnel resources that may allow them to implement new technologies before we can. If we are unable to implement new and emerging technologies on a timely basis or at an acceptable cost, it may have a material adverse effect on our business, results of operations, financial condition and growth strategy.

Federal and state legislative and regulatory initiatives related to hydraulic fracturing could result in operating restrictions or delays in the completion of oil and natural gas wells that may reduce demand for our activities and could adversely affect our financial position, results of operations and cash flows.

Hydraulic fracturing is a commonly used process that involves injection of water, sand, and certain chemicals to fracture the hydrocarbon-bearing rock formation to allow flow of hydrocarbons into the wellbore. The adoption of any federal, state or local laws or the implementation of regulations or ordinances restricting or increasing the costs of hydraulic fracturing could potentially increase our costs of operations and cause a decrease in drilling activity levels in the Permian Basin and other unconventional resource plays and an associated decrease in demand for our rigs and service, any or all of which could adversely affect our financial position, results of operations and cash flows.

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The federal Energy Policy Act of 2005 amended the Underground Injection Control provisions of the federal Safe Drinking Water Act (SDWA) to exclude certain hydraulic fracturing practices from the definition of underground injection. The Environmental Protection Agency (the EPA) has asserted regulatory authority over certain hydraulic fracturing activities involving diesel fuel and published guidance relating to such practices in February 2014. Congress has considered bills to repeal the exemption for hydraulic fracturing from the SDWA, which would have the effect of allowing the EPA to promulgate new regulations and permitting requirements for hydraulic fracturing, potentially including chemical disclosure requirements. At the state level, several states in which we operate have adopted regulations requiring the disclosure of certain information regarding hydraulic fracturing fluids.

Scrutiny of hydraulic fracturing activities continues in other ways. The EPA commenced a study of the potential impacts of hydraulic fracturing on drinking water and issued an update on December 21, 2012, with a draft report expected for public comment and peer review in 2014. On October 21, 2011, the EPA announced its intention to propose regulations by 2014 under the federal Clean Water Act to regulate wastewater discharges from hydraulic fracturing. On May 24, 2013, the U.S. Department of the Interior (the DOI) published a revised proposed rule that would update existing regulation of hydraulic fracturing activities on federal lands, including requirements for disclosure, wellbore integrity and handling of flowback water. On April 13, 2012, the DOI, the U.S. Department of Energy and the EPA issued a memorandum outlining a multi-agency collaboration on unconventional oil and gas research in response to the White House-entitled Blueprint for a Secure Energy Future and the recommendations of the Secretary of Energy Advisory Board Subcommittee on Natural Gas. In addition, some states and localities have adopted, and others are considering adopting, regulations or ordinances that could restrict hydraulic fracturing in certain circumstances, that would require, with some exceptions, disclosure of constituents of hydraulic fracturing fluids, or that would impose higher taxes, fees or royalties on natural gas production. Moreover, public debate over hydraulic fracturing and shale gas production has been increasing, and has resulted in delays of well permits in some areas.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition, including litigation, to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil and natural gas, including from the developing shale plays, incurred by our customers or could make it more difficult to perform hydraulic fracturing in the unconventional resource plays where we focus our operations.

Reduced demand for or excess capacity of drilling services could adversely affect our profitability.

Our business has high fixed costs, and our profitability in the future will depend on many factors, especially pricing and utilization rates of our drilling services. A reduction in the demand for drilling rigs or an increase in the supply of drilling rigs, whether through new construction or refurbishment, could decrease the dayrates and utilization rates for our drilling services, which would adversely affect our revenues and profitability. Periods of high demand often spur increased capital expenditures on drilling rigs, and those capital expenditures may add capacity that exceeds actual demand.

We and our competitors have ordered additional drilling rigs to meet existing and projected long-term demand, resulting in significant increases in drilling industry capacity. We currently have two rigs under construction and intend to continue to grow our business to meet customer demand, and our competitors may elect to do the same. However, our industry is characterized by a high degree of cyclicality. In the event that our customers reduce their level of investment in exploration and production, the increased supply of drilling rigs could exceed the reduced level of demand for drilling services. Any excess supply could cause our competitors to lower their rates in order to maximize utilization of their fleets, and could lead to a decrease in rates in the drilling industry generally, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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We depend on the services of key executives, the loss of whom could materially harm our business.

Our senior executives are important to our success because they are instrumental in setting our strategic direction, operating our business and technology, identifying, recruiting and training key personnel, and identifying customers and expansion opportunities. We also depend on the relationships that our senior management has with many of our customers. Losing the services of any of these individuals, in particular Mr. Dunn and Mr. Jacob, our Chief Executive Officer and Chief Operating Officer, respectively, could adversely affect our business until a suitable replacement could be found. We do not maintain key man life insurance on any of our senior executives. As a result, we are not insured against any losses resulting from the death of our key employees.

Our growth strategy contemplates a rapid expansion of our rig fleet and business. If not managed properly, our rapid growth will put significant strain on our existing operations and resources, which could adversely affect our results of operations.

Our business plan contemplates a level of near-term growth that will place a significant strain on our financial, technical, operational and management resources. As we build rigs and expand our activities through organic growth, there will be additional demands on our financial, technical, operational and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems, the failure to properly manage the growth of our business or respond to the occurrence of unexpected expansion difficulties, including the failure to recruit and retain experienced managers, engineers, marketing personnel and other professionals in the oil and natural gas industry, could have a material adverse effect on our business, results of operations, financial condition and our ability to timely execute our business plan.

The following factors, among others, could also present difficulties for us:

- ability to provide focused service attention to our customers;
- long lead times associated with building rigs and acquiring additional equipment, including potential delays;
- costs of building new rigs significantly exceed expectations;
- sufficient executive-level and administrative personnel; and
- increased burden on existing personnel.

The failure to adequately manage these factors could also have a material adverse effect on our business, results of operations, financial condition and growth strategy.

Rig upgrade, refurbishment and new rig construction projects are subject to risks which could cause delays or cost overruns and adversely affect our cash flows, results of operations, and financial position.

New drilling rigs may experience start-up complications during construction or following delivery, and may encounter other operational problems that could result in significant delays, uncompensated downtime, reduced dayrates or the cancellation, termination or non-renewal of drilling contracts. Rig construction projects are subject to risks of delay or significant cost overruns inherent in any large construction project from numerous factors, including the following:

shortages of equipment, materials or skilled labor;

unscheduled delays in the delivery of ordered materials and equipment or shipyard construction;

failure of equipment to meet quality and/or performance standards;

financial or operating difficulties of equipment vendors;

unanticipated actual or purported change orders;

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inability by us or our customer to obtain required permits or approvals, or to meet applicable regulatory standards in our areas of operations;

unanticipated cost increases between order and delivery;

adverse weather conditions and other events of force majeure;

design or engineering changes; and

work stoppages and other labor disputes.

Significant cost overruns or delays could adversely affect our financial position, results of operations and cash flows. Additionally, failure to complete a rig on time may result in loss of contract, damages, or the delay or loss of revenue from that rig, which also could adversely affect our business, results of operations, financial condition and growth strategy.

As we construct additional rigs in the future, we may experience difficulty integrating those rigs into our operations. Additionally, we may incur leverage and add additional financial risk to our business. To the extent we incur additional leverage in our business, it may adversely affect our results of operations, financial position and growth strategy.

The process of constructing rigs may involve unforeseen difficulties and may require a disproportionate amount of management s attention and other resources. We may not be able to successfully manage and integrate new rigs into our existing operations or successfully market our rigs and build market share attributable to drilling rigs that we construct. To the extent we experience some or all of these difficulties, our results of operations, financial condition and growth strategy could be adversely affected.

Expanding our fleet may cause us to incur additional financial leverage, increasing our financial risk and debt service requirements, which could adversely affect our business, results of operations, financial condition and growth strategy.

Our current estimated backlog of contract drilling revenue may not ultimately be realized.

As of June 30, 2014, our estimated contract drilling backlog for future revenues under term contracts, which we define as contracts with a fixed term of six months or more, was approximately $114.6 million. Fixed-term drilling contracts customarily provide for termination at the election of the customer, with an early termination payment to us if a contract is terminated prior to the expiration of the fixed term. Additionally, in certain circumstances, for example, destruction of a drilling rig that is not replaced within a specified period of time, our bankruptcy, or a breach of our contract obligations, the customer may not be obligated to make an early termination payment to us. Additionally, during depressed market conditions or otherwise, customers may be unable to satisfy their contractual obligations or may seek to terminate, renegotiate or fail to honor their contractual obligations. In addition, we may not be able to perform under these contracts due to events beyond our control, and our customers may seek to cancel or negotiate our contracts for various reasons, including those described above. As a result, we may be unable to realize all of our current contract drilling backlog. In addition, the renegotiation or termination of fixed-term contracts without the receipt of early termination payments could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Our operating and maintenance costs with respect to our rigs include fixed costs that will not decline in proportion to decreases in dayrates.

We do not expect our operating and maintenance costs with respect to our rigs to necessarily fluctuate in proportion to changes in operating revenue. Operating revenue may fluctuate as a function of changes in dayrate, but costs for operating a rig and property taxes are generally fixed or only semi-variable regardless of the dayrate being earned. During times of reduced activity, reductions in costs may not be immediate as portions of the crew

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may be required to prepare our rigs for stacking, after which time the crew members are assigned to active rigs or dismissed. Moreover, when our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labor costs increase due to higher salary levels, inflation, and increases in workers compensation insurance. Equipment maintenance expenses fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized.

We participate in a capital intensive business. We may not be able to finance future growth of our operations.

The contract drilling industry is capital intensive. Our cash flow from operations and the continued availability of credit are subject to a number of variables, including general economic conditions, and more specifically, our rig utilization rates, operating margins and ability to control costs and obtain contracts in a competitive industry. Our cash flow from operations and present borrowing capacity may not be sufficient to fund our anticipated capital expenditures and working capital requirements. We may from time to time seek additional financing, either in the form of bank borrowings, sales of debt or equity securities or otherwise. To the extent our capital resources and cash flow from operations are at any time insufficient to fund our activities or repay our indebtedness as it becomes due, we will need to raise additional funds through public or private financing or additional borrowings. We may not be able to obtain any such capital resources in the amount or at the time when needed. If we are at any time not able to obtain the necessary capital resources, our financial condition and results of operations could be materially adversely affected.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under applicable debt instruments, which may not be successful.

Our ability to make scheduled payments on or to refinance indebtedness under our revolving credit facility depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the interest or principal, when due, on our indebtedness.

If our cash flows and capital resources are insufficient to fund debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital or restructure or refinance indebtedness. Our ability to restructure or refinance indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of sufficient cash flows and capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. Our revolving credit facility currently restricts our ability to dispose of assets and our use of the proceeds from such disposition. We may not be able to consummate those dispositions, and the proceeds of any such disposition may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet scheduled debt service obligations.

Restrictions in our existing and future debt agreements could limit our growth and our ability to engage in certain activities.

Our revolving credit facility contains a number of significant covenants, including restrictive covenants that may limit our ability to, among other things:

- incur or guarantee additional indebtedness;

- make loans to others;
- make investments;
- merge or consolidate with another entity;
- transfer, lease or dispose of all or substantially all of our assets;
- make certain payments;
- create or incur liens;
- purchase, hold or acquire capital stock or certain other types of securities;
- pay cash dividends;
- enter into certain transactions with affiliates; and
- engage in certain other transactions without the prior consent of the lenders.

In addition, our revolving credit facility requires us to maintain certain financial ratios or to reduce our indebtedness if we are unable to comply with such ratios. These restrictions may also limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general, or to otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants under our revolving credit facilities impose on us.

A breach of any covenant in our revolving credit facility would result in a default. A resulting event of default, if not waived, could result in acceleration of the payment of the indebtedness outstanding under, and a termination of, our revolving credit facility and in a default with respect to, and an acceleration of, the indebtedness outstanding under any other debt agreements. The accelerated indebtedness would become immediately due and payable. If that occurs, we may not be able to make all of the required payments or borrow sufficient funds to refinance such indebtedness. Even if new financing were available at that time, it may not be on terms that are acceptable to us.

Any significant reduction in our borrowing base under our revolving credit facility would negatively impact our ability to fund our operations and business strategy.

Our revolving credit facility limits the amounts we can borrow up to a borrowing base amount, which is calculated monthly and is based upon the appraised value of our drilling fleet and a percentage of our eligible accounts receivable. The borrowing base under our revolving credit facility is $89.2 million as of June 30, 2014, with lender commitments of $125.0 million.

In the future, we may not be able to access adequate funding under our revolving credit facility as a result of a decrease in borrowing base due to the issuance of new indebtedness, the outcome of a subsequent borrowing base redetermination or an unwillingness or inability on the part of lending counterparties to meet their funding obligations and the inability of other lenders to provide additional funding to cover the defaulting lender s portion. As a result, we may be unable to implement our respective drilling and development plan, make acquisitions or otherwise carry out business plans, which would have a material adverse effect on our financial condition and results of operations.

