OIL STATES INTERNATIONAL, INC
Form 10-K
February 17, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

or

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

For the transition period from ______ to ________

Commission file no. 001-16337

Oil States International, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**76-0476605**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

Three Allen Center, 333 Clay Street, Suite 4620, Houston, Texas 77002

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code is (713) 652-0582

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

As of June 30, 2016, the aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates of the registrant was $1,616,900,263.

As of February 10, 2017, the number of shares of common stock outstanding was 51,372,628.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for the 2017 Annual Meeting of Stockholders, which the registrant intends to file with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other statements we make contain certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Actual results could differ materially from those projected in the forward-looking statements as a result of a number of important factors. For a discussion of known material factors that could affect our results, please refer to "Part I, Item 1. Business," "Part I, Item 1A. Risk Factors," "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk" below.

You can typically identify "forward-looking statements" by the use of forward-looking words such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," "forecast," "proposed," "should," "seek," and other similar words. Such statements may relate to our future financial position, budgets, capital expenditures, projected costs, plans and objectives of management for future operations and possible future strategic transactions. Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that assumed facts or bases almost always vary from actual results. The differences between assumed facts or bases and actual results can be material, depending upon the circumstances.

In any forward-looking statement where we, or our management, express an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. The following are important factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, our Company:

the level of supply of and demand for oil and natural gas;

fluctuations in the current and future prices of oil and natural gas;

the cyclical nature of the oil and gas industry;

the level of exploration, drilling and completion activity;

the financial health of our customers;

the availability of attractive oil and natural gas field prospects, which may be affected by governmental actions or actions of other parties which may restrict drilling;

the level of offshore oil and natural gas developmental activities;

general global economic conditions;

the ability of the Organization of Petroleum Exporting Countries (“OPEC”) to set and maintain production levels and pricing;

global weather conditions and natural disasters;

impact of environmental matters, including future environmental regulations;

our ability to find and retain skilled personnel;

negative outcome of litigation, threatened litigation or government proceeding;

fluctuations in currency exchange rates;

the availability and cost of capital; and

the other factors identified in “Part I, Item 1A. "Risk Factors."

Should one or more of these risks or uncertainties materialize, or should the assumptions on which our forward-looking statements are based prove incorrect, actual results may differ materially from those expected, estimated or projected. In addition, the factors identified above may not necessarily be all of the important factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by us, or on our behalf. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no responsibility to publicly release the result of any revision of our forward-looking statements after the date they are made.

In addition, in certain places in this Annual Report on Form 10-K, we refer to reports published by third parties that purport to describe trends or developments in the energy industry. The Company does so for the convenience of our stockholders and in an effort to provide information available in the market that will assist the Company's investors to have a better understanding of the market environment in which the Company operates. However, the Company specifically disclaims any responsibility for the accuracy and completeness of such information and undertakes no obligation to update such information.

Item 1. *Business*

Our Company

Oil States International, Inc., through its subsidiaries, is a leading provider of specialty products and services to oil and natural gas related companies throughout the world. We are a technology-focused, pure-play energy services company operating in some of the world's most active oil and natural gas producing regions, including onshore and offshore United States, Canada, West Africa, the Middle East, the North Sea, South America and Southeast and Central Asia. Our customers include many national oil and natural gas companies, major and independent oil and natural gas companies, onshore and offshore drilling companies and other oilfield service companies. We operate through two business segments – Offshore Products and Well Site Services – and have established a leadership position in certain of our product or service offerings in each segment. In this Annual Report on Form 10-K, references to the "Company" or "Oil States" or to "we," "us," "our," and similar terms are to Oil States International, Inc. and its consolidated subsidiaries.

Available Information

The Company's Internet website is www.oilstatesintl.com. The Company makes available free of charge through its website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, its proxy statement, Forms 3, 4 and 5 filed on behalf of directors and executive officers, and amendments to these reports, as soon as reasonably practicable after the Company electronically files such material with, or furnishes such material to,

the Securities and Exchange Commission (the "Commission"). The Company is not including the information contained on the Company's website or any other website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K or any other filing the Company makes with the Commission. The filings are also available through the Commission at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. Additionally, these filings are available on the Internet at www.sec.gov. The Board of Directors of the Company (the "Board") has documented its governance practices by adopting several corporate governance policies. These governance policies, including the Company's Corporate Governance Guidelines, Corporate Code of Business Conduct and Ethics and Financial Code of Ethics for Senior Officers, as well as the charters for the committees of the Board (Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee) may also be viewed at the Company's website. The financial code of ethics applies to our principal executive officer, principal financial officer, principal accounting officer and other senior officers. Copies of such documents will be provided to stockholders without charge upon written request to the corporate secretary at the address shown on the cover page of this Annual Report on Form 10-K.

Our Business Strategy

We have historically grown our product and service offerings organically, through capital spending, and also through strategic acquisitions. Our investments are focused in growth areas and on areas where we expect to be able to expand market share and where we believe we can achieve an attractive return on our investment. As part of our long-term strategy, we continue to review complementary acquisitions as well as make organic capital expenditures to enhance our cash flows and increase our stockholders' returns. For additional discussion of our business strategy, please read "Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Industry

We principally operate in the oilfield services industry and provide a broad range of products and services to our customers through each of our business segments. See Note 16 to the Consolidated Financial Statements included in “Part II, Item 8. Financial Statements and Supplementary Data” for financial information by segment and a geographical breakout of revenues and long-lived assets for each of the three years in the period ended December 31, 2016. Demand for our products and services is cyclical and substantially dependent upon activity levels in the oil and natural gas industry, particularly our customers' willingness to invest capital on the exploration for and development of crude oil and natural gas resources. Our customers’ capital spending programs are generally based on their outlook for near-term and long-term commodity prices, economic growth, commodity demand and estimates of resource production. As a result, demand for our products and services is largely sensitive to expectations with respect to future crude oil and natural gas prices.

Our historical financial results reflect the cyclical nature of the oilfield services industry - witnessed by periods of increasing and decreasing activity in each of our operating segments. A severe industry downturn started in the second half of 2014 and continued throughout 2015 and most of 2016. This industry downturn was characterized by materially reduced capital investments made by our customers, rapidly declining rig counts, declining crude oil prices and other negative industry events. The industry decline was very rapid in the U.S. shale plays given the general lack of long-term contracts or backlog in these regions of operations. The U.S. rig count declined 79% from the peak in 2014 before bottoming in 2016. This significant activity decline had a material negative effect on the results of our Well Site Services segment in 2015 and 2016. Our Offshore Products segment was also negatively impacted but our results declined at a slower pace given high levels of backlog that existed at the beginning of 2014. Despite a slower decline in revenue and operating income when compared to our Well Site Services segment, our Offshore Products backlog declined materially from 2014 to 2016. For additional information about activities in each of our segments, see “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Demand for the products and services supplied by our Offshore Products segment is generally driven by the longer-term outlook for commodity prices, and to a lesser extent, changes in land-based drilling and completion activity. During 2013 and 2014, we benefited from high crude oil prices resulting in very active bidding and quoting activity for our Offshore Products segment. However, the significant decline in crude oil prices since 2014 caused exploration and production companies to reevaluate their future capital expenditures in regards to deepwater projects given that certain of these deepwater projects are expensive to drill and complete, have long lead times to first production and may be considered uneconomical relative to the risk involved. Bidding and quoting activity for our Offshore Products segment continued during 2015 and 2016, albeit at a substantially slower pace. Accordingly, backlog in our Offshore Products segment decreased to $199 million at December 31, 2016 from $340 million at December 31, 2015 and $490 million at December 31, 2014 due to project deferrals and delays in award timing resulting from the continued depressed commodity price environment.

Lower commodity prices have, and may continue to have, a negative impact on the cash flows of our customers forcing them to reduce or delay capital expenditures and control costs, which have, and may continue to have, an

adverse effect on our results of operations, cash flows and financial condition. Global deepwater spending has been and could continue to be negatively impacted as a result which may lead to further backlog declines in our Offshore Products segment in the near-term along with reduced revenues and profitability.

Our Well Site Services segment is primarily affected by drilling and completion activity in the United States, including the Gulf of Mexico, and, to a lesser extent, Canada and the rest of the world. U.S. drilling and completion activity and, in turn, our Well Site Services results, are particularly sensitive to near-term fluctuations in commodity prices given the call-out nature of our operations in the segment and have been significantly negatively affected by the material decline in crude oil prices that began in 2014 and continued throughout 2015 and most of 2016.

Over the past several years, our industry experienced a shift in customer spending from natural gas exploration and development to crude oil and liquids-rich exploration and development in the North American shale plays utilizing horizontal drilling and completion techniques. The U.S. natural gas-related working rig count declined from approximately 810 rigs at the beginning of 2012 to 81 rigs in August of 2016, a more than 29 year low. According to rig count data published by Baker Hughes Incorporated, the U.S. oil rig count peaked in October 2014 at 1,609 rigs but has declined materially since late 2014 due to much lower crude oil prices, totaling 525 rigs as of December 31, 2016 (with the U.S. oil rig count bottoming at 316 rigs in May 2016, which was the lowest oil rig count during this current cyclical downturn). As of December 31, 2016, oil-directed drilling accounted for 80% of the total U.S. rig count – with the remaining balance natural gas related. Although the U.S. land rig count has increased 259 rigs, or 69%, since troughing in May of 2016, activity continues to remain at historically low levels. Unless commodity prices continue to improve, we expect that the rig count and demand for services from our customers of our Well Site Services segment will continue to remain tempered in the near term.

In response to the adverse effects in 2015 and 2016 of the materially lower commodity prices on our results of operations, cash flows and financial position, the Company implemented a number of cost-saving measures, including the closing of underperforming Completion Services' locations and company-wide headcount reductions that totaled approximately 47% since the beginning of 2015.

See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Macroeconomic Environment."

Offshore Products

Overview

For the years ended, December 31, 2016, 2015 and 2014, our Offshore Products segment generated approximately 73%, 66% and 53%, respectively, of our revenue and 94%, 74% and 49%, respectively, of our gross profit (revenues less cost of products and services). Through this segment, we provide highly-engineered products and services for offshore oil and natural gas production systems and facilities, as well as certain products and services to the offshore and land-based drilling and completion markets. Our products and services used primarily in deepwater producing regions include our FlexJoint® technology, advanced connector systems, high-pressure riser systems, compact valves, deepwater mooring systems, cranes, subsea pipeline products, blow-out preventer stack integration, specialty welding, fabrication, cladding and machining services, offshore installation services and inspection and repair services. In addition, we design, manufacture and market numerous shorter-cycle products and services used in land and offshore drilling and completion activities and by non-oil and gas customers, including consumable downhole elastomer products utilized in onshore completion activities, valves and sound and vibration dampening products. We have facilities that support our Offshore Products segment in Arlington, Houston and Lampasas, Texas; Houma, Louisiana; Oklahoma City and Tulsa, Oklahoma; the United Kingdom; Brazil; Singapore; Thailand; Vietnam; and India.