Failure to hire and retain skilled personnel could adversely affect our business.

The delivery of our services and products and construction of our rigs requires personnel with specialized skills and experience who can perform physically demanding work. As a result of the volatility of the contract drilling industry and the demanding nature of the work, workers may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive. The demand for skilled workers is currently high and the supply is limited.

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Potential inability or lack of desire by workers to commute to our facilities and job sites and competition for workers from competitors or other industries are factors that could affect our ability to attract and retain workers. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the wage rates that we must pay, or both. If either or both of these events were to occur, our capacity and profitability could be diminished and our growth potential could be impaired.

Our ability to be productive and profitable will depend upon our ability to employ and retain skilled personnel and we cannot assure you that at times of high demand we will be able to retain, recruit and train an adequate number of skilled workers. In addition, our ability to expand our operations will depend in part on our ability to increase the size of our skilled labor force. Our inability to attract and retain skilled workers in sufficient numbers to satisfy our existing service contracts and enter into new contracts could materially adversely affect our business, financial condition, results of operations and growth strategy.

We may be adversely impacted by work stoppages or other labor matters.

We depend on skilled employees to build and operate our rigs, and any prolonged labor disruption involving our employees could have a material adverse impact on our results of operations and financial condition by disrupting our ability to perform drilling-related services for our customers. Moreover, unionization efforts have been made from time to time within our industry, with varying degrees of success. Any such unionization could increase our costs or limit our flexibility.

We depend on a limited number of vendors, some of which are thinly capitalized and the loss of any of which could disrupt our operations.

Our contract drilling operations and our ability to construct new drilling rigs in a timely manner depend on the availability of various rig equipment, including VFD drives and drillers cabins, top drives, mud pumps, engines and drill pipe, as well as replacement parts, related rig equipment and fuel. Some of these have been in short supply from time to time. In addition, key rig components critical to the construction of our rigs are either purchased from or fabricated by a single or limited number of vendors. For many of these products and services, there are only a limited number of vendors and suppliers available to us.

We do not currently have any long-term supply contracts with any of our suppliers or subcontractors and may be at a competitive disadvantage compared to our larger competitors when purchasing from these suppliers and subcontractors. Shortages could occur in these essential components due to an interruption of supply or increased demands in the industry. If we are unable to procure certain of such rig components or services from our subcontractors we would be required to reduce or delay our rig construction and other operations, which could have a material adverse effect on our business, results of operations, financial condition and growth strategy.

We could be adversely affected if shortages of equipment or supplies occur.

Increased or decreased demand among drilling contractors for consumable supplies, including fuel, and ancillary rig equipment, such as pumps, valves, drillpipe and engines, may lead to delays in obtaining these materials and our inability to operate our rigs in an efficient manner. Most of our contracts provide that our customers purchase the fuel that run our drilling rigs and thus bear the financial impact of increased fuel prices. However, prolonged shortages in the availability of fuel to run our drilling rigs resulting from action of the elements, terrorism or other force majeure events could result in the suspension of our contracts and have a material adverse effect on our financial condition and results of operations. We have periodically experienced increased lead times in purchasing ancillary equipment for our drilling rigs. To the extent there are significant delays in being able to purchase important components for our rigs, certain of our rigs may not be available for operation or may not be able to operate as efficiently as expected, which could adversely affect our results of operations and financial condition.

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Reduced demand can drive suppliers from the market. With reduced suppliers, consumables for our operations may not be readily available. Additionally, suppliers may experience shortfalls in obtaining their materials and/or labor. Suppliers who have been regular providers to us may experience shortfalls that may lead to delays as we secure other sources.

Legal proceedings could have a negative impact on our business.

The nature of our business makes us susceptible to legal proceedings and governmental investigations from time to time. Lawsuits or claims against us could have a material adverse effect on our business, financial condition and results of operations. Any litigation or claims, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively or obtain adequate insurance in the future.

If we are unable to maintain the proprietary features of our engineering and design knowledge related to our ShaleDriller rigs, others may develop similar technology and products that could adversely affect our competitive position and ability to secure contracts with customers.

We rely in part on trade secrets and other unpatented engineering and design information associated with our ShaleDriller rigs. However, trade secrets and designs are difficult to protect. To the extent we rely on trade secrets and unpatented technical expertise to maintain our competitive technological position, there can be no assurance that others may not independently develop the same or similar technologies. In addition, other persons may have or obtain knowledge of our technology or develop inventions or processes independently that may be applicable to our products, and disputes may arise about ownership of proprietary rights to those inventions and processes. Such inventions and processes will not necessarily become our property, but may remain the property of those persons or their employers. Protracted and costly litigation could be necessary to enforce and determine the scope of our proprietary rights. Failure to obtain or maintain trade secret protection, for any reason, could harm our business.

Regulatory compliance costs and restrictions, as well as any delays in obtaining permits by our customers for their operations, could impair our business.

The operations of our customers are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, including land drilling, our customers operations could be disrupted or curtailed by governmental authorities. In most states, our customers are required to obtain permits from one or more governmental agencies in order to perform drilling and completion activities. Such permits are typically required by state agencies, but can also be required by federal and local governmental agencies. The requirements for such permits vary depending on the location where such drilling and completion activities will be conducted. As with all governmental permitting processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued, and the conditions which may be imposed in connection with the granting of the permit. Additionally, the high cost of compliance with applicable regulations may cause customers to discontinue or limit their operations or defer planned drilling, and may discourage companies from continuing development activities. As a result, demand for our services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

We are subject to environmental, health and safety laws and regulations that may expose us to significant liabilities for penalties, damages or costs of remediation or compliance.

Our operations are subject to federal, regional, state and local laws and regulations relating to protection of natural resources and the environment, health and safety aspects of our operations and waste management, including the transportation and disposal of waste and other materials. These laws and regulations may impose numerous obligations on our operations, including the acquisition of permits to conduct regulated activities, the incurrence of capital expenditures to mitigate or prevent releases of materials from our facilities, the imposition

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of substantial liabilities for pollution resulting from our operations and the application of specific health and safety criteria addressing worker protection. Failure to comply with these laws and regulations could result in investigations, restrictions or orders suspending well operations, the assessment of administrative, civil and criminal penalties, the revocation of permits and the issuance of corrective action orders, any of which could have a material adverse effect on our business, results of operations and financial condition.

There is inherent risk of environmental costs and liabilities in our business as a result of our handling of petroleum hydrocarbons and oilfield and industrial wastes, air emissions and wastewater discharges related to our operations, and historical industry operations and waste disposal practices. Some environmental laws and regulations may impose strict liability, which means that in some situations, we could be exposed to liability as a result of our conduct that was without fault or lawful at the time it occurred or as a result of the conduct of, or conditions caused by, prior operators or other third parties. Clean-up costs and other damages arising as a result of environmental laws and costs associated with changes in environmental laws and regulations could be substantial and could have a material adverse effect on our financial condition and results of operations.

Laws protecting the environment generally have become more stringent over time and are expected to continue to do so, which could lead to material increases in costs for future environmental compliance and remediation. The modification or interpretation of existing laws or regulations, or the adoption of new laws or regulations, could curtail exploratory or developmental drilling for oil and natural gas and could limit well servicing opportunities. We may not be able to recover some or any of our costs of compliance with these laws and regulations from insurance.

Potential listing of species as endangered under the federal Endangered Species Act could result in increased costs and new operating restrictions or delays on our oil and natural gas exploration and production customers, which could adversely reduce the amount of contract drilling services that we provide to such customers.

The federal Endangered Species Act (the ESA) and analogous state laws regulate a variety of activities, including oil and gas development, which could have an adverse effect on species listed as threatened or endangered under the ESA or their habitats. The designation of previously unidentified endangered or threatened species could cause oil and natural gas exploration and production operators to incur additional costs or become subject to operating delays, restrictions or bans in affected areas, which impacts could adversely reduce the amount of drilling activities in affected areas, including support services that we provide to such operators under our contract drilling services segment. Numerous species have been listed or proposed for protected status in areas in which we provide or could in the future provide field services. For instance, in March 2014 the U.S. Fish & Wildlife Service (the FWS) listed the lesser prairie-chicken as threatened and finalized a special rule that would exempt from regulation under the ESA activities harmful to the prairie-chicken if incidental to carrying out the state-developed range-wide lesser prairie-chicken conservation plan. Some environmental groups have filed a notice of intent to sue FWS to require more state protection. The sage grouse and certain wildflower species, among others, are also species that have been or are being considered for protected status under the ESA and whose range can coincide with our oil and natural gas production activities. The presence of protected species in areas where operators for whom we provide contract drilling services conduct exploration and production operations could impair such operators ability to timely complete well drilling and development and, consequently, adversely affect the amount of contract drilling or other field services that we provided to such operators, which reduction of services could have a significant adverse effect on our results of operations and financial position.

Climate change legislation or regulations restricting or regulating emissions of greenhouse gases could result in increased operating costs and reduced demand for our field services.

In response to findings that emissions of carbon dioxide, methane and other greenhouse gases from industrial and energy sources contribute to increases of carbon dioxide levels in the earth s atmosphere and oceans and contribute to global warming and other environmental effects, the EPA has adopted various regulations under the federal Clean Air Act addressing emissions of greenhouse gases that may affect the oil and gas industry. On August 16, 2012 the EPA published rules that include standards to reduce methane emissions associated with oil and gas production. In the recent Congress, numerous legislative measures were introduced that would have imposed restrictions or costs on greenhouse gas emissions, including from the oil and gas industry. It is uncertain whether similar measures will be introduced in, or passed by, the new Congress which convened in January 2014. In addition, the U.S. has been involved in international negotiations regarding greenhouse gas reductions under the United Nations Framework Convention on Climate Change. Additionally, certain U.S. states and regional coalitions of states have adopted measures regulating or limiting greenhouse gases from certain sources or have adopted policies seeking to reduce overall emissions of greenhouse gases. The adoption and implementation of any international treaty or of any federal or state legislation or regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations could require us to incur costs to comply with such requirements and possibly require the reduction or limitation of emissions of greenhouse gases associated with our operations and other sources within the industrial or energy sectors. Such legislation or regulations could adversely affect demand for the production of oil and natural gas and thus reduce demand for the services we provide to oil and natural gas producers as well as increase our operating costs by requiring additional costs to operate and maintain equipment and facilities, install emissions controls, acquire allowances or pay taxes and fees relating to emissions, which could adversely affect our results of operations and financial condition. Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases may produce changes in climate or weather, such as increased frequency and severity of storms, floods and other climatic events, which if any such effects were to occur, could have adverse physical effects on our operations, physical assets and field services to exploration and production operators.

The effects of severe weather could adversely affect our operations.

Changes in climate due to global warming trends could adversely affect the Company s operations by limiting, or increasing the costs associated with, equipment or product supplies. In addition, coastal flooding and adverse weather conditions such as increased frequency and/or severity of hurricanes could impair the Company s ability to operate in affected regions of the country. Oil and natural gas operations of our customers located in Louisiana and parts of Texas may be adversely affected by hurricanes and tropical storms, resulting in reduced demand for our services. Repercussions of severe weather conditions may include: curtailment of services; weather-related damage to facilities and equipment, suspension of operations; inability to deliver equipment, personnel and products to job sites in accordance with contract schedules; and loss of productivity. These constraints could delay our operations and materially increase our operating and capital costs. Unusually warm winters also adversely affect the demand for our services by decreasing the demand for natural gas.

Our business is subject to cybersecurity risks and threats.

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. It is possible that our business, financial and other systems could be compromised, which might not be noticed for some period of time. Risks associated with these threats include, among other things, loss of intellectual property, disruption of our and customers business operations and safety procedures, loss or damage to our worksite data delivery systems, and increased costs to prevent, respond to or mitigate cybersecurity events.

Any future implementation of price controls on oil and natural gas would affect our operations.

Certain groups have asserted efforts to have the United States Congress impose some form of price controls on either oil, natural gas, or both. There is no way at this time to know what results these efforts may have. However, any future limits on the price of oil or natural gas could have a material adverse effect on our business, financial condition and results of operations.

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Improvements in or new discoveries of alternative energy technologies could have a material adverse effect on our financial condition and results of operations.

Since our business depends on the level of activity in the oil and natural gas industry, any improvement in or new discoveries of alternative energy technologies that increase the use of alternative forms of energy and reduce the demand for oil and natural gas could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to This Offering and Our Common Stock

The initial public offering price of our common stock may not be indicative of the market price of our common stock after this offering. In addition, an active liquid trading market for our common stock may not develop and our stock price may be volatile.