Offshore Products Market

The market for Offshore Products centers primarily on the development of infrastructure for offshore production facilities and their subsequent operations, exploration and drilling activities as well as new rig and vessel construction, refurbishments or upgrades. Demand for oil and natural gas and related drilling and production in offshore areas throughout the world, particularly in deeper water, drive spending for these activities. Sales of our products and services to land-based drilling and completion markets is driven by the level and complexity of drilling, completion and workover activity, particularly in North America.

Products and Services

In operation for 75 years, our Offshore Products segment provides a broad range of products and services for use in offshore development and drilling activities. This segment also provides products for onshore oil and natural gas,

defense and general industries. Our Offshore Products segment is dependent in part on the industry's continuing innovation and creative applications of existing technologies. We own various patents covering some of our technology, particularly in our connector and valve product lines.

Offshore Development and Drilling Activities. We design, manufacture, fabricate, inspect, assemble, repair, test and market OEM equipment for mooring, pipeline, production and drilling risers, and subsea applications along with equipment for offshore vessel and rig construction. Our products are components of equipment used for the drilling and production of oil and natural gas wells on offshore fixed platforms and mobile production units, including floating platforms, such as tension leg platforms, floating production, storage and offloading (“FPSO”) vessels, Spars, and other marine vessels, floating rigs and jack-up rigs. Our products and services include:

- flexible bearings and advanced connection systems;
- casing and conductor connections and joints;
- subsea pipeline products;
- compact ball valves, manifold system components and diverter valves;
- marine winches, mooring systems, cranes and other heavy-lift rig equipment;
- production, workover, completion and drilling riser systems and their related repair services;
- blowout preventer (“BOP”) stack assembly, integration, testing and repair services;
- consumable downhole products; and
- other products and services, including welding, cladding and other metallurgical technologies.

Flexible Bearings and Advanced Connection Systems. We are the key supplier of flexible bearings, or FlexJoint® connectors, to the offshore oil and natural gas industry as well as weld-on connectors and fittings that join lengths of large diameter conductor or casing used in offshore drilling and production operations. A FlexJoint® is a flexible bearing that allows for rotational movement of a riser or tension leg platform tether while under high tension and/or pressure. When positioned at the top, bottom and, in some cases, middle of a deepwater riser, it reduces the stress and loads on the riser while compensating for the pitch and rotational forces on the riser as the production facility or drilling rig moves with ocean forces. FlexJoint® connectors are used on drilling, production and export risers and are used increasingly as offshore production moves to deeper water areas. Drilling riser systems provide the vertical conduit between the floating drilling vessel and the subsea wellhead. Through the drilling riser, the drill string is guided into the well and drilling fluids are returned to the surface. Production riser systems provide the vertical conduit for the hydrocarbons from the subsea wellhead to the floating production facility. Oil and natural gas flows to the surface for processing through the production riser. Export risers provide the vertical conduit from the floating production facility to the subsea export pipelines. Our FlexJoint® connectors are a critical element in the construction and operation of production and export risers on floating production systems in deepwater.

Floating production systems, including tension leg platforms, Spars (defined below) and FPSO facilities, are a significant means of producing oil and natural gas, particularly in deepwater environments. We provide many important products for the construction of these facilities. A tension leg platform (“TLP”) is a floating platform that is moored by vertical pipes, or tethers, attached to both the platform and the sea floor. Our FlexJoint® tether bearings are used at the top and bottom connections of each of the tethers, and our Merlin™ connectors are used to efficiently assemble the tether joints during offshore installation. An FPSO is a floating vessel, typically ship shaped, used to produce and process oil and natural gas from subsea wells. A Spar is a floating vertical cylindrical structure which is approximately six to seven times longer than its diameter and is anchored in place. Our FlexJoint® connectors are used to attach the various production, injection, import or export risers to all of these floating production systems.

Casing and Conductor Connections and Joints. Our advanced connection systems provide connectors used in various drilling and production applications offshore. These connectors are welded onto pipe to provide more efficient joint to joint connections with enhanced tensile and burst capabilities that exceed those of connections machined onto plain end pipe. Our connectors are reusable and pliable and depending on the application are equipped with metal-to-metal seals. We offer a suite of connectors offering differing specifications depending on the application. Our Merlin™ connectors are our premier connectors combining superior static strength and fatigue life with fast, non-rotational make-up and a slim profile. Merlin™ connectors have been used in sizes up to 60 inches (outside diameter) for applications including open-hole and tie-back casing, offshore conductor casing, pipeline risers and TLP tendons (which moor the TLP to the sea floor).

These flexible bearings and advanced connector systems are primarily manufactured through our Arlington, Texas, United Kingdom and Singapore locations.

Subsea Pipeline Products. We design and manufacture a variety of equipment used in the construction, maintenance, expansion and repair of offshore oil and natural gas pipelines. New construction equipment includes:

- pipeline end manifolds and pipeline end terminals;
- deep and shallow water pipeline connectors;
- midline tie-in sleds;
- forged steel Y-shaped connectors for joining two pipelines into one;
- pressure-balanced safety joints for protecting pipelines and related equipment from anchor snags or a shifting sea-bottom;
- electrical isolation joints; and
- hot-tap clamps that allow new pipelines to be joined into existing lines without interrupting the flow of petroleum product.

We provide diverless connection systems for subsea flowlines and pipelines. Our HydroTech® collet connectors provide a high-integrity, proprietary metal-to-metal sealing system for the final hook-up of deep offshore pipelines and production systems. They also are used in diverless pipeline repair systems and in future pipeline tie-in systems. Our lateral tie-in sled, which is installed with the original pipeline, allows a subsea tie-in to be made quickly and efficiently using proven HydroTech® connectors without costly offshore equipment mobilization and without shutting off product flow.

We provide pipeline repair hardware, including deepwater applications beyond the depth of diver intervention. Our products include:

- repair clamps used to seal leaks and restore the structural integrity of a pipeline;
- mechanical connectors used in repairing subsea pipelines without having to weld;
- misalignment and swivel ring flanges; and
- pipe recovery tools for recovering dropped or damaged pipelines.

Our subsea pipeline products are primarily designed and manufactured at three of our Houston, Texas manufacturing locations.

Compact Ball Valves, Manifold System Components and Diverter Valves. Our Piper Valve division designs and manufactures compact high pressure valves and manifold system components for all environments of the oil and gas industry including onshore, offshore, drilling and subsea applications. Our valve and manifold bores are designed to closely match the inside diameter of the required pipe schedule for the system working pressure. The result is elimination of piping transition areas that minimize erosion and system friction pressure loss, resulting in a more efficient flow path. Our floating ball valve design with its large ball/seat interface has over 30 years of field service experience in upstream unprocessed produced liquids and gasses, assuring reliable service. Oil States Piper Valve Optimum Flow Technology is our way of helping end users maximize space, minimize weight and increase production. These products are designed and manufactured at our Oklahoma City, Oklahoma location.

Marine Winches, Mooring Systems, Cranes and other Heavy-Lift Rig Equipment. We design, engineer and manufacture marine winches, mooring systems, cranes and certain rig equipment. Our Skagit® winches are specifically designed for mooring floating and semi-submersible drilling rigs as well as positioning pipelay and derrick barges, anchor handling boats and jack-ups, while our Nautilus® marine cranes are used on production platforms throughout the world. We also design and fabricate rig equipment such as automatic pipe racking, blow-out preventer handling equipment, as well as handling equipment used in the installation of offshore wind turbine platforms. Our engineering teams, manufacturing capability and service technicians who install and service our products provide our customers with a broad range of equipment and services to support their operations. Aftermarket service and support of our installed base of equipment to our customers is also an important source of revenue to us. These products are provided through our Houma, Louisiana; Navi Mumbai, India; and Rayong, Thailand locations.

Production, Workover, Completion and Drilling Riser Systems and their related repair services. Utilizing the expertise of our welding technology group, we have extended the boundaries of our Merlin™ connector technology with the design and manufacture of multiple riser systems. The unique Merlin™ connection has proven to be a robust solution for even the most demanding high-pressure (up to 20,000 psi) riser systems used in high-fatigue, deepwater applications. Our riser systems are designed to meet a range of static and fatigue stresses on a par with those of our Tension Leg Elements (“TLE”) connectors. The connector can be welded or machined directly onto upset riser pipe and provide sufficient material to perform "re-cuts" after extended service. Our marine riser offers superior tension capabilities together with one of the fastest run times in the industry. Auxiliary riser system components and running tools can be provided along with full service inspection and repair of these riser systems by our facilities worldwide.

BOP Stack Assembly, Integration, Testing and Repair Services. While not typically a manufacturer of BOP components, we design and fabricate lifting and protection frames for BOP stacks and offer the complete system integration of BOP stacks and subsea production trees. We can provide complete turnkey and design fabrication services. We also design and manufacture a variety of custom subsea equipment, such as riser flotation tank systems, guide bases, running tools and manifolds. In addition, we also offer blow-out preventer and drilling riser testing and repair services. These assembly and testing services are offered through our Houston, Texas, United Kingdom, Singapore and Brazil locations.

Consumable Downhole Products. North American shale play development has expanded the need for more advanced completion tools. To reduce well completion costs, minimizing the time to drill out tools is very important. Offshore Products has leveraged its knowledge of molded thermoset composites and elastomers to help meet this demand. For example, we have had success in developing and producing composite drillable zonal isolation tools (i.e., bridge / frac plugs) utilizing design and production techniques that reduce cost while still delivering high quality performance. Time to drill out has been reduced significantly in comparison to other filament wound products in the market. Our products also include:

- *Swab Cups* - used primarily in well servicing work;
- *Rod Guides/Centralizers* - used in both drilling and production for pipe protection;
- *Gate Valve and Butterfly Valve Seats* – we service many markets in the valve industry including well completion, refining, and distribution;
- *Casing and Cementing Products* – we are a custom manufacturer of cementing plugs, well bore wipers, valve assemblies, combination plugs, specialty seals and gaskets; and
- *Service Tools* – our products include frac balls, packer elements, zonal isolation tools, as well as many custom molded products used in the well servicing industry.

Other Products & Services. Our Offshore Products segment also produces a variety of products for use in industrial, military and other applications outside the oil and gas industry. For example, we provide:

- sound and vibration isolation equipment for marine vessels;
- metal-elastomeric FlexJoint® bearings used in a variety of naval and marine applications; and
- drum-clutches and brakes for heavy-duty power transmission in the mining, paper, logging and marine industries.

Backlog. Offshore Products' backlog consists of firm customer purchase orders for which contractual commitments exist and delivery is scheduled. Backlog in our Offshore Products segment was $199 million at December 31, 2016, compared to $340 million at December 31, 2015 and $490 million at December 31, 2014. We expect approximately 70% of our backlog at December 31, 2016 to be recognized as revenue during 2017. In some instances, these purchase orders are cancelable by the customer, subject to the payment of termination fees and/or the reimbursement of our costs incurred. While backlog cancellations have historically been insignificant, we incurred cancellations totaling

$21.1 million during 2015 and $3.7 million during 2016, which we believe is attributable to lower commodity prices, the resultant decrease in capital spending by our clients and, in some cases, the financial condition of our customers. Additional cancellations may occur in the future, further reducing our backlog. Our backlog is an important indicator of future Offshore Products' shipments and revenues; however, backlog as of any particular date may not be indicative of our actual operating results for any future period. We believe that the offshore construction and development business is characterized by lengthy projects and a long "lead-time" order cycle. The change in backlog levels from one period to the next does not necessarily evidence a long-term trend.

Regions of Operations

Our Offshore Products segment provides products and services to customers in the major offshore crude oil and natural gas producing regions of the world, including the U.S. Gulf of Mexico, Brazil, West Africa, the North Sea, Azerbaijan, Russia, India, Southeast Asia and Australia. In addition, we provide shorter-cycle products to customers in the land-based drilling and completion markets in the United States and, to a lesser extent, outside the United States.

Customers and Competitors

We market our products and services to a broad customer base, including direct end users, engineering and design companies, prime contractors, and at times, our competitors through outsourcing arrangements. No customer represented more than 10% of our total consolidated revenue in any period presented. Our main competitors in this segment include Cameron International Corporation (now a division of Schlumberger Limited), FMC Technologies, Inc., Dril-Quip, Inc., National Oilwell Varco, Inc., GE Oil & Gas (a division of General Electric Company) and Liebherr Cranes, Inc.

Well Site Services

Overview

For the years ended December 31, 2016, 2015 and 2014, our Well Site Services segment generated approximately 27%, 34% and 47%, respectively, of our revenue and 6%, 26% and 51%, respectively, of our gross profit. Our Well Site Services segment includes a broad range of products and services that are used to drill for, establish and maintain the flow of oil and natural gas from a well throughout its life cycle. In this segment, our operations primarily include completion-focused equipment and services as well as land drilling services. We use our fleet of completion tools and drilling rigs to serve our customers at well sites and project development locations. Our products and services are used both in onshore and offshore applications throughout the drilling, completion and production phases of a well's life cycle.

Well Site Services Market

Demand for our completion and drilling services is predominantly tied to the level of oil and natural gas exploration and production activity on land in the United States. The primary driver for this activity is the price of crude oil and, to a lesser extent, natural gas. Activity levels have been, and we expect will continue to be, highly correlated with hydrocarbon commodity prices.

Services

Completion Services. Our Completion Services business, which is primarily marketed through the brand names Oil States Energy Services and Tempress, provides a wide range of services for use in the onshore and offshore oil and gas industry, including:

wellhead isolation services;

wireline and coiled tubing support services;

frac valve and flowback services;

well testing, including separators and line heaters;

ball launching services;

downhole extended-reach technology;

pipe recovery systems;

thru-tubing milling and fishing services;

hydraulic chokes and manifolds;

blow out preventers; and

gravel pack and sand control operations on well bores.

Employees in our Completion Services business typically rig up and operate our equipment on the well site for our customers. Our Completion Services equipment is primarily used during the completion and production stages of a well. As of December 31, 2016, we provided completion services through approximately 40 distribution locations serving the United States, including the Gulf of Mexico, Canada and other international markets. We consolidated operations in areas where our product lines previously had separate facilities and have closed facilities in areas where operations are marginal in order to streamline operations and enhance our facilities to improve operational efficiency. We typically provide our services and equipment based on daily rates which vary depending on the type of equipment and the length of the job. Billings to our customers typically separate charges for our equipment from charges for our field technicians. We own patents or have patents pending covering some of our technology, particularly in our wellhead isolation equipment and downhole extended-reach technology product lines. Our customers in the Completion Services business include major, independent and private oil and gas companies and other large oilfield service companies. No customer represented more than 10% of our total consolidated revenue in any period presented. Competition in the Completion Services business is widespread and includes many smaller companies, although we also compete with the larger oilfield service companies for certain products and services.

Drilling Services. Our Drilling Services business, which is marketed under the brand name Capstar Drilling, provides land drilling services in the United States for shallow to medium depth wells generally of less than 10,000 to 12,000 feet and, under more limited conditions, up to 15,000 feet. We serve two primary markets with our Drilling Services business: the Permian Basin in West Texas and the Rocky Mountain region. Drilling services are typically used during the exploration and development stages of a field. As of December 31, 2016, we had thirty-four drilling rigs with hydraulic pipe handling booms and lift capacities ranging from 150,000 to 500,000 pounds. Twenty-four of these drilling rigs are based in the Permian Basin and ten are based in the Rocky Mountain region. Utilization of our drilling rigs decreased from an average of 87% in 2014 to an average of 33% in 2015 and 12% in 2016 due to lower crude oil prices and a shift by customers to newer, larger and higher horsepower rigs needed to drill extended depths and horizontal wells. We believe commodity prices should improve over the longer-term but there will be fewer wells in our depth range which could influence overall utilization.

We market our Drilling Services directly to a diverse customer base, consisting primarily of independent and private oil and gas companies. We contract on both a footage and a dayrate basis. Under a footage drilling contract, we assume responsibility for certain costs (such as bits and fuel) and assume more risk (such as time necessary to drill) than we would on a daywork contract. Depending on market conditions and availability of drilling rigs, we see changes in pricing, utilization and contract terms. The land drilling business is highly fragmented, and our competition consists of a small number of larger companies and many smaller companies. Our Permian Basin drilling activities target primarily oil reservoirs while our Rocky Mountain drilling activities target oil, liquids-rich and natural gas reservoirs.

Seasonality of Operations

Our operations are directly affected by seasonal differences in weather in the areas in which we operate, most notably in the Rocky Mountain region, the Gulf of Mexico and Canada. Severe winter weather conditions in the Rocky Mountain region can restrict access to work areas for our Well Site Services segment operations. Our operations in the Gulf of Mexico are also affected by weather patterns. Weather conditions in the Gulf Coast region generally result in higher drilling activity in the spring, summer and fall months with the lowest activity in the winter months. In addition, summer and fall drilling activity can be interrupted by hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast. A portion of our Completion Services operations in Canada is conducted during the winter months when the winter freeze in remote regions is required for exploration and production activity to occur. As a result of these seasonal differences, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

Employees

As of December 31, 2016, the Company employed 2,821 full-time employees on a consolidated basis, 40% of whom are in our Well Site Services segment, 57% of whom are in our Offshore Products segment and 3% of whom are in

our corporate headquarters. This compares to a total of 3,586 full-time employees as of December 31, 2015. Company-wide headcount has been reduced by approximately 47% between December 31, 2014 and December 31, 2016. We were party to collective bargaining agreements covering a small number of employees located in Argentina and the United Kingdom as of December 31, 2016. We believe we have good labor relations with our employees.

Environmental and Occupational Health and Safety Matters

Our business operations are subject to numerous federal, state, local, tribal and foreign environmental and occupational health and safety laws and regulations. Numerous governmental entities, including domestically the U.S. Environmental Protection Agency ("EPA") and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions. These laws and regulations may, among other things (i) require the acquisition of permits to conduct drilling and other regulated activities; (ii) restrict the types, quantities and concentration of various substances that can be released into the environment or injected into formations in connection with oil and natural gas drilling and production activities; (iii) limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; (iv) require remedial measures to mitigate pollution from former and ongoing operations, such as requirements to close pits and plug abandoned wells; (v) impose specific safety and health criteria addressing worker protection; and (vi) impose substantial liabilities for pollution resulting from drilling and production operations.

The more significant of these existing environmental and occupational health and safety laws and regulations include the following U.S. laws and regulations, as amended from time to time:

- the Clean Air Act ("CAA"), which restricts the emission of air pollutants from many sources, imposes various pre-construction, monitoring, and reporting requirements, which the EPA has relied upon as authority for adopting climate change regulatory initiatives relating to greenhouse gas emissions ("GHGs");
- the Federal Water Pollution Control Act, also known as the federal Clean Water Act, which regulates discharges of pollutants from facilities to state and federal waters and establishes the extent to which waterways are subject to federal jurisdiction and rulemaking as protected waters of the United States;
- the Oil Pollution Act of 1990, which subjects owners and operators of vessels, onshore facilities, and pipelines, as well as lessees or permittees of areas in which offshore facilities are located, to liability for removal costs and damages arising from an oil spill in waters of the United States;
- U.S. Department of the Interior regulations, which relate to offshore oil and natural gas operations in U.S. waters and impose obligations for establishing financial assurances for decommissioning activities, liabilities for pollution cleanup costs resulting from operations, and potential liabilities for pollution damages;
- the Comprehensive Environmental Response, Compensation and Liability Act of 1980, which imposes liability on generators, transporters, and arrangers of hazardous substances at sites where hazardous substance releases have occurred or are threatening to occur;
- the Resource Conservation and Recovery Act ("RCRA"), which governs the generation, treatment, storage, transport, and disposal of solid wastes, including hazardous wastes;
- the Safe Drinking Water Act ("SDWA"), which ensures the quality of the nation's public drinking water through adoption of drinking water standards and controlling the injection of waste fluids into below-ground formations that may adversely affect drinking water sources;
- the Emergency Planning and Community Right-to-Know Act, which requires facilities to implement a safety hazard communication program and disseminate information to employees, local emergency planning committees, and response departments on toxic chemical uses and inventories;
- the Occupational Safety and Health Act, which establishes workplace standards for the protection of the health and safety of employees, including the implementation of hazard communications programs designed to inform employees about hazardous substances in the workplace, potential harmful effects of these substances, and appropriate control measures;
- the Endangered Species Act, which restricts activities that may affect federally identified endangered and threatened species or their habitats through the implementation of operating restrictions or a temporary, seasonal, or permanent ban in affected areas; and
- the National Environmental Policy Act, which requires federal agencies, including the Department of the Interior, to evaluate major agency actions having the potential to impact the environment and that may require the preparation of environmental assessments and more detailed environmental impact statements that may be made available for public review and comment.

These U.S. laws and regulations, as well as state counterparts, generally restrict the level of pollutants emitted to ambient air, discharges to surface water, and disposals or other releases to surface and below-ground soils and ground water. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil, and criminal penalties; the imposition of investigatory, remedial, and corrective action obligations or the incurrence of capital expenditures; the occurrence of delays in the permitting, development or expansion of projects; and the issuance of injunctions restricting or prohibiting some or all of our activities in a particular area. See Risk Factors under Part I, Item 1A of this Form 10-K for further discussion on hydraulic

fracturing; induced seismicity regulatory developments; climate change, including methane or other GHG emissions; offshore drilling and related regulatory developments, including with respect to decommissioning obligations; and other regulations relating to environmental protection. The ultimate financial impact arising from environmental laws and regulations is neither clearly known nor determinable as new standards continue to evolve.

Many states where we operate also have, or are developing, similar environmental and occupational health and safety laws and regulations governing many of these same types of activities. In addition, many foreign countries where we are conducting business also have, or may be developing, regulatory initiatives or analogous controls that regulate our environmental or occupational safety-related activities. While the legal requirements imposed under state or foreign law may be similar in form to U.S. laws and regulations, in some cases the actual implementation of these requirements may impose additional, or more stringent, conditions or controls that can significantly alter or delay the permitting, development or expansion of a project or substantially increase the cost of doing business. In addition, environmental and occupational health and safety laws and regulations, including new or amended legal requirements that may arise in the future to address potential environmental concerns, are expected to continue to have an increasing impact on our and our oil and natural gas exploration and production customers' operations.