Prior to this offering, our common stock was not traded on a national stock exchange or in the over-the-counter markets. An active and liquid trading market for our common stock may not develop or be maintained after this offering. Liquid and active trading markets usually result in less price volatility and more efficiency in carrying out investors purchase and sale orders. The market price of our common stock could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. Moreover, the initial public offering price of our common stock was negotiated between us and representatives of the underwriters, based on numerous factors, including prevailing market conditions, our historical performance, estimates of our business potential and our earnings prospects, an assessment of our management and the consideration of these factors in relation to market valuation of companies in related businesses. The initial public offering price of our common stock may not be indicative of the market price of our common stock after this offering. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price paid by you in this offering.

Even if an active trading market develops, the market price for our common stock may be highly volatile and could be subject to wide fluctuations after this offering. In addition to the factors described in this section, some of the factors that could negatively affect the market price of our common stock include:

- changes in oil and gas prices;
- changes in our funds from operations and earnings estimates;
- publication of research reports about us or the energy services industry;
- increase in market interest rates, which may increase our cost of capital;
- changes in applicable laws or regulations, court rulings and enforcement and legal actions;

changes in market valuations of similar companies;

adverse market reaction to any future equity issuances or increased indebtedness we may incur in the future;

additions or departures of key management personnel;

actions by our stockholders;

speculation in the press or investment community;

a large volume of sellers of our common stock pursuant to our resale registration statement with a relatively small volume of purchasers; or

general market and economic conditions.

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The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

Purchasers of common stock in this offering will experience immediate and substantial dilution of $1.79 per share.

Based on the initial public offering price of $11.00 per share, purchasers of our common stock in this offering will experience an immediate and substantial dilution of $1.79 per share in the as adjusted net tangible book value per share of common stock from the initial public offering price, and our as adjusted net tangible book value as of March 31, 2014 after giving effect to this offering would be $9.21 per share. Please read Dilution on page 38 of this prospectus for a complete description of the calculation of net tangible book value.

We do not anticipate paying any dividends on our common stock in the foreseeable future.

For the foreseeable future, we intend to retain earnings to grow our business. Payments of future dividends, if any, will be at the discretion of our board of directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements and other factors as our board of directors deems relevant. Our existing revolving credit agreement restricts, and any credit agreements or borrowing arrangements we enter into in the future may restrict, our ability to declare or pay cash dividends on our common stock.

Future issuances by us of common stock or convertible securities could lower our stock price and dilute your ownership in us.

We may issue additional shares of common stock or securities convertible into shares of our common stock in public offerings or privately negotiated transactions following this offering. As of March 31, 2014, we had outstanding 12,397,900 shares of common stock after giving effect to the 1.57-for-1 stock split in the form of stock dividend on July 24, 2014. We are currently authorized to issue up to 100,000,000 shares of common stock and 10,000,000 shares of preferred stock with terms designated by our board. The potential issuance of additional shares of common stock or convertible securities, including the exercise of stock options, and the exercise of the underwriters option to purchase additional shares in this offering could lower the trading price of our common stock and may dilute your ownership interest in us.

The underwriters of this offering may waive or release parties to the lock-up agreements entered into in connection with this offering, which could adversely affect the price of our common stock.

All of our directors and executive officers, and certain of our stockholders have entered into lock-up agreements with respect to their common stock, pursuant to which they are subject to certain resale restrictions for a period of 180 days following the effectiveness date of the registration statement of which this prospectus forms a part. Morgan Stanley & Co. LLC and RBC Capital Markets, LLC, at any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements. If the restrictions under the lock-up agreements are waived, then the common stock, subject to compliance with the Securities Act or exceptions therefrom, will be available for sale into the public markets, which could cause the market price of our common stock to decline and impair our ability to raise capital.

Future sales of our common stock in the public market could cause the market price of our common stock to decrease significantly.

Sales of substantial amounts of our common stock in the public market following this offering by our existing stockholders, upon the exercise of outstanding stock options or stock options granted in the future or by persons who acquire shares in this offering may cause the market price of our common stock to decrease significantly. The perception that such sales could occur could also depress the market price of our common stock. Any such sales could also create public perception of difficulties or problems with our business and might also make it more difficult for us to raise capital through the sale of equity securities in the future at a time and price that we deem appropriate.

Immediately following the completion of this offering, we will have outstanding an aggregate of 22,855,155 shares of common stock. Of these shares, (i) 10,000,000 shares of common stock to be sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless the shares are held by any of our affiliates as such term is defined in Rule 144 under the Securities Act (Rule 144); and (ii) 12,855,155 shares will be restricted securities, as defined under Rule 144, and eligible for sale in the public market subject to the requirements of Rule 144. All of these restricted securities, as a result of the lock-up agreements and applicable securities laws, will become available for resale in the public market beginning 180 days after the date of this prospectus pursuant to our registration rights agreement and lock-up agreements with the underwriters, in each case and when permitted under Rule 144 or Rule 701 under the Securities Act (Rule 701).

Subject to the completion of this offering, we have also reserved approximately 3.5 million shares of common stock for issuance under our equity compensation plans. See Executive Compensation 2012 Omnibus Incentive Plan. Upon consummation of this offering, we expect to have 963,196 shares of common stock issuable upon exercise of outstanding options. In addition, we have outstanding a warrant to purchase 2,198,000 shares of our common stock at a current exercise price of $12.74 per share that may be exercised for restricted securities, which shares of common stock shall also be subject to the 180-day lock up described above.

Upon a request to release any shares subject to a lock-up, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC would consider the particular circumstances surrounding the request including, but not limited to, the length of time before the lock-up expires, the number of shares requested to be released, reasons for the request, the possible impact on the market for our common stock and whether the holder of our shares requesting the release is an officer, director or other affiliate of ours.

We have granted registration rights to substantially all of our existing stockholders under a registration rights agreement. Should these stockholders exercise these registration rights, the shares registered would be freely tradable in registered sales in the open market. See Certain Relationships and Related Party Transactions Historical Transactions with Affiliates Registration Rights.

As restrictions on resale expire or as shares are registered, our share price could drop significantly if the holders of these restricted or newly registered shares sell them or are perceived by the market as intending to sell them. These sales might also make it more difficult for us to raise capital through the sale of equity securities in the future at a time and at a price that we deem appropriate.

In addition, immediately following this offering, we intend to file a registration statement registering under the Securities Act the shares of common stock reserved for issuance under our 2012 Plan. See the information under the heading Shares Eligible for Future Sale for a more detailed description of the shares that will be available for future sales upon completion of this offering.

Future offerings of debt securities, which would rank senior to our common stock in the event of our liquidation, and future offerings of equity securities, which would dilute our existing stockholders or rank senior to our common stock, may adversely affect the market value of our common stock.

In the future, we may attempt to increase our capital resources by making offerings of debt or additional offerings of equity securities, including commercial paper, medium-term notes, senior or subordinated notes, convertible notes and classes of preferred stock. In the event of our liquidation, holders of our debt securities and preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market value of our common stock, or both. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that would limit amounts available for distribution to holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the market value of our common stock and diluting their shareholdings in us.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

In April 2012, President Obama signed into law the JOBS Act. We are classified as an emerging growth company under the JOBS Act. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things: (i) provide an auditor s attestation report on management s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002; (ii) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosure regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation. We will remain an emerging growth company for up to five years, although we will lose that status sooner if we have more than $1.0 billion of revenues in a fiscal year, have more than $700 million in market value of our common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. If some investors find our common stock to be less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our common stock or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our common stock or if our operating results do not meet their expectations, our stock price could decline.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

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Existing stockholders will continue to hold a significant percentage of our outstanding common stock.

Immediately following the completion of this offering, Sprott Resource Partnership, Lime Rock Partners III, L.P., 4D Global Energy Advisors SAS and Global Energy Services Operating, LLC will each hold or beneficially own more than 10% of our common stock. See Principal Stockholders for more information regarding their ownership of our common stock. The existence of significant stockholders may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our company. Moreover, this concentration of stock ownership may adversely affect the trading price of our common stock to the extent investors perceive a disadvantage in owning stock of a company with significant stockholders.

Risk Relating to Our Capitalization and Organizational Documents

Provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our company at a premium that a stockholder may consider favorable, which could adversely affect the price of our common stock.

The existence of some provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our company that a stockholder may consider favorable, which could adversely affect the price of our common stock. The provisions in our amended and restated certificate of incorporation and amended and restated bylaws that could delay or prevent an unsolicited change in control of our company include:

- provisions regulating the ability of our stockholders to nominate candidates for election as directors or to bring matters for action at annual meetings of our stockholders;
- limitations on the ability of our stockholders to call a special meeting and act by written consent; and
- the authorization given to our board of directors to issue and set the terms of preferred stock.

In addition, we will be governed by Section 203 of the Delaware General Corporation Law (the DGCL). These provisions may also discourage acquisition proposals or delay or prevent a change of control, which could harm our stock price. See Description of Capital Stock.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this prospectus, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as estimate, project, predict, believe, expect, anticipate, potential, plan, goal, will or other words that convey the future events or outcomes. The forward-looking statements in this prospectus speak only as of the date of this prospectus; we disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed under Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, contingencies and uncertainties include, but are not limited to, the following:

- our inability to implement our business and growth strategy;
- a sustained decrease in domestic spending by the oil and natural gas exploration and production industry;
- decline in or substantial volatility of crude oil and natural gas commodity prices;
- fluctuation of our operating results and volatility of our industry;
- inability to maintain or increase pricing on our contract drilling services;
- delays in construction or deliveries of our new land drilling rigs;
- the loss of our customer, financial distress or management changes of potential customers or failure to obtain contract renewals and additional customer contracts for our drilling services;
- an increase in interest rates and deterioration in the credit markets;
- our inability to raise sufficient funds through debt financing and equity issuances needed to fund our planned rig construction projects;

our inability to comply with the financial and other covenants in debt agreements that we may enter into as a result of reduced revenues and financial performance;

overcapacity and competition in our industry;

unanticipated costs, delays and other difficulties in executing our long-term growth strategy;

the loss of key management personnel;

new technology that may cause our drilling methods or equipment to become less competitive;

labor costs or shortages of skilled workers;

the loss of or interruption in operations of one or more key vendors;

the effect of operating hazards and severe weather on our rigs, facilities, business, operations and financial results, and limitations on our insurance coverage;

increased regulation of drilling in unconventional formations;

the incurrence of significant costs and liabilities in the future resulting from our failure to comply with new or existing environmental regulations or an accidental release of hazardous substances into the environment;

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- the potential failure by us to establish and maintain effective internal control over financial reporting;

- differences in our future results of operations compared to GES, which is currently deemed to be our accounting predecessor;

- lack of operating history as a contract drilling company; and

- uncertainties associated with any registration statement, including financial statements, we may be required to file with the SEC.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

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USE OF PROCEEDS

We expect to receive approximately $101.4 million of net proceeds from the sale of the common stock offered by us after deducting underwriting discounts and commissions and estimated offering expenses payable by us (or approximately $116.8 million of net proceeds if the underwriters exercise in full their option to purchase additional shares). We have granted the underwriters an option to purchase up to an aggregate of 1,500,000 additional shares of our common stock to the extent the underwriters sell more than 10,000,000 shares of common stock in this offering.

We intend to use a portion of the net proceeds from this offering to repay outstanding amounts under our existing revolving credit facility. The remaining net proceeds of $32.9 million will be used to finance the construction of additional drilling rigs (including an estimated $25.6 million for rigs under construction or being upgraded in 2014 as of June 30, 2014) and for working capital and general corporate purposes. Affiliates of Morgan Stanley & Co. LLC and Capital One Securities, Inc. are lenders under our revolving credit facility and will receive 5% or more of the net proceeds of this offering. Accordingly, this offering is being made in compliance with FINRA Rule 5121. See Underwriters (Conflicts of Interest).

As of July 17, 2014, we had $68.5 million of outstanding borrowings under our revolving credit facility. Our revolving credit facility matures in February 2017 and bears interest at a variable rate, which was a weighted average of 5.2% at March 31, 2014, and we incur a commitment fee of 0.50% payable on the unborrowed committed amount. Outstanding borrowings under our revolving credit facility were incurred to construct ShaleDriller rigs, to fund working capital and for general corporate purposes. We may at any time reborrow amounts repaid under our revolving credit facility, and we expect to do so.

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DIVIDEND POLICY

We have never declared and paid, and do not anticipate declaring or paying, any cash dividends to holders of our common stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance our operations and the growth of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon then-existing conditions, including our results of operations, financial condition, capital requirements, investment opportunities, statutory restrictions on our ability to pay dividends and other factors our board of directors may deem relevant. In addition, our revolving credit facility places restrictions on our ability to pay cash dividends.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2014:

- on an actual basis; and
- as adjusted to give effect to the sale of shares of our common stock in this offering and the application of the net proceeds from this offering as set forth under Use of Proceeds.

The share information on an actual and as adjusted basis also gives effect to a 1.57-for-1 stock split in the form of a stock dividend on July 24, 2014. This table should be read in conjunction with, and is qualified in its entirety by reference to, Use of Proceeds and our historical audited and unaudited financial statements and the accompanying notes appearing elsewhere in this prospectus.

	As of March 31, 2014	
	Actual	As Adjusted
	(In thousands, except number of shares and par value)	
Cash and cash equivalents[1]	$ 3,111	$ 66,380
Total long-term debt (including current maturities)[2]	38,097	
Stockholders equity:		
Preferred stock $0.01 par value; 10,000,000 shares authorized, no shares issued or outstanding		
Common stock $0.01 par value; 100,000,000 shares authorized, 12,464,625 issued, and 12,397,900 outstanding, actual; 100,000,000 shares authorized, 22,921,880 issued, and 22,855,155 outstanding, as adjusted[3]	124	229
Additional paid-in capital	153,169	254,430
Accumulated deficit	(10,826)	(10,826)
Less: Treasury shares, at cost, 66,725 shares	(746)	(746)
Total stockholders equity	141,721	243,087
Total capitalization	$ 179,818	$ 243,087

(1) As of July 17, 2014, we had cash and cash equivalents of $1.7 million.
(2) As of July 17, 2014, we had $68.5 million of outstanding borrowings under our revolving credit facility.
(3) As adjusted, includes 457,255 shares of restricted common stock with an aggregate value of $5,029,800 to be issued by us to our officers and directors upon the consummation of this offering.

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DILUTION

Purchasers of our common stock in this offering will experience immediate and substantial dilution in the net tangible book value (tangible assets less total liabilities) per share of our common stock for accounting purposes. Our net tangible book value as of March 31, 2014 was approximately $109.0 million, or $8.80 per share.

Net tangible book value per share is determined by dividing our net tangible book value by our shares of common stock that will be outstanding immediately prior to the closing of this offering and after giving effect to a 1.57-for-1 stock split in the form of a stock dividend on July 24, 2014. After giving effect to the sale of the shares in this offering and the receipt of the estimated net proceeds (after deducting underwriting discounts and commissions and estimated offering expenses payable by us), our as adjusted net tangible book value as of March 31, 2014 would have been approximately $210.4 million, or $9.21 per share after giving effect to the 1.57-for-1 stock split. This represents an immediate increase in the net tangible book value of $0.41 per share to our existing stockholders and an immediate dilution to new investors purchasing shares in this offering of $1.79 per share, resulting from the difference between the offering price and the as adjusted net tangible book value after this offering. The following table illustrates the per share dilution to new investors purchasing shares in this offering after giving effect to the 1.57-for-1 stock split:

Initial public offering price per share		$ 11.00
Net tangible book value per share as of March 31, 2014	$ 8.80	
Increase in net tangible book value per share attributable to new investors in this offering	0.41	
As adjusted net tangible book value per share (after giving effect to this offering)		9.21
Dilution in net tangible book value per share to new investors in this offering		$ 1.79

The following table summarizes, on an adjusted basis as of March 31, 2014, (i) the total number of shares of common stock owned by the existing investors and to be owned by new investors at the initial public offering price of $11.00 per share and (ii) the total consideration paid and the average price per share paid by our existing stockholders and to be paid by new investors in this offering, calculated before deduction of underwriting discounts, commissions and estimated offering expenses payable by us.

	Shares Acquired		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing investors	12,855,155	56%	$ 157,993,725	59%	$ 12.29
New investors in this offering	10,000,000	44	$ 110,000,000	41	11.00
Total	22,855,155	100%	$ 267,993,725	100%	$ 11.73

The data in the table includes 457,255 shares of restricted common stock with an aggregate value of $5,029,800 to be issued by us to our officers and directors upon the consummation of this offering, and excludes (1) 2,198,000 shares of common stock issuable upon the exercise of the GES Warrant, and (2) 2,719,640 shares of common stock reserved for issuance but unissued under our equity incentive plan, including options to purchase 963,196 shares of common stock issued thereunder, and shares of common stock issuable upon grants pursuant to performance-based awards with an aggregate target value of $3,353,200 over a three-year performance period. If the underwriters option to purchase additional shares is exercised in full, the number of shares held by new investors will be increased to 11,500,000, or approximately 47% of the total number of shares of common stock. New investors in this offering above includes 1,200,000 shares purchased in this offering by two of our affiliates.

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SELECTED HISTORICAL FINANCIAL DATA

The following table shows our selected historical financial data and that of our accounting predecessor as of and for the periods indicated. Our accounting predecessor reflects the results of GES Drilling Services, a division of Global Energy Services, Inc. For more information regarding our predecessor, see Management s Discussion and Analysis of Financial Condition and Results of Operations Period from January 1, 2012 Through March 1, 2012 for Our Predecessor.

Our selected historical financial data as of and for the three months ended March 31, 2014 and March 31, 2013 were derived from our unaudited financial statements included elsewhere in this prospectus, and as of and for the year ended December 31, 2013 and December 31, 2012 were derived from our audited financial statements included elsewhere in this prospectus. Our results of operations during 2012 do not include the results of our predecessor prior to its acquisition. Although we did not commence material operations prior to March 2, 2012, we incurred expenses in connection with our private placement and acquisition activities during January and February 2012 prior to the consummation of these transactions.

The selected historical financial data of our predecessor for the period from January 1, 2012 through March 1, 2012 were derived from the audited financial statements of our predecessor included elsewhere in this prospectus. Our predecessor was engaged in a different line of business and you should not evaluate our results based on our predecessor or consider our results and those of our predecessor on a combined basis.

Our historical results are not necessarily indicative of future operating results. The share information gives effect to a 1.57-for-1 stock split in the form of a stock dividend on July 24, 2014. The selected historical financial data presented below are qualified in their entirety by reference to, and should be read in conjunction with, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and related notes included elsewhere in this prospectus.

	Successor				Predecessor
	Three Months Ended		Year Ended		January 1, 2012 through
	March 31, 2014	March 31, 2013	December 31, 2013	December 31, 2012	March 1, 2012
			(in thousands)		
Statement of operations data[1]:					
Revenues	$ 13,549	$ 8,257	$ 42,786	$ 15,123	$ 7,698
Operating costs	8,777	5,937	28,401	15,400	6,973
Selling, general and administrative	2,094	2,098	8,911	7,813	1,383
Depreciation and amortization	3,416	2,125	10,186	5,904	92
Asset impairment[2]	4,650				
Gain on disposition of assets	(189)	(41)	(55)		
Total cost and expenses	18,748	10,119	47,443	29,117	8,448
Operating loss	(5,199)	(1,862)	(4,657)	(13,994)	(750)
Interest expense, net	(394)		(257)	(10)	(15)

Loss on forgiveness of related party balances[3]					(6,063)
Gain (loss) on warrant derivative[4]	3	(433)	1,035	3,655	
Loss before income taxes	(5,590)	(2,295)	(3,879)	(10,349)	(6,828)
Income tax benefit	(1,885)	(599)	(1,882)	(5,401)	(2,149)
Net loss	$ (3,705)	$ (1,696)	$ (1,997)	$ (4,948)	$ (4,679)
Weighted-average number of shares outstanding (basic and diluted)			12,179	10,141	
Net loss per share (basic and diluted)			(0.16)	(0.49)	
Cash flow data:					
Net cash provided by (used in) operating activities	$ (4,737)	$ 1,536	$ 5,997	$ (8,337)	$ (3,857)
Net cash used in investing activities	(11,968)	(14,150)	(59,273)	(49,743)	(18)
Net cash provided by (used in) financing activities	17,086	(37)	18,599	95,486	(25)
Balance sheet data:					
Total assets	$ 202,346	$ 163,988	$ 184,968	$ 167,436	
Long-term debt	38,097		19,780		
Total liabilities	60,625	20,472	40,096	22,736	
Total stockholders equity	$ 141,721	$ 143,516	144,872	144,700	

(1) There are no other components of comprehensive income or loss.

(2) Represents asset impairment expense associated with damage sustained to the mast and other operating equipment on one of our non-walking rigs during the three months ended March 31, 2014. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013 Asset Impairment.

(3) Represents amounts owed to our predecessor by its affiliate that were forgiven in the GES Transaction.

(4) Represents a gain associated with the decrease in estimated fair value of the warrant to purchase approximately 2.2 million shares issued to GES in the GES Transaction.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the Selected Historical Financial Data and the financial statements and related notes that are included elsewhere in this prospectus. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Risk Factors or in other parts of this prospectus.

Our Company

We provide land-based contract drilling services for oil and natural gas producers targeting unconventional resource plays in the United States. We construct, own and operate a premium fleet comprised entirely of newly constructed, technologically advanced, custom designed ShaleDriller rigs that are specifically engineered and designed to optimize the development of our customers most technically demanding oil and gas properties. All of our operating rigs are currently drilling in the Permian Basin, but our rigs have previously operated in the Mid-Continent region and Eagle Ford Shale. We are focused on creating stockholder and customer value through our commitment to operational excellence and our focus on safety. We believe that we are strategically positioned to take advantage of the ongoing land-rig replacement cycle as the industry upgrades legacy fleets with premium rigs. We believe we will be able to expand our fleet and grow our business due to the shortage of the type of premium rigs and drilling services that we provide.

Our standardized fleet currently consists of eleven premium rigs. Of these eleven rigs, two are currently under construction and scheduled for completion in August and November of 2014, and one is being upgraded with an integrated multi-directional walking system scheduled for completion in October 2014. After this upgrade, nine of our eleven rigs will contain our integrated multi-directional walking system that is specifically designed to optimize pad drilling for our customers. We also have the option to upgrade our two non-walking rigs after completion of their existing contracts in 2015. Every ShaleDriller rig in our fleet is a 1500-hp, AC programmable rig (AC rig) designed to be fast-moving between drilling sites and is equipped with top drives, automated tubular handling systems and blowout preventer (BOP) handling systems. Nine of our eleven rigs are equipped with bi-fuel capabilities (they operate on either diesel or a natural gas-diesel blend). We currently intend to use a portion of the net proceeds from this offering and available borrowing capacity under our revolving credit facility to fund the construction of up to seven additional rigs for completion in 2015.

Our first rig began drilling in May 2012 and since that time, we have averaged 96% utilization. All of our operating rigs have been contracted prior to the completion of construction, and every rig has been constructed and commenced drilling operations in accordance with our customers delivery requirements. All of our eleven premium rigs are currently under contract with customers, and seven of our operating rigs are currently working under contracts that represent repeat business in which our customer has either renewed the contract or contracted a second rig. Although our ShaleDriller rig is capable of drilling in virtually any onshore area in the U.S., we currently focus our operations on unconventional resource plays located in geographic regions that we can efficiently support from our Houston, Texas facilities in order to maximize economies of scale.

Acquisition of Rig Construction Operations and Intellectual Property

We were incorporated in November 2011 but did not have meaningful operations until March 2012. In March 2012, we acquired substantially all of the rig manufacturing and related field service assets and intellectual property (the GES assets) of Global Energy Services Operating, LLC (GES), including GES Houston-based manufacturing facility (the Houston Facility), which we currently use to construct our rig fleet. The Houston Facility is located on 14.6 acres in northwest Houston. The rig intellectual property acquired by us included the detailed rig designs, drawings and technical expertise associated with the engineering and construction of an established, fast-moving AC rig, which formed the basis for the design of our multi-directional walking ShaleDriller rig. We also hired substantially all of GES employees dedicated to the acquired

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operations. We believe this acquisition provided us with the necessary infrastructure and asset platform required to accelerate the introduction of our ShaleDriller rig into our target markets and secure initial contracts with key customers. In exchange for the GES assets, we issued approximately 1.6 million shares of our common stock and a warrant to purchase approximately 2.2 million shares of our common stock (the GES Warrant), and we assumed approximately $2.1 million of long-term indebtedness from GES. Because we had only limited operations before the GES acquisition and we succeeded to substantially all of the ongoing business of GES, GES is considered our predecessor for accounting purposes.

The material terms of the GES Warrant include the following:

- An initial exercise price equal to $20.00 per share ($12.74 per share after giving effect to the 1.57-for-1 stock split);

- A three-year term expiring March 2, 2015;

- In addition to customary anti-dilution protection in the event of a stock split, stock dividend or reorganization, anti-dilution protection in the event of the issuance of shares of common stock for consideration below the exercise price of the warrant; and

- A cashless exercise in connection with or following certain liquidity events, including an initial public offering of our common stock, a sale of the Company or substantially all of its assets or certain other change of control transactions.

The exercise price of the GES Warrant would be reduced to $11.69 per share based on an assumed initial public offering price per share of $11.00 per share and 10,000,000 shares issued in this offering, (or to $11.60 per share if the underwriters exercise in full their option to purchase 1,500,000 additional shares).

Contemporaneously with the acquisition of the GES assets, we acquired cash balances and two drilling contracts from an affiliate, Independence Contract Drilling LLC (referred to as RigAssetCo) in exchange for approximately 2.4 million shares of our common stock. As a condition to the completion of these two transactions, we also closed a private placement of shares of our common stock resulting in net proceeds to us of $98.4 million. We used the net proceeds of the private placement primarily to continue the construction of our ShaleDriller rig fleet and expansion of our operating capacity, and to repay the indebtedness assumed from GES. We refer to the GES and RigAssetCo transactions, together with the private placement of common stock, collectively as the GES Transaction.