We have incurred and will continue to incur operating and capital expenditures, some of which may be material, to comply with environmental and occupational health and safety laws and regulations. Historically, our environmental compliance costs have not had a material adverse effect on our results of operations; however, there can be no assurance that such costs will not be material in the future or that such future compliance will not have a material adverse effect on our business and operational results. Although we are not fully insured against all environmental and occupational health and safety risks, and our insurance does not cover any penalties or fines that may be issued by a governmental authority, we maintain insurance coverage that we believe is sufficient based on our assessment of insurable risks and consistent with insurance coverage held by other similarly situated industry participants. Nevertheless, it is possible that other developments, such as stricter and more comprehensive environmental and occupational health and safety laws and regulations as well as claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities, including administrative, civil, and criminal penalties.

Item 1A. *Risk Factors*

The risks described in this Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Demand for most of our products and services is substantially dependent on the levels of expenditures by companies in the oil and natural gas industry. Low oil and natural gas prices have significantly reduced the demand for our products and services and the prices we are able to charge. This has had and may continue to have a material adverse effect on our financial condition and results of operations.

Demand for most of our products and services depends substantially on the level of expenditures by companies in the oil and natural gas industry. The significant decline in oil and natural gas prices during 2015 that continued in 2016 caused a reduction in most of our customers’ drilling, completion and other production activities and related spending on our products and services in 2015 and 2016. The reduction in demand from our customers has resulted in an oversupply of many of the services and products we provide, and such oversupply has substantially reduced the prices we can charge our customers for many of our services, particularly customers of our Well Site Services segment. Although oil and natural gas prices improved somewhat in late 2016, these price improvements have not resulted in widespread improvements in the demand for our products and services or the prices we are able to charge. If oil and natural gas prices remain depressed or decline, our customers’ activity levels and spending, and reductions in the prices we charge, could continue and accelerate through 2017 and beyond. In addition, a continuation or worsening of these conditions may result in a material adverse impact on certain of our customers’ liquidity and financial position resulting in further spending reductions, delays in the collection of amounts owing to us and similar impacts. These conditions have had and may continue to have an adverse impact on our financial condition, results of operations and cash flows, and it is difficult to predict how long the current depressed commodity price environment will continue.

Conditions in our industry are beginning to improve, particularly in the shale resource plays in the United States, and must continue to improve or we could encounter difficulties such as an inability to access needed capital on attractive terms or at all, the incurrence of asset impairment charges, an inability to meet financial ratios contained in our debt agreements, a need to reduce our capital spending and other similar impacts. For example, under our Credit Agreement, we must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA to consolidated interest expense of at least 3.0 to 1.0 and a maximum leverage ratio, defined as the ratio of total debt to consolidated EBITDA, of no greater than 3.25 to 1.0. As of December 31, 2016, we had $42.2 million in borrowings outstanding under the Credit Agreement and $30.7 million of outstanding letters of credit, leaving $153.1 million available to be drawn under our revolving credit facility. The total amount available to be drawn under our revolving credit facility was less than the lender commitments as of December 31, 2016, due to the maximum leverage ratio covenant in our revolving credit facility which serves to limit borrowings, and such availability is expected to be further reduced during 2017 and potentially beyond, due to reductions in our trailing twelve-month EBITDA (as defined in the Credit Agreement). As more fully disclosed in Note 10, Long-term Debt, in the Notes to the Consolidated Financial Statements, and Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations under the heading “Liquidity, Capital Resources and Other Matters,” we discuss our expectations regarding liquidity and covenant compliance for 2017.

Many factors affect the supply of and demand for oil and natural gas and, therefore, influence product prices, including:

- the level of drilling activity;
- the level of oil and natural gas production;
- the levels of oil and natural gas inventories;
- depletion rates;
- worldwide demand for oil and natural gas;
- the expected cost of finding, developing and producing new reserves;
- delays in major offshore and onshore oil and natural gas field development timetables;
- the availability of attractive oil and natural gas field prospects, which may be affected by governmental actions or environmental activists which may restrict development;
- the availability of transportation infrastructure for oil and natural gas, refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- global weather conditions and natural disasters;
- worldwide economic activity including growth in developing countries;
- national government political requirements, including the ability and willingness of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and prices for oil and government policies which could nationalize or expropriate oil and natural gas exploration, production, refining or transportation assets;
- shareholder activism or activities by non-governmental organizations to restrict the exploration, development and production of oil and natural gas;

- the impact of armed hostilities involving one or more oil producing nations;

- rapid technological change and the timing and extent of development of energy sources, including liquefied natural gas (“LNG”) or alternative fuels;

- environmental and other governmental laws and regulations; and

- domestic and foreign tax policies.

The recent oversupply of oil and natural gas relative to demand resulted in significantly lower oil and natural gas prices beginning in the second half of 2014 which continued in 2016. As a result, many of our customers announced reductions or delays in their capital spending in 2015 and 2016, which reduced the demand for our products and services and exerted downward pressure on the prices of our products and services. Although some of our customers have increased their 2017 capital expenditure budgets, these customers are still spending significantly less than pre-2015 levels. Additionally, if oil and natural gas prices decline, these customers may further reduce their spending levels. We expect that we will continue to encounter weakness in the demand for, and prices of, our products and services until commodity prices and our customers’ capital spending materially increases. Any prolonged reduction in the overall level of exploration and production activities, whether resulting from changes in oil and natural gas prices or otherwise, could materially adversely affect our financial condition, results of operations and cash flows in many ways including by negatively affecting:

- our equipment utilization, revenues, cash flows and profitability;

- our ability to obtain additional capital to finance our business and the cost of that capital; and

- our ability to attract and retain skilled personnel.

Given the cyclical nature of our business, a severe prolonged downturn could negatively affect the value of our goodwill.

As of December 31, 2016, goodwill represented 19% of our total assets. We have recorded goodwill because we paid more for some of our businesses that we acquired than the fair market value of the tangible and separately measurable intangible net assets of those businesses. We are required to periodically review the goodwill of our applicable reporting units (Completion Services and Offshore Products) for impairment in value and to recognize a non-cash charge against earnings causing a corresponding decrease in stockholders' equity if circumstances, some of which are beyond our control, indicate that the carrying amount will not be recoverable. It is possible that we could recognize goodwill impairment losses in the future if, among other factors:

- global economic conditions deteriorate;
- the outlook for future profits and cash flow for any of our reporting units deteriorate further as the result of many possible factors, including, but not limited to, increased or unanticipated competition, technology becoming obsolete, further reductions in customer capital spending plans, loss of key personnel, adverse legal or regulatory judgment(s), future operating losses at a reporting unit, downward forecast revisions, or restructuring plans;
- costs of equity or debt capital increase; or
- valuations for comparable public companies or comparable acquisition valuations deteriorate.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays in the completion of oil and natural gas wells that may reduce demand for our products and services and could have a material adverse effect on our business, results of operations and financial condition.

Although we do not directly engage in hydraulic fracturing, a certain portion of our Completion Services and Offshore Products Operations support many of our oil and natural gas exploration and production customers in such activities. Hydraulic fracturing is an important and commonly used process for the completion of oil and natural gas wells in formations with low permeabilities, such as shale formations, and involves the pressurized injection of water, sand and chemicals into rock formations to stimulate production. Hydraulic fracturing is currently generally exempt from regulation under the SDWA’s Underground Injection Control (“UIC”) program and is typically regulated in the United States by state oil and natural gas commissions or similar agencies.

However, several federal agencies have asserted regulatory authority over certain aspects of the process. For example, in February 2014, the EPA asserted regulatory authority pursuant to the SDWA's UIC program over hydraulic fracturing activities involving the use of diesel and issued guidance covering such activities. The EPA also issued final CAA regulations in 2012 that include New Source Performance Standards ("NSPS") for completions of hydraulically fractured natural gas wells, compressors, controls, dehydrators, storage tanks, natural gas processing plants, and certain other equipment. In June 2016, the EPA published final rules establishing new emissions standards for methane and additional standards for volatile organic compounds ("VOCs") from certain new, modified and reconstructed equipment and processes in the oil and natural gas source category, including production, processing, transmission and storage activities and is formally seeking additional information from oil and natural gas exploration and production operators as necessary to eventually expand these final rules to include existing equipment and processes. In addition, in June 2016, the EPA published an effluent limit guideline final rule prohibiting the discharge of wastewater from onshore unconventional oil and natural gas extraction facilities to publicly owned wastewater treatment plants and, in May 2014, published an Advance Notice of Proposed Rulemaking regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. Also, the federal Bureau of Land Management ("BLM") published a final rule in March 2015 that established new or more stringent standards relating to hydraulic fracturing on federal and American Indian lands but, in June 2016, a Wyoming federal judge struck down this final rule, finding that the BLM lacked authority to promulgate the rule. That decision is currently being appealed by the federal government. In addition, from time to time, Congress has considered legislation to provide for federal regulation of hydraulic fracturing in the United States and to require disclosure of the chemicals used in the hydraulic fracturing process. At the state level, some states have adopted and other states are considering adopting legal requirements that could impose new or more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities, including states where we or our customers operate. States could also elect to prohibit high volume hydraulic fracturing altogether, following the approach taken by the State of New York in 2015. Additionally, local governments may seek to adopt ordinances within their jurisdictions regulating the time, place or manner of drilling activities in general or hydraulic fracturing activities in particular.

In December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources. The final report concluded that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources "under some circumstances," noting that the following hydraulic fracturing water cycle activities and local- or regional-scale factors are more likely than others to result in more frequent or more severe impacts: water withdrawals for fracturing in times or areas of low water availability; surface spills during the management of fracturing fluids, chemicals or produced water; injection of fracturing fluids into wells with inadequate mechanical integrity; injection of fracturing fluids directly into groundwater resources; discharge of inadequately treated fracturing wastewater to surface waters; and disposal or storage of fracturing wastewater in unlined pits. In the event that new or more stringent federal, state or local legal restrictions relating to use of the hydraulic fracturing process in the United States are adopted in areas where our oil and natural gas exploration and production customers operate, those customers could incur potentially significant added costs to comply with requirements relating to permitting, construction, financial assurance, monitoring, recordkeeping, and/or plugging and abandonment, as well as could experience delays or curtailment in the pursuit of production or development activities, any of which could reduce demand for the products and services of each of our business segments and have a material adverse effect on our business, financial condition, and results of operations.

Federal or state legislative and regulatory initiatives related to induced seismicity could result in operating restrictions or delays in the drilling and completion of oil and natural gas wells that may reduce demand for our products and services and could have a material adverse effect on our business, results of operations and financial condition.