Industry Trends

Due to advances in drilling and completion techniques as well as favorable commodity prices, many E&P companies continue to invest substantial amounts of capital into onshore unconventional resource plays. As a result, land-based contract drilling providers have entered into a replacement cycle directed at replacing legacy SCR and mechanical rigs with premium rigs capable of meeting the increasing well complexity requirements of E&P companies. We believe the following industry trends have created a shortage of premium rigs and ongoing demand for our premium land-based contract drilling services:

Continued increases in horizontal drilling activity;

Shift to developmental drilling;

Increased use of pad drilling;

Shift to longer lateral lengths; and

Significant investments by customers demanding operational efficiency and safety.

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Our Contracts and Revenues

We generate our revenues by providing contract drilling services to E&P companies operating in the United States. Unlike many of our larger competitors, we do not provide ancillary services or products along with our drilling services, such as trucking, cementing or other completion services. From time to time, our personnel have provided repair and maintenance services, and sold miscellaneous parts and products to other third-party drilling contractors. These revenues have declined over time as we focus on growing and maintaining our own fleet.

We earn our contract drilling revenues pursuant to drilling contracts entered into with our customers. Our drilling contracts were obtained through competitive bidding or as a result of negotiations with customers. Each of our rigs operates under a separate drilling contract. We perform drilling services on a daywork contract basis, under which we charge a fixed rate per day. The dayrate under each of our contracts is a negotiated price determined by the capabilities of the rig, location, depth and complexity of the wells to be drilled, operating conditions, duration of the contract, and market conditions. The duration of land drilling contracts can vary from well-to-well or for a fixed term. All of our current contracts are for periods ranging from six months to two years. Fixed-term contracts generally have a minimum term of at least six months but customarily provide for termination at the election of the customer, with an early termination payment to be paid to us if a contract is terminated prior to the expiration of the fixed term. However, under limited circumstances, such as destruction of a drilling rig, our bankruptcy, sustained unacceptable performance by us or delivery of a rig beyond certain grace and/or liquidated damage periods, no early termination payment would be paid to us.

Under our typical daywork contract, we earn a dayrate fee while the rig is operating, and we earn a moving rate while the rig is moving between wells or drilling locations under the contract. If the rig is on standby or is not drilling due to a force majeure event unrelated to damage to the rig, our contracts provide that we earn a rate during this period that is often equal to the moving rate.

Mobilization rates are determined by market conditions and are generally reimbursed by the customer. Our contracts typically provide for additional payments associated with this initial mobilization of a drilling rig and that we receive a demobilization fee at the end of the contract term in certain circumstances equal to the estimated cost to transport the rig from the final drilling location and to compensate us for the estimated demobilization time.

Drilling contracts typically provide that the contractor continues to earn the operating dayrate while a rig is not operating but under repair or maintenance, so long as the non-operating time due to repair and maintenance does not exceed a specified number of hours in a given day or calendar month as determined by the individual contract.

Our Operating Costs

Our costs and expenses associated with operating and maintaining our drilling rigs include labor and related payroll costs, repair and maintenance expenses, supplies, workers compensation and other insurance, ad valorem taxes and well site rental of equipment. While operating, drilling rigs operate 24 hours a day, seven days a week and incur a significant amount of rig-level costs directly associated with a rig s operations. Each drilling rig typically has a crew of 22 employees, divided into two shifts, each of which works two weeks on and two weeks off. Each shift typically consists of a day and night crew of five employees as well as one rig manager. In general, these rig-level costs track the number of rigs that we have in operation, although there are costs, including payroll costs, associated with maintaining a rig that is not operating or is transitioning between contracts.

Some of our operating costs are not incurred at the rig level. These costs include expenses directly associated with our operations management team as well as our safety and maintenance personnel who are not directly assigned to our rigs but are responsible for the oversight and support of our operations and safety and maintenance programs across our fleet.

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How We Evaluate our Operations

We regularly use a number of financial and operational measures to analyze and evaluate the performance of our business and compensate our employees, including the following:

Safety Performance. Maintaining a strong safety record is a critical component of our business strategy. We believe we are one of the few land drillers that utilizes a safety management system that complies with the Bureau of Safety and Environmental Enforcement s SEMS II workplace safety rules. We measure safety by tracking the total recordable incident rate for our operations. In addition, we closely monitor and measure compliance with our safety policies and procedures, including near miss reports and job safety analysis compliance.

Utilization. Rig utilization measures the total amount of time that our rigs are operating under a contract during a particular period. We measure utilization by dividing the total number of Operating Days for a rig by the total number of days the rig is available for operation in the applicable calendar period. A rig is available for operation commencing on the earlier of the date it spuds its initial well following construction, or when it has been completed and is actively marketed. Operating Days represent the total number of days a rig is operating under a contract, beginning when the rig spuds its initial well under the contract, and ending with the completion of the rig s demobilization. Operating Days includes non-operating days associated with repairs and maintenance, while under contract, whether a day rate is earned or not.

Revenue Per Day. Revenue per day measures the amount of revenue that an operating rig earns on a daily basis during a particular period. We calculate revenue per day by dividing total contract drilling revenue earned during the applicable period by the number of Operating Days in the period. Revenues attributable to costs reimbursed by customers are excluded from this measure.

Operating Cost Per Day. Operating cost per day measures the operating costs incurred on a daily basis during a particular period. We calculate operating cost per day by dividing total operating costs during the applicable period by the number of Operating Days in the period. Operating costs attributable to costs reimbursed by customers are excluded from this measure.

Adjusted EBITDA. Management believes Adjusted EBITDA is useful because it allows us to more effectively evaluate our operating performance and compare the results of our operations from period to period and against our peers without regard to our financing methods or capital structure. We define EBITDA as earnings (or loss) before interest, taxes, depreciation, and amortization, and we define Adjusted EBITDA as EBITDA before stock-based compensation, gain/loss on warrant derivative liability and non-cash asset impairments.

Operating Efficiency and Uptime. Maintaining our rigs operational efficiency is a critical component of our business strategy. We measure our operating efficiency by tracking each drilling rig s unscheduled downtime on a daily, monthly, quarterly and annual basis.

Factors Affecting Comparability of Historical Operating and Financial Results

Our future results of operations may not be comparable to our historical results of operations for the reasons described below:

Rig Fleet Growth. Our first drilling rig began operations in May 2012, and our current drilling fleet is comprised of eleven rigs operating or under construction. During 2012, our first year of operations, we had a small number of rigs operating but incurred substantial start-up expenses and inefficiencies associated with implementing the operating structure and systems required to manage our business and growth plans. Additionally, in certain instances we rented items of equipment that we now purchase for our rigs. During 2012, these start-up expenses negatively impacted our results of operations during 2012, and the metrics we utilize to evaluate our business, including revenues per day and operating costs per day.

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Change in Business Model from our Predecessor. We acquired our rig construction assets from GES in March 2012. Prior to that time, we did not have meaningful operations and because we succeeded to substantially all of the ongoing operations of GES, GES is considered our accounting predecessor. As such, we have presented their financial information for the period from January 1, 2012 through March 1, 2012 in this prospectus. GES operated the predecessor business as a manufacturer that manufactured and sold drilling rigs to third-party drilling contractors and recognized revenues and expenses under the percentage-of-completion method. Although we utilize the same facilities and many of the same systems as our predecessor and inherited a large part of its general and administrative overhead structure, we have a substantially different business model and revenue base from which we construct drilling rigs for our own use and do not manufacture drilling rigs for sale. We do not intend to construct drilling rigs for sale to third parties at any time in the future, and we have not done so in any of our successor historical periods presented. During the period beginning January 1, 2012 through March 1, 2012, our predecessor generated $7.7 million of revenue, of which $5.8 million related to third-party rig sales and other activities that we have never conducted and do not intend to conduct. Our predecessor expensed rig construction costs, including overhead costs directly associated with the manufacture of rigs, as operating costs as incurred. We capitalize such costs as additions to our rig fleet during the construction period. Accordingly, we do not believe our accounting predecessor s historical financial information presented in this prospectus is indicative of the use of assets by us subsequent to their acquisition. During the period from January 1, 2012 through March 1, 2012, our predecessor recognized $5.8 million of revenue and $5.8 million of costs associated with the construction of rigs for sale to third parties. In addition, as part of the GES Transaction, GES paid us to provide to it certain transition services for a short period of time. We recognized $1.5 million in revenues in 2012 associated with these transition services. We received no revenues from these services since 2012 and do not expect to receive any revenues in the future from such services.

Increased Operating Costs Associated with Acceleration of Rig Construction. We intend to utilize the proceeds from this offering and borrowings under our existing revolving credit facility to fund the construction of up to seven additional ShaleDriller rigs for completion in 2015, which will accelerate the growth of our drilling fleet. In addition to our rig crews who participate in our rig construction process, we also hire and train additional highly skilled spare crew personnel to work on our drilling rigs and eventually be assigned as permanent members of drilling crews. During the three months ended March 31, 2014, the total costs associated with these additional personnel were approximately $0.3 million, and during the fiscal year ended December 31, 2013, the total costs associated with these additional personnel were approximately $1.3 million. We expect to increase our investment in this program in 2014 and 2015 as we expand the pace at which we construct and introduce rigs into our fleet, which we believe will require incrementally greater investment in training additional rig personnel. These costs are included in our direct operating costs, but we analyze them separately and thus exclude them when calculating our operating cost per day metrics.

Costs Associated with Becoming a Public Company. We expect that our general and administrative expenses will increase as a result of being a publicly traded company, including expenses to comply with reporting obligations under the Securities Exchange Act of 1934, as amended, expenses associated with Sarbanes-Oxley Act of 2002 compliance, expenses associated with listing on the New York Stock Exchange, additional personnel costs, independent auditors fees, legal fees, investor relations expenses, registrar and transfer agent fees, and director and officer liability insurance costs.

Changes in Components of our Executive and Director Compensation. Certain of the equity awards granted to directors, executives and employees in 2012 and 2013 will vest upon completion of this offering and will result in the acceleration of any unrecognized compensation expense associated with these awards. Assuming this offering occurred on March 31, 2014, we would have recognized an additional $0.4 million in non-cash stock-based compensation expense associated with this accelerated vesting.

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Results of Operations

The following chart summarizes our financial and operating data for the three months ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012 as well as the financial data for our predecessor for the period from January 1, 2012 through March 1, 2012:

	Successor Independence Contract Drilling, Inc.									
	Three Months Ended				Year Ended					Predecessor
	March 31, 2014	%	March 31, 2013	%	December 31, 2013	%	December 31, 2012	%		January 1, 2012 through March 1, 2012
	(dollars in thousands, except operating data)									
Revenues[1]	$ 13,549	100%	$ 8,257	100%	$ 42,786	100%	$ 15,123	100%		$ 7,698
Costs and Expenses										
Operating costs[2]	8,777	65%	5,937	72%	28,401	66%	15,400	102%		6,973
Selling, general and administrative[3]	2,094	15%	2,098	25%	8,911	21%	7,813	52%		1,383
Depreciation and amortization[4]	3,416	25%	2,125	26%	10,186	24%	5,904	39%		92
Asset impairment[5]	4,650	34%		0%		0%		0%		
Gain on disposition of assets	(189)	(1%)	(41)	(0%)	(55)	(0%)		0%		
Total cost and expenses	18,748	138%	10,119	123%	47,443	111%	29,117	193%		8,448
Operating loss	(5,199)	(38%)	(1,862)	(23%)	(4,657)	(11%)	(13,994)	(93%)		(750)
Interest expense, net	(394)	(3%)		0%	(257)	(1%)	(10)	(0%)		(15)
Loss on forgiveness of related party balances[6]		0%		0%						(6,063)
Gain (loss) on warrant derivative[7]	3	0%	(433)	(5%)	1,035	2%	3,655	24%		
Loss before income taxes	(5,590)	(41%)	(2,295)	(28%)	(3,879)	(9%)	(10,349)	(68%)		(6,828)
Income tax benefit	(1,885)	(14%)	(599)	(7%)	(1,882)	(4%)	(5,401)	(36%)		(2,149)

Net loss[8]	$ (3,705)	(27%)	$ (1,696)	(21%)	$ (1,997)	(5%)	$ (4,948)	(33%)	$ (4,679)
Other financial and operating data									
Adjusted EBITDA[9]	$ 3,315		$ 683		$ 7,280		$ (6,207)		
Number of completed rigs (end of period)[10]	6		4		7		4		
Rig operating days[11]	607		327		1,745		472		
Average number of operating rigs[12]	6.74		3.63		4.78		1.29		
Rig utilization[13]	100%		91%		96%		97%		
Average revenue per operating day[14]	$ 20,918		$ 22,740		$ 21,351		$ 19,528		
Average cost per operating day[15]	$ 12,697		$ 13,187		$ 12,632		$ 15,787		
Average rig margin per operating day	$ 8,221		$ 9,553		$ 8,719		$ 3,740		

(1) Includes revenues associated with repair and maintenance services and product sales to third-party drilling contractors of $3.2 million and $4.0 million during the year ended 2013 and the year ended 2012, respectively. Also includes $1.5 million of revenue in 2012 relating to transition services provided to GES. Predecessor includes $5.8 million of revenue under long-term construction contracts.