Our oil and natural gas producing customers dispose of flowback water or certain other oilfield fluids gathered from oil and natural gas producing operations in accordance with permits issued by government authorities overseeing such disposal activities. While these permits are issued pursuant to existing laws and regulations, these legal requirements are subject to change based on concerns of the public or governmental authorities regarding such disposal activities. One such concern relates to recent seismic events near underground disposal wells used for the disposal by injection of flowback water or certain other oilfield fluids resulting from oil and natural gas activities. When caused by human activity, such events are called induced seismicity. Developing research suggests that the link between seismic activity and wastewater disposal may vary by region, and that only a very small fraction of the tens of thousands of injection wells have been suspected to be, or may have been, the likely cause of induced seismicity. In March 2016, the United States Geological Survey identified six states with the most significant hazards from induced seismicity, including Oklahoma, Kansas, Texas, Colorado, New Mexico, and Arkansas. In response to concerns regarding induced seismicity, regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells or otherwise to assess any relationship between seismicity and the use of such wells. For example, Oklahoma issued new rules for wastewater disposal wells in 2014 that imposed certain permitting and operating restrictions and reporting requirements on disposal wells in proximity to faults and also, from time to time, is developing and implementing plans directing certain wells where seismic incidents have occurred to restrict or suspend disposal well operations. The Texas Railroad Commission adopted similar rules in 2014. In addition, ongoing lawsuits allege that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by our customers to dispose of flowback water and certain other oilfield fluids. Increased regulation and attention given to induced seismicity also could lead to greater opposition, including litigation, to oil and natural gas activities utilizing injection wells for waste disposal. Any one or more of these developments may result in our customers having to limit disposal well volumes, disposal rates or locations, or require our customers or third party disposal well operators that are used to dispose of customers' wastewater to shut down disposal wells, which developments could adversely affect our customers' business and result in a corresponding decrease in the need for our products and services, which could have a material adverse effect on our business, financial condition, and results of operations.

Additional domestic and international deepwater drilling laws, regulations and other restrictions, delays in the processing and approval of drilling permits and exploration, development, oil spill-response and decommissioning plans, and other related developments may have a material adverse effect on our business, financial condition, or results of operations.

In recent years, the BOEM and the BSEE have imposed more stringent permitting procedures and regulatory safety and performance requirements for new wells to be drilled in federal waters. Compliance with these more stringent regulatory requirements and with existing environmental and oil spill regulations, together with any uncertainties or inconsistencies in decisions and rulings by governmental agencies, delays in the processing and approval of drilling

permits and exploration, development, oil spill-response and decommissioning plans and possible additional regulatory initiatives could result in difficult and more costly actions and adversely affect or delay new drilling and ongoing development efforts.

Moreover, new regulatory initiatives may be adopted or enforced by the BOEM or the BSEE in the future that could result in additional delays, restrictions or obligations with respect to oil and natural gas exploration and production operations conducted offshore. For example, in April 2016, BOEM published a proposed rule that would update existing air emissions requirements relating to offshore oil and natural gas activity on federal Outer Continental Shelf ("OCS") waters including in the Central Gulf of Mexico. BOEM regulates these air emissions in connection with its review of exploration and development plans, and right-of-use and right-of-way applications. The proposed rule would bolster existing air emission requirements by, among other things, requiring the reporting and tracking of the emissions of all pollutants defined by the EPA to affect human health and public welfare that, depending on the results obtained, could result in subsequent rulemakings that restrict offshore air emissions. In an unrelated legal initiative, BOEM issued a Notice to Lessees and Operators ("NTL") in July 2016 that imposes more stringent requirements relating to the provision of financial assurance to satisfy decommissioning obligations. Together with a recent re-assessment by BSEE in 2016 in how it determines the amount of financial assurance required, the revised BOEM-administered offshore financial assurance program that is currently being implemented is expected to result in increased amounts of financial assurance being required of operators on the OCS, which amounts may be significant. These existing rules, or any new rules, regulations, or legal initiatives could delay or disrupt our customers' operations, increase the risk of expired leases due to the time required to develop new technology, result in increased supplemental bonding and costs, and limit activities in certain areas, or cause our customers to incur penalties, fines, or shut-in production at one or more of our facilities or result in the suspension or cancellation of leases, which could reduce demand for our products and services. We may incur penalties directly from BSEE if, based on review of the facts surrounding an alleged violation upon an offshore lease, BSEE elects to hold contractors, including contractors such as us who are involved in well completion operations, potentially liable for alleged violations of law arising in the BSEE's jurisdiction area. Also, if material spill events were to occur in the future, the United States or other countries where such an event were to occur could elect to issue directives to temporarily cease drilling activities and, in any event, may from time to time issue further safety and environmental laws and regulations regarding offshore oil and natural gas exploration and development, any of which developments could have a material adverse effect on our business. We cannot predict with any certainty the full impact of any new laws, regulations or legal initiatives on our customers' drilling operations or on the cost or availability of insurance to cover the risks associated with such operations. The matters described above, individually or in the aggregate, could have a material adverse effect on our business, results of operations, financial condition, and liquidity.

We do business in international jurisdictions which exposes us to unique risks.

A portion of our revenue is attributable to operations in foreign countries. These activities accounted for approximately 29% (13% excluding the United Kingdom and Canada) of our consolidated revenue in the year ended December 31, 2016. Risks associated with our operations in foreign areas include, but are not limited to:

- expropriation, confiscation or nationalization of assets;
- renegotiation or nullification of existing contracts;
- foreign exchange limitations;

- foreign currency fluctuations;
- foreign taxation;
- the inability to repatriate earnings or capital in a tax efficient manner;
- changing political conditions;
- economic or trade sanctions;
- changing foreign and domestic monetary and trade policies;
- changes in trade activity;
- social, political, military, and economic situations in foreign areas where we do business, and the possibilities of war, other armed conflict or terrorist attacks; and
- regional economic downturns.

As an illustration of this risk, there is a current recessionary economic environment in Brazil which, at present, is having a negative impact on orders and future growth prospects for the Company's operations in Brazil. Sales to customers in Brazil accounted for approximately 9% of the Company's consolidated revenues in 2016 and 5% in 2015.

Additionally, in some jurisdictions we are subject to foreign governmental regulations favoring or requiring the awarding of contracts to local contractors, or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These regulations may adversely affect our ability to compete in such jurisdictions.

The U.S. Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery laws in other jurisdictions, including the United Kingdom Bribery Act 2010, generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices and impact our business. Any failure to comply with the FCPA or other anti-bribery legislation could subject us to civil and criminal penalties or other sanctions, which could have a material adverse impact on our business, financial condition and results of operations. We could also face fines, sanctions, and other penalties from authorities in the relevant foreign jurisdictions, including prohibition of our participating in, or curtailment of, business operations in those jurisdictions and the seizure of assets. Additionally, we may have competitors who are not subject to the same ethics-related laws and regulations which provides them with a competitive advantage over us by securing business awards, licenses, or other preferential treatment, in those jurisdictions using methods that certain ethics-related laws and regulations prohibit us from using.

The regulatory regimes in some foreign countries may be substantially different than those in the United States, and may be unfamiliar to U.S. investors. Violations of foreign laws could result in monetary and criminal penalties against us or our subsidiaries and could damage our reputation and, therefore, our ability to do business.

Exchange rate fluctuations could adversely affect our U.S. reported results of operations and financial position.

In the ordinary course of our business, we enter into purchase and sales commitments that are denominated in currencies that differ from the functional currency used by our operating subsidiaries. Currency exchange rate fluctuations can create volatility in our consolidated financial position, results of operations, and/or cash flows. Although we may enter into foreign exchange agreements with financial institutions in order to reduce our exposure to fluctuations in currency exchange rates, these transactions, if entered into, will not eliminate that risk entirely. To the extent that we are unable to match revenues received in foreign currencies with expenses paid in the same currency, exchange rate fluctuations could have a negative impact on our consolidated financial position, results of operations, and/or cash flows. Additionally, because our consolidated financial results are reported in U.S. dollars, if we generate net revenues or earnings in countries whose currency is not the U.S. dollar, the translation of such amounts into U.S. dollars can result in an increase or decrease in the amount of our net revenues and earnings depending upon exchange rate movements. As a result, a material decrease in the value of these currencies relative to the U.S. dollar may have a negative impact on our reported revenues, net income, and cash flows. Any currency controls implemented by local monetary authorities in countries where we currently operate could also adversely affect our business, financial condition, and results of operations.

The results of the United Kingdom's referendum on withdrawal from the European Union including the subsequent exchange rate fluctuations and political and economic uncertainties may have a negative effect on global economic conditions, financial markets and our business.

We are a multinational company and are subject to the risks inherent in doing business in other countries, including the United Kingdom (the "U.K."). In June 2016, a majority of voters in the U.K. elected to withdraw from the European Union in a national referendum ("Brexit"). The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the U.K. formally initiates a withdrawal process. Nevertheless, Brexit has created significant uncertainty about the future relationship between the U.K. and the European Union and other countries, including with respect to the laws and regulations that will apply as the U.K. determines which European Union derived laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of these developments may occur, could potentially disrupt the markets we serve and the jurisdictions in which we operate and may cause us to lose customers, suppliers, and employees.

The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct

business. As of December 31, 2016, the exchange rate of the British pound compared to the U.S. dollar weakened by 16% compared to the exchange rate at December 31, 2015. Any further volatility may adversely affect our results of operations. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Our accumulated other comprehensive loss, reported as a component of stockholders' equity, increased from $50.7 million at December 31, 2015 to $70.3 million at December 31, 2016 due to changes in currency exchange rates, largely the British pound. The announcement of Brexit and the withdrawal of the U.K. from the European Union may also create global economic uncertainty, which may cause our customers to closely monitor their costs and reduce their spending budgets for our products and services. The impact from Brexit on our business and operations will depend on the outcome of tariff, tax treaty, trade, regulatory and other negotiations, as well as the impact of the withdrawal on macroeconomic growth and currency volatility, which are uncertain at this time. Any of these effects of Brexit could have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental laws and regulations that may expose us to significant costs and liabilities.

Our operations are significantly affected by numerous federal, state, local, tribal and foreign laws, and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. We could be exposed to liabilities for cleanup costs, natural resource damages, and other damages under these laws and regulations, with certain of these legal requirements imposing strict liability for such damages and costs, even though our conduct was lawful at the time it occurred or the conduct resulting in such damage and costs were caused by, prior operators or other third-parties.

Environmental laws and regulations are subject to change in the future, possibly resulting in more stringent legal requirements. If existing regulatory requirements or enforcement policies change, we or our oil and natural gas exploration and production customers may be required to make significant, unanticipated capital and operating expenditures. Examples of recent regulations or other regulatory initiatives include the following:

- *Ground-Level Ozone Standards.* In October 2015, the EPA issued a final rule under the Clean Air Act, lowering the National Ambient Air Quality Standard (NAAQS) for ground-level ozone from 75 parts per billion to 70 parts per billion under both the primary and secondary standards to provide requisite protection of public health and welfare, respectively. The EPA is expected to make final geographical attainment designations and issue final non-attainment area requirements pursuant to this NAAQS rule by late 2017 and any designations or requirements that result in reclassification of areas or imposition of more stringent standards may make it more difficult to construct new or modified sources of air pollution in newly designated non-attainment areas. Moreover, states are expected to implement more stringent regulations, which could apply to our or our oil and natural gas exploration and production customers' operations.

- *EPA Review of Drilling Waste Classification.* Drilling, fluids, produced water and most of the other wastes associated with the exploration, development and production of oil or natural gas, if properly handled, are currently exempt from regulation as hazardous waste under RCRA and instead, are regulated under RCRA's less stringent non-hazardous waste provisions. However, following the filing of a lawsuit in the U.S. District Court for the District of Columbia in May 2016 by several non-governmental environmental groups against the EPA for the agency's failure to timely assess its RCRA Subtitle D criteria regulations for oil and natural gas wastes, EPA and the environmental groups entered into an agreement that was finalized in a consent decree issued by the District Court on December 28, 2016. Under the decree, the EPA is required to propose no later than March 15, 2019, a rulemaking for revision of certain Subtitle D criteria regulations pertaining to oil and natural gas wastes or sign a determination that revision of the regulations is not necessary. If EPA proposes a rulemaking for revised oil and natural gas waste regulations, the Consent Decree requires that the EPA take final action following notice and comment rulemaking no later than July 15, 2021.

- *Waters of the United States.* In May 2015, the EPA released a final rule outlining its position on federal jurisdictional reach over waters of the United States. This interpretation by the EPA may constitute an expansion of federal jurisdiction over waters of the United States. The rule was stayed nationwide by the U.S. Sixth Circuit Court of Appeals in October 2015 as that appellate court and several other courts ponder lawsuits opposing implementation of the rule. Litigation surrounding this rule is on-going. Compliance with these regulations and other regulatory initiatives, or any other new environmental laws and regulations could, among other things, require us or our customers to install new or modified emission controls on equipment or processes, incur longer permitting timelines, and incur significantly increased capital expenditures and operating costs, which costs may be significant. Additionally, one or more of these developments could reduce demand for our products and services. Moreover, any failure by us to comply with applicable environmental laws and regulations may result in governmental authorities taking actions against our business that could adversely impact our operations and financial condition, including the:

issuance of administrative, civil, and/or criminal penalties;

denial or revocation of permits or other authorizations;

reduction or cessation in operations; and

performance of site investigatory, remedial, or other corrective actions.

An accidental release of pollutants into the environment may cause us to incur significant costs and liabilities.

Our business activities present risks of incurring significant environmental costs and liabilities in our business as a result of our handling of petroleum hydrocarbons, because of air emissions and waste water discharges related to our operations, and due to historical industry operations and waste disposal practices. Additionally, private parties, including the owners of properties upon which we perform services and facilities where our wastes are taken for reclamation or disposal, also may have the right to pursue legal actions to enforce compliance as well as to seek

damages for non-compliance with environmental laws and regulations or for personal injury or property or natural resource damages. 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 lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Remedial 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 liquidity, results of operations and financial condition. We may not be able to recover some or any of these costs from insurance.

Climate change legislation and regulations restricting or regulating emissions of GHGs could result in increased operating and capital costs and reduced demand for our products and services.

Climate change continues to attract considerable public and scientific attention. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. These efforts have included consideration of cap-and-trade programs, carbon taxes, GHG reporting and tracking programs and regulations that directly limit GHG emissions from certain sources.

At the federal level, no comprehensive climate change legislation has been implemented to date. The EPA has, however, adopted rules under authority of the federal Clean Air Act that, among other things, establish Potential for Significant Deterioration (“PSD”) construction and Title V operating permit reviews for GHG emissions from certain large stationary sources that are also potential major sources of certain principal, or criteria, pollutant emissions, which reviews could require securing PSD permits at covered facilities emitting GHGs and meeting “best available control technology” standards for those GHG emissions. In addition, the EPA has adopted rules requiring the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources in the U.S., including, among others, onshore and offshore production facilities, which include certain of our producing customers’ operations. In October 2015, the EPA amended and expanded the GHG reporting requirements to all segments of the oil and natural gas industry.

Federal agencies also have begun directly regulating emissions of methane, a GHG, from oil and natural gas operations. In June 2016, the EPA published NSPS, known as Subpart Quad OOOOa, that require certain new, modified or reconstructed facilities in the oil and natural gas sector to reduce these methane gas and VOC emissions. These Subpart OOOOa standards will expand previously issued NSPS published by the EPA in 2012 and known as Subpart OOOO, by using certain equipment-specific emissions control practices. Moreover, in November 2016, the EPA issued a final Information Collection Request (“ICR”) seeking additional information from oil and gas producing operators as necessary to expand these standards to include existing equipment and processes. Additionally, in December 2015, the United States joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France that requires member countries to review and “represent a progression” in their intended nationally determined contributions, which set GHG emission reduction goals every five years beginning in 2020. Although this agreement does not create any binding obligations for nations to limit their GHG emissions, it does include pledges to voluntarily limit or reduce future emissions.

The adoption and implementation of any international, federal or state legislation or regulations that require reporting of GHGs or otherwise restrict emissions of GHGs could result in increased compliance costs or additional operating restrictions imposed on us or our customers operations, adversely impact overall drilling activity in the areas in which we operate, reduce the demand for carbon-based fuels, and reduce the demand for our products and services. Any one or more of these developments could have a material adverse effect on our business, financial condition, demand for our services, results of operations, and cash flows.

The Endangered Species Act and Migratory Bird Treaty Act ("ESA") and other restrictions intended to protect certain species of wildlife govern our and our oil and natural gas exploration and production customers' operations and additional restrictions may be imposed in the future, which constraints could have an adverse impact on our ability to expand some of our existing operations or limit our customers' ability to develop new oil and natural gas wells.

Oil and natural gas operations in our operating areas may be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife, which may limit our ability to operate in protected areas. Permanent restrictions imposed to protect endangered species could prohibit drilling in certain areas or require the implementation of expensive mitigation measures.

Moreover, as a result of one or more settlements approved by the United States federal government, the U.S. Fish and Wildlife Service ("FWS") must make determinations on the listing of numerous species as endangered or threatened under the ESA. The designation of previously unidentified endangered or threatened species could indirectly cause us to incur additional costs, cause our or our oil and natural gas exploration and production customers' operations to become subject to operating restrictions or bans, and limit future development activity in affected areas.

Changes to tax laws and regulations could materially, negatively impact the Company by increasing the costs of doing business for our customers thereby decreasing the demand for our products and services.

Changes in various laws and regulations could have a material negative effect on our customers, resulting in lower demand for our products and services. In past years, legislation has been proposed that would, if enacted into law, make significant changes to U.S. tax laws including, but not limited to:

- repeal of expensing of intangible drilling costs and exploration and development costs;
- increase of the amortization period for geological and geophysical costs to seven years;
- repeal of percentage depletion;
- repeal of the domestic manufacturing deduction for oil and natural gas production;
- repeal of the passive loss exception for working interests in oil and natural gas properties;
- repeal of the credits for enhanced oil recovery projects and production from marginal wells;
- repeal of the deduction for tertiary injectants;
- changes to the tax treatment of Master Limited Partnerships (MLPs); and
- changes to the foreign tax credit limitation calculation.

Congress could consider, and could include, some or all of these proposals as part of tax reform legislation, to accompany lower federal income tax rates. Moreover, other more general features of tax reform legislation, including

changes to cost recovery rules and to the deductibility of interest expense, may be developed that also would change the taxation of oil and gas companies. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could take effect.

In addition, the Republican members of the House Ways and Means Committee in June 2016 released a Blueprint for a pro-growth tax code which, among other provisions, includes a destination-based business cash flow tax. This proposal includes border adjustments, under which products, services and intangibles that are exported from the United States would not be subject to U.S. tax, but products, services and intangibles that a business imports into the United States would be subject to U.S. tax. This proposal currently is under active consideration in Congress as part of the development of potential comprehensive tax reform legislation. If enacted, such proposal could serve to delay access to or increase the costs of goods and services that we import.

We are susceptible to seasonal earnings volatility due to adverse weather conditions in our regions of operations.

Our operations are directly affected by seasonal differences in weather in the areas in which we operate, most notably in the Rocky Mountain region of the United States, the Gulf of Mexico and Canada. Severe winter weather conditions in the Rocky Mountain region of the United States can restrict access to work areas for our Well Site Services segment customers. Our operations in and near the Gulf of Mexico are also affected by weather patterns. Weather conditions in the Gulf Coast region generally result in higher drilling activity in the spring, summer and fall months, with the lowest activity in the winter months. In addition, summer and fall drilling activity can be restricted due to hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast. As a result of these seasonal differences, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

We are exposed to risks relating to subcontractors' performance in some of our projects.

In many cases, we subcontract the performance of portions of our operations to subcontractors. While we seek to obtain appropriate indemnities and guarantees from these subcontractors, we remain ultimately responsible for the performance of our subcontractors. Industrial disputes, natural disasters, financial failure or default, or inadequate performance in the provision of services, or the inability to provide services by such subcontractors, has the potential to materially adversely affect us.

Our inability to control the inherent risks of identifying and integrating businesses that we may acquire, including any related increases in debt or issuances of equity securities, could adversely affect our operations.

Acquisitions have been, and our management believes will continue to be, a key element of our growth strategy. However, we may not be able to identify and acquire acceptable acquisition candidates on favorable terms in the future. We may be required to incur substantial indebtedness to finance future acquisitions and also may issue equity securities in connection with such acquisitions. Such additional debt service requirements could impose a significant burden on our results of operations and financial condition. The issuance of additional equity securities could result in significant dilution to stockholders.

We expect to gain certain business, financial, and strategic advantages as a result of business combinations we undertake, including synergies and operating efficiencies. Our forward-looking statements assume that we will successfully integrate our business acquisitions and realize these intended benefits. An inability to realize expected financial performance and strategic advantages as a result of the acquisition would negatively affect the anticipated benefits of the acquisition. Additional risks we could face in connection with acquisitions include:

- retaining key employees of acquired businesses;
- retaining and attracting new customers of acquired businesses;
- retaining supply and distribution relationships key to the supply chain;
- increased administrative burden;
- developing our sales and marketing capabilities;
- managing our growth effectively;
- potential goodwill impairment resulting from the overpayment for an acquisition;

- integrating operations;
- managing tax and foreign exchange exposure;
- operating a new line of business;
- increased logistical problems common to large, expansive operations;
- inability to pursue and protect patents covering acquired technology; and
- becoming subject to unanticipated liabilities of the acquired business.

Additionally, an acquisition may bring us into businesses we have not previously conducted and expose us to additional business risks that are different from those we have previously experienced. If we fail to manage any of these risks successfully, our business could be harmed. Our capitalization and results of operations may change significantly following an acquisition, and stockholders of the Company may not have the opportunity to evaluate the economic, financial, and other relevant information that we will consider in evaluating future acquisitions.

We may not have adequate insurance for potential liabilities and our insurance may not cover certain liabilities, including litigation risks.

The products that we manufacture and the services that we provide are complex, and the failure of our equipment to operate properly or to meet specifications may greatly increase our customers' costs. In addition, many of these products are used in inherently hazardous applications where an accident or product failure can cause personal injury or loss of life, damages to property, equipment, or the environment, regulatory investigations and penalties, and the suspension or cancellation of the end-user's operations. If our products or services fail to meet specifications, or are involved in accidents or failures, we could face warranty, contract, or other litigation claims for which we may be held responsible and our reputation for providing quality products may suffer. In the ordinary course of business, we become the subject of various claims, lawsuits, and administrative proceedings, seeking damages or other remedies concerning our commercial operations, products, employees, and other matters, including occasional claims by individuals alleging exposure to hazardous materials as a result of our products or operations. Some of these claims relate to the activities of businesses that we have sold, and some relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of such businesses.