(2) Includes costs directly related to providing repair and maintenance services and product sales to third-party drilling contractors of $2.1 million and $2.9 million during the year ended 2013 and the year ended 2012, respectively. Predecessor includes manufacturing cost of sales under long-term construction contracts of $5.8 million.

(3) Includes non-cash stock-based compensation of $1.8 million and $1.6 million during the year ended 2013 and the year ended 2012, respectively. The year ended 2012 also includes $0.2 million of costs expensed in connection with the GES Transaction.

(4) Includes amortization expense associated with intangible assets acquired in the GES Transaction of $2.7 million and $3.8 million during the year ended 2013 and the year ended 2012, respectively. See Acquisition of Rig Construction Operations and Intellectual Property.

(5) Represents asset impairment expense associated with damage sustained to the mast and related equipment of one of our non-walking rigs during the three months ended March 31, 2014.

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(6) Represents amounts owed to our predecessor by its affiliate that were forgiven in the GES Transaction.
(7) Represents a gain associated with the decrease in estimated fair value of the warrant to purchase approximately 2.2 million shares issued to GES in the GES Transaction.
(8) There are no other components of comprehensive income or loss.
(9) Adjusted EBITDA, or earnings before interest, taxes, depreciation and amortization and other non-cash items (non-cash stock based compensation and gain on warrant derivative liability), is not defined by generally accepted accounting principles (GAAP). Please see Prospectus Summary Summary Historical Financial Data Non-GAAP Financial Measure for a reconciliation of Adjusted EBITDA to the GAAP financial measure of net income for each of the periods indicated.
(10) Number of completed rigs as of March 31, 2014 decreased by one compared to the number of completed rigs as of December 31, 2013, reflecting the removal of one of our non-walking rigs from our fleet during the pendecy of its upgrade with a new substructure that includes a multi-directional walking system.
(11) Rig operating days represent the number of days that our rigs are operating under a contract.
(12) Average number of operating rigs is calculated by dividing the total number of rig operating days in the period by the total number of calendar days in the period.
(13) Rig utilization percentage is calculated as the total number of days our drilling rigs are operating under a contract during the applicable period divided by the total number of days our drilling rigs are available in the applicable period.
(14) Average revenue per operating day represents total contract drilling revenues earned during the period divided by total operating days in the period. The following revenues are excluded in calculating average revenue per operating day; (i) revenues associated with reimbursement of out-of-pocket costs paid by customers of $0.7 million and $0.3 million during the three months ended March 31, 2014 and 2013, respectively, and $2.4 million and $0.8 million during the year ended 2013 and 2012, respectively, (ii) direct revenues associated with repair and service and other revenues from third-party drilling contractors of $0.2 million and $0.5 million during the three months ended March 31, 2014 and 2013, respectively $3.2 million and $4.0 million during the year ended 2013 and 2012, respectively, and (iii) revenues relating to transition services provided to GES of $1.5 million in 2012.
(15) Average cost per operating day represents total direct operating costs incurred during the period divided by total operating days in the period. The following costs are excluded in calculating average cost per operating day: (i) costs relating to out-of-pocket costs reimbursed by customers of $0.7 million and $0.3 million during the three months ended March 31, 2014 and 2013, respectively, and $2.4 million and $0.8 million during the year ended 2013 and 2012, respectively, (ii) non-recurring rentals of drilling equipment of $0.3 million during the three months ended March 31, 2013 and $0.5 million and $0.9 million during the year ended 2013 and 2012, respectively, (iii) new crew training costs of $0.3 million and $0.6 million during the three months ended March 31, 2014 and 2013, respectively, and $1.3 million during the year ended 2013, (iv) direct operating costs associated with repair and service and other revenues from third-party drilling contractors of $0.1 million and $0.4 million during the three months ended March 31, 2014 and 2013, respectively, and $2.1 million and $2.9 million during the year ended 2013 and 2012, respectively, and (v) startup costs of $2.5 million during the year ended 2012 incurred prior to a newly constructed rig commencing operations.

Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013

Revenues

Revenues for the three months ended March 31, 2014 were $13.5 million, representing a 64.1% increase over the three months ended March 31, 2013 revenues of $8.3 million. This increase was directly related to the addition of drilling rigs to our fleet between March 31, 2013 and March 31, 2014, which is reflected in the increase in our average number of operating rigs to 6.74 during the three months ended March 31, 2014 compared to 3.63 during the three months ended March 31, 2013. On a revenue per operating day basis, our revenues decreased to $20,918 per day during the three months ended March 31, 2014, representing an 8% decrease compared to the three months ended March 31, 2013 revenues of $22,740 per day. This decrease resulted primarily from a decrease in dayrate associated with our non-walking rigs.

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Operating Costs

Operating costs for the three months ended March 31, 2014 were $8.8 million, representing a 47.8% increase over the three months ended March 31, 2013 operating costs of $5.9 million. This increase was directly related to the addition of drilling rigs to our fleet between March 31, 2013 and March 31, 2014. On a cost per operating day basis, our cost per operating day decreased to $12,697 per day during the three months ended March 31, 2014, representing an 3.8% decrease compared to the three months ended March 31, 2013 cost per operating day of $13,187. This decrease is due to our achieving greater efficiencies and economies of scale as we instituted new operating policies and procedures through 2013 and the first quarter of 2014.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended March 31, 2014 and March 31, 2013 were $2.1 million. As a percentage of revenue, selling, general and administrative expenses decreased to 15% during the three months ended March 31, 2014 from 25% during the three months ended March 31, 2013. This decrease is due to our achieving greater economies of scale as we continued expanding our operating rig fleet and associated revenues.

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2014 was $3.4 million, representing a 60.8% increase compared to the three months ended March 31, 2013 depreciation and amortization of $2.1 million. This increase was related to the introduction of new drilling rigs constructed by us throughout 2013. We begin depreciating our rigs when they commence drilling operations.

Asset Impairment

On March 9, 2014, one of our non-walking drilling rigs suspended drilling operations due to damage to its mast and other operating equipment. We believe the cost to repair this rig is covered by insurance, subject to a $250,000 deductible. During the period that this rig is under repair, we are upgrading it by adding a substructure and other equipment to this rig that includes a multi-directional walking system. The cost of the upgrades will not be covered by insurance. The rig has been recontracted and will resume operations as soon as the required repairs and upgrades are complete, which we expect to occur in October 2014. We recorded an asset impairment charge of $4.7 million during the three months ended March 31, 2014, representing a preliminary estimate of the damage the rig sustained. The amount of insurance proceeds to be received was not determinable at March 31, 2014, thus no insurance receivable was recorded as of March 31, 2014.

Interest Expense, net

Interest expense, net for the three months ended March 31, 2014 was $0.4 million, and was negligible in the three months ended March 31, 2013. We did not borrow under our revolving credit facility until July 2013.

Gain (loss) on Warrant Derivative

As part of the consideration paid to GES for their contribution of our rig construction operations and intellectual property, we issued to GES a warrant to purchase approximately 2.2 million shares of our common stock, which expires on March 2, 2015. The terms of this warrant contained a feature that allows the exercise price to be adjusted in the event we issued any shares of common stock at a price below $12.74 per share during the term of the warrant. As a result of this feature, we have accounted for the warrant as a derivative liability on our balance sheet and have recorded changes in fair value each reporting period through earnings. At March 31, 2014, the fair value of the warrant was estimated at $3.2 million, which resulted in us recording a gain of approximately $3,000 in the first quarter of 2014. At March 31, 2013, the fair value of the warrant was estimated at $4.7 million, and we recorded a non-cash loss of $0.4 million for the first quarter of 2013.

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Income Tax Benefit

The income tax benefit recorded for the three months ended March 31, 2014 amounted to $1.9 million compared to an income tax benefit of $0.6 million for the three months ended March 31, 2013. The effective tax rates for the three months ended March 31, 2014 and 2013 were 33.7% and 26.1%, respectively. The effective tax rates, excluding the gain or loss on the warrant derivative, for the three months ended March 31, 2014 and 2013 were 33.7% and 32.2%, respectively. The non-cash gain or loss on the warrant derivative had no effect on the recorded income taxes in 2014 or 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

Revenues for the year ended 2013 were $42.8 million, representing a 182.9% increase over 2012 revenues of $15.1 million. This significant increase was directly related to the steady addition of drilling rigs into our operating fleet during 2012 and 2013, which is reflected in the increase in our average number of operating rigs to 4.78 during 2013 compared to 1.29 during 2012.

Operating Costs

Operating costs for the year ended 2013 were $28.4 million, representing an 84.4% increase over 2012 operating costs of $15.4 million. This significant increase was directly related to the steady addition of drilling rigs into our operating fleet during 2012 and 2013. On a cost per operating day basis, our operating cost per day decreased to $12,632 per day during the year ended December 31, 2013, representing a 20% decrease compared to 2012 operating cost per day of $15,787. This decrease is due to greater efficiencies and economies of scale realized by us as we instituted new operating policies and procedures through 2012 and 2013. We also incurred significant startup costs in 2012 that were not duplicated in 2013.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended 2013 were $8.9 million, representing a 14.1% increase over 2012 selling, general and administrative expenses of $7.8 million. During 2012, we incurred $0.2 million of expenses associated with the GES Transaction, as well as $0.6 million in severance, legal and other office closure expenses associated with the relocation of our Oklahoma City office to Houston. The increase in 2013 reflects a full year of operations as compared to 2012 in which we did not have substantial overhead until completion of the GES Transaction in March 2012. We also recognized increased incentive compensation and bonus expenses of $1.1 million compared to the prior year period.

Depreciation and Amortization

Depreciation and amortization for the year ended 2013 was $10.2 million, representing a 72.5% increase compared to the year ended 2012. This increase was directly related to the steady introduction of new drilling rigs constructed by us throughout 2012 and 2013. We begin depreciating our rigs when they commence drilling operations.

Interest Expense, net

Interest expense, net for the year ended 2013 was $0.3 million, and was negligible in 2012. We did not borrow under our revolving credit facility until July 2013.

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Gain on Warrant Derivative

As part of the consideration paid to GES for their contribution of our rig construction operations and intellectual property, we issued to GES a warrant to purchase approximately 2.2 million shares of common stock, which expires on March 2, 2015. The terms of this warrant contained a feature that would allow the exercise price to be adjusted in the event we issued any shares of common stock at a price below $12.74 per share, during the term of the warrant. As a result of this feature, we have accounted for the warrant as a derivative liability on our balance sheet and have recorded changes in fair value each reporting period through earnings. The fair value of the warrant on the March 2, 2012 date of issuance was estimated at $7.9 million. At December 31, 2012, the fair value of the warrant was estimated at $4.2 million, which resulted in us recording a non-cash gain of $3.7 million for the year ended 2012. At December 31, 2013, the fair value of the warrant was estimated at $3.2 million, and we recorded a non-cash gain of $1.0 million for the year ended 2013.

Income Tax Benefit

The income tax benefit recorded in 2013 amounted to $1.9 million compared to an income tax benefit of $5.4 million in 2012. The effective tax rates for the years ended 2013 and 2012 were 48.5% and 52.2%, respectively, as a result of lower state income taxes. The effective tax rate, excluding the gain on the warrant derivative, in 2013 was 38.3% compared to 38.6% in 2012. The non-cash gain on the warrant derivative had no effect on the recorded income taxes in 2013 or 2012.

Period from January 1, 2012 Through March 1, 2012 for Our Predecessor

We acquired our rig manufacturing assets from GES in March 2012. Prior to that time, we did not have meaningful operations, and as a result GES is considered our accounting predecessor and we have presented their financial information as of March 1, 2012 and the period from January 1, 2012 through March 1, 2012 in this prospectus. GES operated the predecessor business as a third-party manufacturer who manufactured and sold drilling rigs to third-party drilling contractors and recognized revenues and expenses under the percentage-of-completion method.

Revenue and Operating Expenses. During the period from January 1, 2012 through March 1, 2012, GES had two rigs under construction, which were partially complete on March 1, 2012 and ultimately acquired by us in connection with the GES Transaction. Revenues and costs during this period associated with these two rigs were accrued by GES based upon the percentage-of-completion method of accounting. During this period, GES recognized $7.7 million of revenue, including $5.8 million associated with these two drilling rigs, as well as $7.0 million of operating costs, including $5.8 million associated with these two drilling rigs. The revenues and costs not related to the two rigs under construction consisted of repair and service work and product sales to third-party drilling contractors.

Liquidity and Capital Resources

We were incorporated in November 2011 and acquired our rig manufacturing intellectual property and operations in March 2012 in connection with the GES Transaction. In connection with the GES Transaction, we contemporaneously completed a private placement of our common stock for net cash proceeds to us of approximately $98.4 million. In addition, we acquired $17.1 million in cash balances from RigAssetCo. These net proceeds from the private placement and the cash received from RigAssetCo were used to fund construction of our rigs and for working capital purposes.

Our primary sources of capital to date have been funds received from our initial private placements of common stock as well as borrowings under our revolving credit facility. During 2012, we did not generate positive operating cash flows due to the start-up nature of our operations. During 2013, as our operating rig fleet grew and we realized the benefits of the operating systems and controls and organizational culture we were implementing, we began to generate positive net cash flows from operations.

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Our principal use of capital has been the construction of land drilling rigs and associated equipment and equipment inventories required to support our growing drilling operations. Our first drilling rig was completed and began operating in May 2012. As of December 31, 2012, we had four rigs completed and two under construction. As of March 31, 2014 and December 31, 2013, we had seven rigs completed and two rigs under construction. We currently have nine completed ShaleDriller rigs and two additional rigs under construction. In addition, one of our existing rigs is currently being retrofitted with a new substructure and multi-directional walking system.

The following table summarizes our various cash flows:

	Three Months Ended		Year Ended	
	March 31, 2014	**March 31, 2013**	**December 31, 2013**	**December 31, 2012**
Net cash provided by (used in) operating activities	$ (4,737)	$ 1,536	$ 5,997	$ (8,337)
Net cash used in investing activities	(11,968)	(14,150)	(59,273)	(49,743)
Net cash provided by (used for) financing activities	17,086	(37)	18,599	95,486

Net Cash Provided By (Used In) Operating Activities

The major factors affecting our operating cash flows include the number of rigs we have operating and our dayrates and operating costs. During 2012, our operating activities did not generate positive cash flows, reflecting the start-up nature of our operations. During that period, we only had an average of 1.29 rigs operating during the entire calendar year. During 2013, our operations generated $6.0 million in net operating cash flows, which reflected the continued growth in our rig fleet. During that period, we had an average of 4.78 rigs operating during the calendar year. Net cash used in operating activities for the three months ended March 31, 2014 is primarily attributable to vendor advances and timing of accounts payable.

Net Cash Used In Investing Activities

Our primary investing activities relate to the construction of new rigs as we continue to expand our operating rig fleet. Each new rig includes a full complement of drilling tubulars and inventory of spare parts and supplies. In addition, we also maintain an inventory of capital spare rig components and tubulars, which support our entire rig fleet in the event any critical component of one of our rigs is damaged or requires repair.

Construction of our first two rigs began by GES in November 2011 and were completed by us following the GES Transaction. During 2012, we spent $66.9 million on capital expenditures to fund the completion of four ShaleDriller rigs, plus building our inventory of spare rig equipment and tubulars. We also had two additional rigs in various stages of construction during 2012. The expenditures were partially offset by the $17.1 million in cash we received as part of the GES Transaction and the $0.04 million we received from the sale of certain equipment during 2012.

During 2013, we spent $59.7 million on capital expenditures to fund the completion of three additional ShaleDriller rigs as well as began construction on two additional rigs, and to fund expansion our inventory of spare rigs equipment and spare tubular inventory. This amount was partially offset by the approximately $0.4 million we received from the sale of miscellaneous equipment during 2013. In the first quarter of 2014 we spent $12.4 million on capital expenditures to fund the completion of an additional ShaleDriller rig and to begin the construction of a second ShaleDriller rig scheduled to be completed in May 2014. This amount was partially offset by $0.5 million we received from the sale of certain assets in February 2014. In the first quarter of 2013 we spent $14.4 million on capital expenditures to fund the completion of a ShaleDriller rig and to begin the construction of a second ShaleDriller rig which was completed in May 2013. This amount was partially offset by $0.3 million we received from proceeds on the sale of assets.

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Net Cash Provided by Financing Activities

During 2012, we received $98.4 million in net cash proceeds from our private placement in March 2012. These net proceeds were partially offset by repayments of debt and the repurchase of common stock. In May 2013, we entered into our revolving credit facility, and during 2013 we had cash flows from our borrowings under the revolving credit facility, net of repayments and deferred financing costs, of $18.6 million. In the first quarter of 2014, we had cash flows from our borrowings under the revolving credit facility, net of repayments and deferred financing costs, of $17.1 million. Net cash used for financing activities during the first quarter of 2013 was negligible as we did not enter into our credit facility until May 2013.

Future Liquidity Requirements

We expect our future capital and liquidity needs to be related to funding capital expenditures for new rigs, operating expenses, expansion of our critical spare and tubular goods inventories, working capital and general corporate purposes. Following completion of this offering, we plan to complete in 2014 the construction of our two rigs currently under construction, complete the current upgrade of one of our rigs to add an integrated multi-directional system and commence building up to an additional seven rigs for completion in 2015, assuming market conditions remain attractive for new construction, as well as fund capital expenditures associated with our inventory of critical spare parts and maintenance capital expenditures for our existing rigs. Historically, the average total all in capital expenditures incurred by us to construct a ShaleDriller rig fully equipped with a multi-directional walking system and bi-fuel system and deliver that rig fully equipped and ready to spud its first well has been approximately $18.8 million. This includes the cost of constructing the base rig, the purchase of all tubulars, crew housing and other assets and equipment typically purchased by a drilling contractor, all crew costs and direct labor associated with the construction of the rig and its full testing and commissioning, all overhead directly associated with the construction of the rig, capitalized interest and all applicable taxes and transportation costs associated with the rig s construction. Our tenth and eleventh rigs, scheduled for delivery in August 2014 and November 2014, respectively, are being equipped with 7500psi rated mud pumps and circulating systems. This increased pressure rating and capability is beneficial when drilling extended lateral length in horizontal wells that require use of mud mothers that are powered based upon hydraulic pressure provided by the drilling rig. These or other additional features will result in incremental costs per rig. We currently intend to include this feature in all of our future rigs.

We intend to fund these planned construction activities, as well as our operating expenses, working capital and other corporate expenses utilizing a portion of the net proceeds from this offering, borrowings under our revolving credit facility and cash flow from operations. We plan to utilize a portion of the proceeds from this offering to repay all outstanding amounts under our revolving credit facility, and following this repayment expect to have approximately $34.6 million in cash and $89.2 million available for borrowings under our $125.0 million revolving credit facility.

We will have the operational capacity to construct additional rigs beyond our planned rigs. We expect to construct additional rigs for delivery during 2016 based on then-current market conditions, including our ability to secure new contracts. Depending upon the level of rig deliveries in 2016 as well as the tenor of our existing contracts, we expect that cash flows from our operations in addition to prudent levels of external financing, will be required to fund such construction.

Long-Term Debt

In May 2013, we entered into a revolving credit facility with a syndicate of banks led by CIT Finance, LLC as administrative agent. As amended, the commitment under the revolving credit facility is $125.0 million, with the final $15.0 million of commitments becoming available upon us raising an additional $40.0 million of funds in the form of equity or indebtedness junior in ranking to indebtedness under the revolving credit facility, which would be satisfied upon completion of this offering. This credit facility matures in February 2017. As of July 17, 2014, we had $68.5 million of outstanding borrowings under our revolving credit facility.

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Borrowings under the revolving credit facility are subject to borrowing base which is calculated as follows:

(1) Up to 85% of eligible receivables, *plus*

(2) Up to 75% of the appraised net forced liquidation value of eligible rig equipment, *less*

(3) Reserves established by the administrative agent in its permitted discretion, *less*

(4) The aggregate maximum undrawn amount of all outstanding letters of credit.

The obligations under the revolving credit facility are secured by first priority liens on all shares of capital stock of each of our material present and future subsidiaries and substantially all of our assets, including all of our drilling rigs and equipment.

The revolving credit facility contains various covenants that limit our ability to: grant certain liens; make certain loans, acquisitions, capital expenditures and investments; enter into any sale leaseback transactions; pay cash dividends; enter into transactions with affiliates; redeem stock; purchase, redeem, defease or prepay other indebtedness; change accounting policies and reporting practices; amend organizational documents; merge or consolidate with or into a third party or allow any material change in the character of our business; or engage in certain asset dispositions, including a sale of all or substantially all of our assets. Additionally, the revolving credit facility limits our ability and that of certain of our subsidiaries to incur additional indebtedness.

Our revolving credit facility also contains covenants that, among other things, require us to maintain specified ratios or conditions as follows:

- maintenance capital expenditures must not exceed $2.0 million in the year ended December 31, 2014, $3.0 million in the year ended December 31, 2015, and $3.0 million for the period beginning January 1, 2016 and ending on February 21, 2017, the maturity date;

- our fixed charge coverage ratio must not exceed 1.10 to 1.00 as of the last day of any calendar month;

- our rig utilization must be no less than 75% for any six-month period ending on the last day of each calendar month; and

- we must maintain minimum average monthly EBITDA (as defined therein) amounts, which increase as specified in our revolving credit facility.

We do not expect that the restrictions and covenants will impair, in any material respect, our ability to operate or react to opportunities that might arise.

Events of default under the revolving credit facility include:

- failure to pay principal or interest when due;
- a representation or warranty is proven to be incorrect when made;
- failure to comply with the financial and operational covenants;
- occurrence of a bankruptcy or insolvency event;
- rendering of a judgment against the Company or a subsidiary, in excess of $250,000, that goes unpaid for thirty (30) days;
- occurrence of a change in control (defined as (i) acquisition by a person or group of affiliated persons of common stock representing 50% or more of the voting and economic power of the company, on a fully diluted basis; (ii) acquisition by a person or group of affiliated persons of the power to elect, designate or appoint a majority of the directors to serve on the Company s board of directors, or (iii) the Company ceasing to own 100% of the outstanding stock of any subsidiary covered under the revolving credit facility);

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specified ERISA events relating to our employee benefit plans that could reasonably be expected to result in a material adverse effect;

the loan documents cease to be in full force and effect;

our failing to create a valid and perfected first priority security interest, except in limited circumstances;

any of our directors or officers are indicted or convicted of fraud or dishonesty in connection with our business;

an uninsured loss or any other event occurs that causes, or would reasonably be expected to cause, a material adverse effect (as defined therein); and

the subordination provisions of any agreement governing junior capital (as defined therein) are revoked, invalidated, or contested as to their enforceability, or the indebtedness under the revolving credit facility is subordinated for any reason.

If an event of default occurs and is continuing, then a majority of the lenders have the right, among others, to (1) terminate the commitments under the revolving credit facility, (2) accelerate and require us to repay all the outstanding amounts owed under any loan document (provided that in limited circumstances with respect to insolvency and bankruptcy such acceleration is automatic), and (3) require us to cash collateralize any outstanding letters of credit.

At our election, interest under the revolving credit facility will be determined by reference to the London Interbank Offered Rate (LIBOR) plus 4.50% per annum, or the base rate, which is the prime rate, plus, in each case, 3.50% per annum. Interest is payable monthly for base rate loans and at the applicable maturity date for LIBOR loans, which may be, at our election, one, two or three months.

As of March 31, 2014, we were in compliance with our covenants under our revolving credit facility.

Contractual Obligations and Off Balance Sheet Arrangements

As of December 31, 2013, we had contractual obligations as described below. Our obligations include off balance sheet arrangements whereby the liabilities associated with non-cancelable operating leases and unconditional purchase obligations are not fully reflected in our balance sheets.

Contractual Obligations	**2014**	**2015**	**2016**	**2017**	**2018**	**2019+**	**Total**
Long-term debt[1]	$	$	$ 19,780	$	$	$	$ 19,780
Interest on long-term debt	1,138	1,108	513				2,759
Operating leases	204	184	62				450
Purchase obligations	6,100						6,100

Total contractual obligations	$ 7,442	$ 1,292	$ 20,355	$	$	$	$ 29,089

(1) Our revolving credit facility was amended in February 2014, and the maturity of these borrowings was extended to February 2017.

Our long-term debt as of December 31, 2013 consisted of amounts due under our revolving credit facility. Interest on long-term debt related to our estimated future contractual interest obligations on long-term indebtedness outstanding as of December 31, 2013 under our revolving credit facility. Our operating leases relate primarily to real estate and vehicles. Our purchase obligations relate primarily to outstanding purchase orders for rig equipment or components ordered but not received.

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Critical Accounting Policies and Accounting Estimates

The financial statements are impacted by the accounting policies and estimates and assumptions used by management during their preparation. These estimates and assumptions are evaluated on an on-going basis. Estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities if not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following is a discussion of the critical accounting policies and estimates used in our financial statements. Other significant accounting policies are summarized in Note 2 to the financial statements.