We maintain insurance to cover many of our potential losses, and we are subject to various self-retentions and deductibles under our insurance policies. It is possible, however, that a judgment could be rendered against us in cases in which we could be uninsured and beyond the amounts that we currently have reserved or anticipate incurring for such matters. Even a partially uninsured or underinsured claim, if successful and of significant size, could have a material adverse effect on our results of operations or consolidated financial position. We also face the following other risks related to our insurance coverage:

we may not be able to continue to obtain insurance on commercially reasonable terms;

we may be faced with types of liabilities that will not be covered by our insurance, such as damages from environmental contamination or terrorist attacks;

the counterparties to our insurance contracts may pose credit risks; and

we may incur losses from interruption of our business that exceed our insurance coverage.

Our business could be negatively impacted by security threats, including cybersecurity threats, and other disruptions.

We face various security threats, including cybersecurity threats to gain unauthorized access to sensitive information or to render data or systems unusable; threats to the safety of our employees; threats to the security of our facilities and infrastructure, or third-party facilities and infrastructure; and threats from terrorist acts. Cybersecurity attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. Although we utilize various procedures and controls to monitor these threats and mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. If any of these events were to materialize, they could lead to losses of sensitive information, critical infrastructure, personnel or capabilities, essential to our operations, and could have a material adverse effect on our reputation, financial position, results of operations, or cash flows.

We depend on several significant customers in each of our business segments, and the loss of one or more such customers or the inability of one or more such customers to meet their obligations to us, could adversely affect our results of operations.

While no customer accounted for more than 10% of our consolidated revenues in 2016, 2015 or 2014, we depend on several significant customers in each of our business segments. The loss of a significant portion of customers in any of our business segments, or a sustained decrease in demand by any of such customers, could result in a substantial loss of revenues and could have a material adverse effect on our results of operations. In addition, the concentration of customers in one industry impacts our overall exposure to credit risk, in that customers may be similarly affected by changes in economic and industry conditions. While we perform ongoing credit evaluations of our customers, we do not generally require collateral in support of our trade receivables.

As a result of our customer concentration, risks of nonpayment and nonperformance by our counterparties are a concern in our business. Many of our customers finance their activities through cash flow from operations, the incurrence of debt, or the issuance of equity. Many of our customers have experienced substantial reductions in their cash flows from operations, and some are experiencing liquidity shortages, lack of access to capital and credit markets, a reduction in borrowing bases under reserve-based credit facilities, and other adverse impacts to their financial condition. These conditions may result in a significant reduction in our customers' liquidity and ability to pay or otherwise perform on their obligations to us. The inability, or failure of, our significant customers to meet their obligations to us, or their insolvency or liquidation, may adversely affect our financial results.

Our common stock price has been volatile, and we expect it to continue to remain volatile in the future.

The market price of common stock of companies engaged in the oil and natural gas services industry has been highly volatile. Likewise, the market price of our common stock has varied significantly in the past, and we expect it to continue to remain highly volatile given the cyclical nature of our industry.

We may assume contractual risks in developing, manufacturing and delivering products in our Offshore Products business segment.

Many of our products from our Offshore Products segment are ordered by customers under frame agreements or project-specific contracts. In some cases these contracts stipulate a fixed price for the delivery of our products and impose liquidated damages or late delivery fees if we do not meet specific customer deadlines. Our actual costs, and any gross profit realized on these fixed-price contracts, may vary from the initially expected contract economics. In addition, some customer contracts stipulate consequential damages payable, generally as a result of our gross negligence or willful misconduct. The final delivered products may also include customer and third-party supplied equipment, the delay of which can negatively impact our ability to deliver our products on time at our anticipated profitability.

In certain cases these orders include new technology or unspecified design elements. There is inherent risk in the estimation process including significant unforeseen technical and logistical challenges, or longer than expected lead times. In some cases we may not be fully, or, properly compensated for the cost to develop and design the final products, negatively impacting our profitability on the projects. In addition, our customers, in many cases, request changes to the original design or bid specifications for which we may not be fully or properly compensated.

In fulfilling some contracts, we provide limited warranties for our products. Although we estimate and record a provision for potential warranty claims, repair or replacement costs under warranty provisions in our contracts could exceed the estimated cost to cure the claim, which could be material to our financial results. We utilize

percentage-of-completion accounting, depending on the size and length of a project, and variations from estimated contract performance could have a significant impact on our reported operating results as we progress toward completion of major jobs.

Backlog in our Offshore Products segment is subject to unexpected adjustments and cancellations and is, therefore, an imperfect indicator of our future revenues and earnings.

The revenues projected in our Offshore Products segment backlog may not be realized or, if realized, may not result in profits. Because of potential changes in the scope or schedule of our customers' projects, we cannot predict with certainty when or if backlog will be realized. Material delays, cancellations or payment defaults could materially affect our financial condition, results of operations, and cash flows.

Reductions in our backlog due to cancellations or deferrals by customers, or for other reasons, would adversely affect, potentially to a material extent, the revenues and earnings we actually receive from contracts included in our backlog. Some of the contracts in our backlog are cancellable by the customer, subject to the payment of termination fees and/or the reimbursement of our costs incurred. We typically have no contractual right to the total revenues reflected in our backlog once a project is cancelled. While backlog cancellations have not been significant in the past, we incurred cancellations totaling $21.1 million during 2015 and $3.7 million during 2016. If commodity prices do not improve, we may incur additional cancellations or experience continued declines in our backlog during 2017. If we experience significant project terminations, suspensions, or scope adjustments, to contracts included in our backlog, our financial condition, results of operations, and cash flows, may be adversely impacted.

We might be unable to employ a sufficient number of technical personnel.

Many of the products that we sell, especially in our Offshore Products segment, are complex and highly engineered, and often must perform in harsh conditions. We believe that our success depends upon our ability to employ and retain technical personnel with the ability to design, utilize, and enhance these products. In addition, our ability to expand our operations depends in part on our ability to increase our skilled labor force. During periods of increased activity, the demand for skilled workers is high, and the supply is limited. When these events occur, our cost structure increases and our growth potential could be impaired. Conversely, during periods of reduced activity, we are forced to reduce headcount, freeze or reduce wages, and implement other cost-saving measures which could lead to job abandonment by our technical personnel.

We might be unable to compete successfully with other companies in our industry.

The markets in which we operate are highly competitive and certain of them have relatively few barriers to entry. The principal competitive factors in our markets are product, equipment and service quality, availability, responsiveness, experience, technology, safety performance, and price. In some of our product and service offerings, we compete with the oil and natural gas industry’s largest oilfield service providers. These large national and multi-national companies 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. In addition, we compete with many smaller companies capable of competing effectively on a regional or local basis. Our competitors may be able to respond more quickly to new or emerging technologies and services, and changes in customer requirements. Many contracts are awarded on a bid basis, which further increases competition based on price. 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, financial condition, and results of operations.

If we do not develop new competitive technologies and products, our business and revenues may be adversely affected.

The market for our products and services is characterized by continual technological developments to provide better performance in increasingly greater water depths, higher pressure levels and harsher conditions. If we are unable to design, develop, and produce commercially, competitive products in a timely manner in response to changes in technology, our business and revenues will be adversely affected. In addition, competitors or customers may develop new technologies, which address similar or improved solutions to our existing technology. Additionally, the development and commercialization of new products and services requires substantial capital expenditures and we may not have access to needed capital at attractive rates or at all due to our financial condition, disruptions of the bank or capital markets, or other reasons beyond our control to continue these activities. Should our technologies become the less attractive solution, our operations and profitability would be negatively impacted.

We may be subject to litigation if another party claims that we have infringed upon its intellectual property rights.

The tools, techniques, methodologies, programs, and components we use to provide our products and services may infringe, or be alleged to infringe, upon the intellectual property rights of others. Infringement claims generally result in significant legal and other costs, and may distract management from running our core business. Royalty payments under a license from third parties, if available, would increase our costs. If a license were not available, we might not be able to continue providing a particular service or product. Any of these developments could have a material adverse effect on our business, financial condition, and results of operations.

During periods of strong demand, we may be unable to obtain critical project materials on a timely basis.

Our operations depend on our ability to procure, on a timely basis, certain project materials, such as forgings, to complete projects in an efficient manner. Our inability to procure critical materials during times of strong demand or at reasonable costs due to supply issues, import taxes or the like, could have a material adverse effect on our business and operations.

Our oilfield operations involve a variety of operating hazards and risks that could cause losses.

Our operations are subject to the hazards inherent in the oilfield business. These include, but are not limited to, equipment defects, blowouts, explosions, spills, fires, collisions, capsizing, and severe weather conditions. These hazards could result in personal injury and loss of life, severe damage to, or destruction of, property and equipment, pollution or environmental damage, and suspension of operations. We may incur substantial liabilities or losses as a result of these hazards as part of our ongoing business operations. We may agree to indemnify our customers against specific risks and liabilities. While we maintain insurance protection against some of these risks, and seek to obtain indemnity agreements from our customers requiring the customers to hold us harmless from some of these risks, our insurance and contractual indemnity protection may not be sufficient or effective enough to protect us under all circumstances or against all risks. The occurrence of a significant event 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.

We might be unable to protect our intellectual property rights.

We rely on a variety of intellectual property rights that we use in our Offshore Products and Completion Services businesses, particularly our patents relating to our FlexJoint® and Merlin™ technology and intervention and downhole extended-reach tools (including our HydroPull® tool) utilized in the completion or workover of oil and natural gas wells. The market success of our technologies will depend, in part, on our ability to obtain and enforce our proprietary rights in these technologies, to preserve rights in our trade secret and non-public information, and to operate without infringing the proprietary rights of others. We may not be able to successfully preserve these intellectual property rights in the future and these rights could be invalidated, circumvented or challenged. If any of our patents or other intellectual property rights are determined to be invalid or unenforceable, or if a court limits the scope of claims in a patent or fails to recognize our trade secret rights, our competitive advantages could be significantly reduced in the relevant technology, allowing competition for our customer base to increase. In addition, the laws of some foreign countries in which our products and services may be sold do not protect intellectual property rights to the same extent as the laws of the United States. The failure of our Company to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could adversely affect our competitive position.

Provisions contained in our certificate of incorporation and bylaws could discourage a takeover attempt, which may reduce or eliminate the likelihood of a change of control transaction and, therefore, the ability of our stockholders to sell their shares for a premium.

Provisions contained in our certificate of incorporation and bylaws provide limitations on the removal of directors, on stockholder proposals at meetings of stockholders, on stockholder action by written consent and on the ability of stockholders to call special meetings, which could make it more difficult for a third-party to acquire control of our Company. Our certificate of incorporation also authorizes our Board of Directors to issue preferred stock without stockholder approval. If our Board of Directors elects to issue preferred stock, it could increase the difficulty for a third-party to acquire us, which may reduce or eliminate our stockholders' ability to sell their shares of our common stock at a premium.

The Spin-Off of Civeo may subject us to future liabilities.