Capitalized Interest

The Company capitalizes interest expense related to rig construction projects. Interest expense is capitalized during the construction period based on the weighted average interest rate of the related debt. Capitalized interest for the year ended December 31, 2013 amounted to $0.4 million. No interest expense was capitalized during the year ended December 31, 2012. Capitalized interest for the three months ended March 31, 2014 amounted to $0.2 million. No interest was capitalized during the three months ended March 31, 2013.

Goodwill

Goodwill represents the excess of the purchase price paid in connection with the acquisition of assets from GES over the fair value of the net assets assumed or created. Goodwill is not amortized, but rather tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying amount may exceed fair value. Certain qualitative factors are considered in determining whether a two-step quantitative goodwill impairment test should be performed. While we did not record any goodwill impairment charges for the years ended December 31, 2013 or December 31, 2012, a prolonged period of lower oil and natural gas prices could adversely affect the demand for our services and could result in goodwill impairment charges in the future.

Intangible Assets

Identified intangible assets with determinable lives consist of drilling contracts and rig construction intellectual property obtained in connection with the acquisition of assets from GES. Intangibles related to the drilling contracts were amortized over their estimated useful lives of six months while the identified intangibles related to the rig manufacturing intellectual property are being amortized on a straight-line basis over their estimated useful lives of ten years. The identifiable intangibles will be evaluated for impairment at the end of each reporting period if events occur or circumstances change that would more likely than not reduce the fair value of the intangibles below their carrying amount.

Revenue and Cost Recognition

The Company   s revenues are principally derived from contract drilling services, as well as product sales, and field services provided to third parties. We provided transitional services to GES during 2012 pursuant to a transitional services agreement entered with GES.

The Company records contract drilling revenue for daywork contracts daily as work progresses. For certain drilling contracts, the company receives lump-sum payments for the mobilization of rigs and other drilling equipment. Revenue and costs associated with the mobilization period are deferred and recognized over the term of the related drilling contract. Mobilization costs incurred to relocate rigs and other equipment when a contract has not been secured are expensed as incurred.

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The Company records revenue from the sale of equipment, components and parts sold to customers when title and risk of loss has passed to the customer, collectability is reasonably assured, pricing is fixed and the products have been shipped or delivered to customers, as applicable. The Company records revenue from services performed when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, pricing is fixed or determinable and collectability is reasonably assured.

Depreciation and Amortization

We account for the depreciation of property, plant and equipment using the straight-line method over the estimated useful lives of the assets considering the estimated salvage value of the related property, plant and equipment. Depreciation of property, plant and equipment is recorded based on the following estimated useful lives:

	Estimated Useful Life
Buildings	20-39 years
Drilling rigs and related equipment	5-20 years
Machinery, equipment and other	3-7 years
Vehicles	2-5 years
Software	2-7 years

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, the Company records deferred income taxes based upon differences between the financial reporting basis and tax basis of assets and liabilities, and uses enacted tax rates and laws that the Company expects will be in effect when it realizes those assets or settles those liabilities. The Company reviews deferred tax assets for a valuation allowance based upon whether it is more likely than not that the deferred tax asset will be fully realized.

Stock-Based Compensation

We have granted stock-based awards to key employees and non-employee directors as part of their compensation. The fair value of stock option awards is determined using the Black-Scholes option pricing model and the fair value of restricted stock awards is determined based on the estimated fair value of our common stock on the date of grant. We amortize the fair value of stock option awards and restricted stock awards to compensation expense on a straight-line basis over the vesting period. At December 31, 2013, unrecognized compensation cost related to unvested stock options and restricted stock was $1.8 million and $1.7 million, respectively. At March 31, 2014 and 2013, unrecognized compensation cost related to unvested stock options and restricted stock was $0.5 million and $0.4 million, respectively. In the absence of this initial public offering, we would expect to recognize this cost over a weighted-average period of 1.1 and 2.1 years, respectively. However, we expect to recognize accelerated stock-based compensation expense in connection with this offering during the period in which such event occurs, as the vesting of certain awards will accelerate upon the consummation of this initial public offering.

New Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11). ASU 2013-11 states that an unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryforward, if available at the reporting date under the applicable tax law to settle any additional income taxes that would result from the disallowance of a tax position. If the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect ASU 2013-11 to have a material impact on our financial position or results of operations.

Impact of Inflation

Inflation has not had a significant impact on our operations during the two years in the period ended December 31, 2013. We believe that inflation will not have a significant near-term impact on our financial position.

We attempt to secure favorable prices through advanced ordering and purchasing for our drilling rig components. While these materials have generally been available at acceptable prices, there is no assurance the prices will not vary significantly in the future. Any fluctuations in market conditions causing increased prices in materials and supplies could have a material adverse effect on our future operating costs.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to a variety of market risks including risks related to potential adverse changes in interest rates and commodity prices. We actively monitor exposure to market risk and continue to develop and utilize appropriate risk management techniques. We do not use derivative financial instruments for trading or to speculate on changes in commodity prices.

Interest Rate Risk

Total long-term debt at December 31, 2013 included $19.8 million of floating-rate debt attributed to borrowings at an average interest rate of 5.2%. Total long-term debt at March 31, 2014 included $38.1 million of floating-rate debt attributed to borrowing at an average interest rate of 5.2%. As a result, our annual interest cost in 2014 will fluctuate based on short-term interest rates.

The impact on annual cash flow of a 10% change in the floating-rate (approximately 0.52%) would be approximately $0.1 million annually based on the floating-rate debt and other obligations outstanding at December 31, 2013; however, there are no assurances that possible rate changes would be limited to such amounts.

Commodity Price Risk

The demand for contract drilling services is a result of E&P companies spending money to explore and develop drilling prospects in search of oil and natural gas. This customer spending is driven by their cash flow and financial strength, which is affected by trends in crude oil and natural gas commodity prices. Crude oil prices are determined by a number of factors including supply and demand, worldwide economic conditions and geopolitical factors. Crude oil and natural gas prices have historically been volatile and very difficult to predict. While current energy prices are important contributors to positive cash flow for our customers, expectations about future prices and price volatility are generally more important for determining their future levels of capital expenditures. This volatility can lead many E&P companies to base their capital spending on much more conservative estimates of commodity prices. As a result, demand for contract drilling services is not always purely a function of the movement of current commodity prices.

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Credit and Capital Market Risk

Our customers may finance their drilling activities through cash flow from operations, the incurrence of debt or the issuance of equity. Any deterioration in the credit and capital markets, such as that experienced in 2008 and 2009, can make it difficult for our customers to obtain funding for their capital needs. A reduction of cash flow resulting from declines in commodity prices or a reduction of available financing may result in a reduction in customer spending and the demand for our drilling services. This reduction in spending could have a material adverse effect on our business, financial condition and results of operations.

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INDUSTRY OVERVIEW

Overview

The land contract drilling industry provides the drilling rigs, rig labor and technical expertise necessary for E&P companies to develop their significant investments in oil and natural gas resources. Over the last decade, technological advancements in hydraulic fracturing, stimulation and other areas have allowed E&P companies to extract hydrocarbons from both conventional and unconventional resource plays that were previously thought to be uneconomic. As a result of these technical advances and the resulting change in the economic profile of these unconventional and other basins, well-capitalized E&P companies have made significant investments in the United States in these oil and natural gas resource plays.

E&P companies exploit these unconventional resource plays through horizontal drilling and advanced hydraulic fracturing and stimulation techniques. In the last ten years, the percentage of active rigs drilling horizontal wells has risen from under 15% to over 60%. Horizontal drilling enables E&P companies to target specific formations within multiple stacked oil or natural gas producing horizons to maximize well economics. This technique increases the portion of the wellbore that passes through the target formation, optimizing the impact of hydraulic fracturing and stimulation. Horizontal drilling has evolved to include advanced directional drilling, including geo-steering and rotary tools, whereby the drill bit is steered as it progresses through the wellbore in order to intersect with targeted portions of the reservoir. Horizontal and advanced directional drilling require a drilling rig that has sufficient power and is capable of precise adjustments to weight on bit and rate of penetration. We believe the improved economics facilitated by these drilling innovations have driven a significant shift in investment by E&P companies away from traditional field development relying principally on conventional vertical wells towards programs focused on the use of these techniques.

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Industry Trends

Land Rig Replacement Cycle

The increase in horizontal drilling in the U.S. over the past ten years has resulted in an ongoing land-rig replacement cycle in which the contract drilling industry is systematically upgrading its legacy fleets of SCR and mechanical rigs with modern AC rigs that are specifically designed to optimize this type of drilling activity. The following charts show the composition of the U.S. land rig fleet over time by drilling orientation and drive type:

Mechanical Rigs. Mechanical rigs were not designed and are not well suited for the demanding requirements of drilling horizontal wells. A mechanical rig powers its systems through a combination of belts, chains and transmissions. This arrangement requires the rig to be rigged up with precise alignment of the belts and chains, which requires substantial time during a rig move. In addition, mechanical power loading of key rig systems, including drawworks, pumps and rotating equipment results in very imprecise control of system parameters, causing lower drill bit life, lower rate of penetration and difficulty maintaining wellbore trajectory. According to RigData, there were 614 mechanical rigs drilling in the U.S. on April 11, 2014, and mechanical rigs comprised 19% of the total rigs drilling horizontal wells.

SCR Rigs. In contrast to mechanical rigs, SCR rigs rely on direct current, or DC, to power the key rig systems. Load is changed by adjusting the amperage supplied to electric motors powering key rig systems. While a substantial improvement over mechanical belts and chains, SCR control is imprecise, and DC power levels normally drift resulting in fluctuations in pump speed and pressure, bit rotation speed, and weight on bit. These fluctuations are the major causes of wellbore deviation, shorter bit life and less optimal rates of penetration. In addition, SCR equipment is heavy and energy inefficient. According to RigData, there were 434 SCR rigs drilling in the U.S. on April 11, 2014, and SCR rigs comprised 30% of the total rigs drilling horizontal wells.

AC Rigs. Compared to SCR and mechanical rigs, AC rigs are ideally suited for drilling horizontal wells. The first AC rigs were introduced into the U.S. land market in the early 2000s, and since that time their use has grown significantly as the use of horizontal drilling has increased. According to RigData, as of April 11, 2014, there were 647 operating AC rigs representing 37% of the U.S. land rig fleet, and they comprised 49% of the total rigs drilling horizontal wells. AC rigs use a computer-controlled variable frequency drive to precisely adjust key rig operating parameters and systems allowing for optimization of the rate of penetration, extending bit life as vibration and torqueing is dramatically reduced and improving control of wellbore trajectory. These factors reduce the amount of time a wellbore is open hole, or uncased. Shorter open hole times dramatically reduce adjacent formation damage through shale hydration or drilling fluid filtrate invasion and enhance the operator s ability to optimally run and cement casing to complete the drilled well. In addition, when compared to SCR and mechanical rigs, AC rigs are electrically more efficient, produce more torque, utilize regenerative braking, and have digital controls. AC motors are also smaller, lighter and require less maintenance than DC motors.

We believe the ongoing land rig replacement cycle driven by the need for premium rigs in unconventional resource plays will continue for several years. Although AC rigs are ideally suited for horizontal drilling compared to SCR or mechanical rigs, there remain many non-AC rigs drilling horizontal wells in the United States and within our target markets. The following chart shows, as of April 11, 2014, the number of rigs drilling horizontal and vertical wells in the U.S. and in our three principal target markets and how many of those drilling horizontal wells are AC and non-AC rigs.

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We believe legacy SCR and mechanical rigs being utilized in horizontal drilling applications will continue to be replaced with premium AC rigs similar to the ones we construct. For example, the 622 non-AC rigs we have identified above could be displaced by newer AC rigs as they come to market; however, we believe the supply of AC rigs that can enter the market is limited. We believe factors limiting the introduction of new AC rigs include construction capacity, delivery times associated with and availability of long lead time equipment, and drilling companies desire to limit the impact on utilization of the contract drilling industry s existing fleets of legacy rigs.

In addition to the potential replacement of the existing fleet of legacy rigs currently drilling horizontal wells, we also believe demand for new AC rigs will continue due to the ongoing shift by E&P companies towards the use of horizontal drilling in our target markets. Due to their significant investments in unconventional and other assets, we believe E&P companies will continue to increase their investment in horizontal drilling programs and that the number of rigs drilling horizontal wells will continue to increase in proportion to the number of rigs drilling vertical wells. As there already exists a shortage of AC rigs compared to the number of rigs drilling horizontal wells today, we believe this will further strengthen demand for the introduction of new AC rigs into the U.S. land rig fleet.

Shift to Developmental Drilling

Following their significant investments made in unconventional resource plays, many E&P companies are now focused on developing these investments in a systematic manner. Efficient development of these resource plays involves drilling programs that drill large numbers of wells in succession, as opposed to a single or a few wells designed to delineate a field or hold a lease. We view this as analogous to a manufacturing process that re