We spun off our accommodations business to a stand-alone, publicly traded corporation (“Civeo”) through a tax-free distribution to our stockholders on May 30, 2014.

Pursuant to agreements we entered into with Civeo in connection with the Spin-Off, we and Civeo are each generally responsible for the obligations and liabilities related to our respective businesses. Pursuant to those agreements, we and Civeo each agreed to cross-indemnities principally designed to allocate financial responsibility for the obligations and liabilities of our business to us and those of Civeo’s business to it. However, third parties, including governmental agencies, could seek to hold us responsible for obligations and liabilities that Civeo agreed to retain or assume, and there can be no assurance that the indemnification from Civeo will be sufficient to protect us against the full amount of such obligations and liabilities, or that Civeo will be able to fully satisfy its indemnification obligations. Additionally, if a court were to determine that the Spin-Off or related transactions, including the payment of the dividend we received from Civeo, were consummated with the actual intent to hinder, delay or defraud current or future creditors or resulted in Civeo receiving less than reasonably equivalent value when it was insolvent, or that it was rendered insolvent, inadequately capitalized or unable to pay its debts as they become due, then it is possible that the court could disregard the allocation of obligations and liabilities agreed to between us and Civeo and impose substantial obligations and liabilities on us, void some or all of the Spin-Off transactions or require us to repay some or all of the dividend we received in connection with the Spin-Off. Any of the foregoing could adversely affect our financial condition and our results of operations.

In connection with the Spin-Off, we received a private letter ruling from the IRS regarding certain aspects of the Spin-Off. The private letter ruling, and an opinion we received from our tax advisor, each rely on certain facts, assumptions, representations and undertakings from us and Civeo regarding the past and future conduct of the companies’ respective businesses and other matters. If any of these facts, assumptions, representations, or undertakings are, or become, incorrect or not otherwise satisfied, we may not be able to rely on the private letter ruling or the

opinion of our tax advisor and could be subject to significant tax liabilities. In addition, an opinion of counsel is not binding upon the IRS, so, notwithstanding the opinion of our tax advisor, the IRS could conclude upon audit that the Spin-Off is taxable in full or in part if it disagrees with the conclusions in the opinion, or for other reasons, including as a result of certain significant changes in our or Civeo's stock ownership. If the Spin-Off is determined to be taxable for U.S. federal income tax purposes for any reason, we and/or our stockholders could incur significant income tax liabilities.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

The Company owns or leases numerous manufacturing facilities, service centers, sales and administrative offices, storage yards and data processing centers in support of its worldwide operations. The following presents the location of the Company's principal owned or leased facilities, by segment.

Offshore Products – Rio de Janeiro and Macae, Brazil; Aberdeen, Bathgate and West Lothian, Scotland; Barrow-in-Furness, England; Rayong, Thailand; Singapore; Navi Mumbai, India; and in the United States: Arlington, Houston and Lampasas, Texas; Oklahoma City and Tulsa, Oklahoma and Houma, Louisiana.

Well Site Services – Neuquén and Cutral Co, Argentina, Grand Prairie and Red Deer, Canada; and in the United States: Alice, Houston, Odessa, Texas; New Iberia Houma, Louisiana; Casper and Rock Springs, Wyoming; Williston, North Dakota and Renton, Washington.

Our principal corporate offices are located in Houston, Texas.

We believe that our leases are at competitive or market rates and do not anticipate any difficulty in leasing additional suitable space upon expiration of our current lease terms.

Item 3. ***Legal Proceedings***

Information regarding legal proceedings is set forth in Note 14 of the Consolidated Financial Statements and is incorporated herein by reference.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Common Stock Information

Our authorized common stock consists of 200,000,000 shares of common stock. There were 51,372,628 shares of common stock outstanding as of February 10, 2017. The approximate number of record holders of our common stock as of February 10, 2017 was 20. Our common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol OIS. The closing price of our common stock on February 10, 2017 was $39.75 per share.

The following table sets forth the range of high and low quarterly sales prices of our common stock as reported by the NYSE (composite transaction):

	Price	
	High	**Low**
2016		
First Quarter	$33.05	$21.44
Second Quarter	36.73	28.46
Third Quarter	33.79	27.07
Fourth Quarter	41.75	28.00
2015		
First Quarter	$49.31	$38.41
Second Quarter	48.16	36.30
Third Quarter	37.27	23.35
Fourth Quarter	33.14	24.24

We have not declared or paid any cash dividends on our common stock since our initial public offering in 2001 and our existing credit facility limits the payment of dividends. For additional discussion of such restrictions, please see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation." Any future determination as to the declaration and payment of dividends will be at the discretion of our Board of Directors and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our Board of Directors considers relevant.

PERFORMANCE GRAPH

The following graph and chart compare the cumulative five-year total stockholder return on the Company's common stock relative to the cumulative total returns of the Standard & Poor's 500 Stock Index, the PHLX Oil Service Sector index, an index of oil and gas related companies that represent an industry composite of the Company's peer group, and a customized peer group of sixteen companies, with the individual companies listed in footnote (1) below for the period from December 31, 2011 to December 31, 2016. The graph and chart show the value at the dates indicated of $100 invested at December 31, 2011 and assume the reinvestment of all dividends. The stockholder return set forth below is not necessarily indicative of future performance. The following graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Oil States specifically incorporates it by reference into such filing.

(1) The sixteen companies included in the Company's customized peer group are: Archrock, Inc., Bristow Group Inc., Carbo Ceramics Inc., Core Laboratories N.V., Dril-Quip, Inc., Forum Energy Technologies, Inc., Franks International N.V., Helix Energy Solutions Group, Inc., Helmerich & Payne, Inc., Key Energy Services, Inc., McDermott International Inc., Oceaneering International, Inc., Patterson UTI Energy, Inc., RPC, Inc., Superior Energy Services, Inc. and Tidewater Inc.

	Cumulative Total Return*					
As of December 31,	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Oil States International, Inc.	**$100.00**	**$93.68**	**$133.19**	**$112.08**	**$62.46**	**$89.39**
S&P 500	**100.00**	**116.00**	**153.58**	**174.60**	**177.01**	**198.18**
PHLX Oil Service Sector	**100.00**	**102.12**	**133.74**	**112.55**	**86.56**	**109.23**
Peer Group	**100.00**	**101.09**	**143.72**	**102.07**	**72.96**	**92.89**

*$100 invested on December 31, 2011 in stock or index, including reinvestment of dividends. Fiscal year ended December 31.

(1) Information used in the graph was obtained from Research Data Group, Inc., a source believed to be reliable, but we are not responsible for any errors or omissions in such information. Used with permission.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

Period	**Total Number of Shares Purchased**[1]	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs** [2]
October 1 through October 31, 2016	212	$ 30.30	–	$ 136,827,937
November 1 through	–	–	–	$ 136,827,937

November 30, 2016				
December 1 through December 31, 2016	634	$ 36.95	–	$ 136,827,937
Total	846	$ 35.28	–	$ 136,827,937

(1) All of the 846 shares purchased during the three-month period ended December 31, 2016 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock grants. These shares were not part of a publicly announced program to purchase common stock.

(2) On July 29, 2015, the Company’s Board of Directors approved the termination of ourthen existing share repurchase program and authorized a new program providing for the repurchase of up to $150,000,000 of the Company’s commonstock, which was scheduled to expire on July 29, 2016. On July 27, 2016, our Board of Directors extended the share repurchase program for one year to July 29, 2017.

Item 6. ***Selected Financial Data***

The selected financial data on the following pages include selected historical financial information of our company as of and for each of the five years ended December 31, 2016. The following data should be read in conjunction with "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and related notes included in "Part II, Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. In May 2014, we completed the spin-off of our accommodations segment and, in September 2013, we sold our tubular services segment. Accordingly, all periods presented below have been reclassified to reflect the presentation of our accommodations and tubular services segments as discontinued operations.

Selected Financial Data

(In thousands, except per share amounts)

	Year Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Statement of Operations Data:					
Revenues	$694,444	$1,099,977	$1,819,609	$1,629,134	$1,517,720
Costs and expenses:					
Product and service costs	526,770	785,698	1,205,884	1,113,168	1,053,646
Selling, general and administrative expenses	124,033	132,664	169,432	150,967	125,290
Depreciation and amortization expense	118,720	131,257	124,776	109,231	88,745
Other operating (income) expense, net	(5,796)	(4,648)	9,262	8,491	2,394
	763,727	1,044,971	1,509,354	1,381,857	1,270,075
Operating income (loss)	(69,283)	55,006	310,255	247,277	247,645
Interest expense	(5,343)	(6,427)	(17,173)	(38,830)	(40,373)
Interest income	399	543	560	628	405
Loss on extinguishment of debt[1]	–	–	(100,380)	(6,168)	–
Other income	902	1,446	3,082	1,220	5,415
Income (loss) from continuing operations before income taxes	(73,325)	50,568	196,344	204,127	213,092
Income tax benefit (provision)	26,939	(22,197)	(69,117)	(75,068)	(71,947)
Net income (loss) from continuing operations	(46,386)	28,371	127,227	129,059	141,145
Net income from discontinued operations, net of tax (including a net gain on disposal of $84,043 in 2013)	(4)	226	51,776	292,217	307,482
Net income (loss)	(46,390)	28,597	179,003	421,276	448,627
Less: Net income attributable to noncontrolling interest	–	–	–	18	18
Net income (loss) attributable to Oil States	$(46,390)	$28,597	$179,003	$421,258	$448,609

Basic net income (loss) per share attributable to Oil States from:					
Continuing operations	$(0.92)	$0.55	$2.37	$2.32	$2.66
Discontinued operations	–	0.01	0.96	5.26	5.81
Net income (loss)	$(0.92)	$0.56	$3.33	$7.58	$8.47
Diluted net income (loss) per share attributable to Oil States from:					
Continuing operations	$(0.92)	$0.55	$2.35	$2.31	$2.55
Discontinued operations	–	0.01	0.96	5.22	5.55
Net income (loss)	$(0.92)	$0.56	$3.31	$7.53	$8.10
Weighted average number of common shares outstanding:					
Basic	50,174	50,269	52,862	54,969	52,959
Diluted	50,174	50,335	53,151	55,327	55,384

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Other Data:					
Net cash provided by continuing operating activities	$ 149,257	$ 255,768	$ 302,644	$ 235,086	$ 150,960
Net cash (used in) provided by continuing investing activities, including capital expenditures[2]	(29,292)	(147,196)	(198,504)	393,509	(266,250)
Net cash (used in) provided by continuing financing activities	(84,875)	(124,722)	(378,912)	(299,928)	134,309
EBITDA, as defined[3]	50,339	187,709	438,113	357,710	341,787
Capital expenditures	29,689	114,738	199,256	164,895	168,863
Acquisitions of businesses, net of cash acquired	–	33,427	157	44,260	80,449
Cash used for treasury stock purchases	–	105,916	226,303	108,535	15,245

	As of December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:					
Cash and cash equivalents	$68,800	$35,973	$53,263	$599,306	$253,172
Current assets held for sale[2]	–	–	–	–	632,496
Total current assets	489,977	611,473	826,666	1,525,907	1,826,092