UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

or

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

For the Transition Period from to

Commission File No. 001-34037

Commission Company Name: SUPERIOR ENERGY SERVICES, INC.

SUPERIOR ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**87-4613576**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1001 Louisiana Street, Suite 2900 **Houston, TX**	**77002**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of each class	Trading symbol	Name of each exchange on which registered
None	**N/A**	**None**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large Accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The number of shares of the registrant's Class A common stock outstanding on October 31, 2023 was 19,998,695.

The number of shares of the registrant's Class B common stock outstanding on October 31, 2023 was 152,030.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (the “Form 10-Q”) and other documents filed by us with the Securities and Exchange Commission (the “SEC”) contain, and future oral or written statements or press releases by us and our management may contain, forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks” and “estimates,” variations of such words and similar expressions identify forward-looking statements. All statements, other than statements of historical fact, included in this Form 10-Q regarding our financial position, financial performance, liquidity, strategic alternatives, market outlook, future capital needs, capital allocation plans, business strategies and other plans and objectives of our management for future operations and activities are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of their experience and prevailing circumstances on the date such statements are made. Such forward-looking statements, and the assumptions on which they are based, are inherently speculative and are subject to a number of risks and uncertainties that could cause our actual results to differ materially from such statements. Such risks and uncertainties include, but are not limited to:

- risks and uncertainties regarding the continuing effects of residual bankruptcy proceedings on us and our various constituents; attendant risks associated with restrictions on our ability to pursue our business strategies;
- the difficulty to predict our long-term liquidity requirements and the adequacy of our capital resources;
- restrictive covenants in the Credit Facility (as defined below) could limit our growth and our ability to finance our operations, fund our capital needs, respond to changing conditions and engage in other business activities that may be in our best interests;
- the conditions in the oil and gas industry;
- U.S. and global market and economic conditions, including impacts relating to inflation and supply chain disruptions;
- the effects of public health threats, pandemics and epidemics, and the adverse impact thereof on our growth, operating costs, supply chain, labor availability, logistical capabilities, customer demand and industry demand generally, margins, utilization, cash position, taxes, the price of our securities, and our ability to access capital markets;
- the ability of the members of Organization of Petroleum Exporting Countries (“OPEC+”) to agree on and to maintain crude oil price and production controls;
- operating hazards, including the significant possibility of accidents resulting in personal injury or death, or property damage for which we may have limited or no insurance coverage or indemnification rights;
- the possibility of not being fully indemnified against losses incurred due to catastrophic events;
- claims, litigation or other proceedings that require cash payments or could impair financial condition;
- credit risk associated with our customer base;
- the effect of regulatory programs and environmental matters on our operations or prospects;
- the impact that unfavorable or unusual weather conditions could have on our operations;
- the potential inability to retain key employees and skilled workers;
- political, legal, economic and other uncertainties associated with our international operations could materially restrict our operations or expose us to additional risks;
- potential changes in tax laws, adverse positions taken by tax authorities or tax audits impacting our operating results;
- changes in competitive and technological factors affecting our operations;
- risks associated with the uncertainty of macroeconomic and business conditions worldwide;
- risks to our operations from potential cyber-attacks;
- counterparty risks associated with reliance on key suppliers;
- challenges with estimating our potential liabilities related to our oil and natural gas property;
- risks associated with potential changes of Bureau of Ocean Energy Management (“BOEM”) security and bonding requirements for offshore platforms;
- the likelihood that the interests of our significant stockholders may conflict with the interests of our other stockholders;
- the risks associated with owning our Class A Common Stock, par value $0.01 per share (the “Class A Common Stock”), for which there is no public market; and
- the likelihood that our stockholders agreement may prevent certain transactions that could otherwise be beneficial to our stockholders.

These risks and other uncertainties related to our business are described in detail in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “Form 10-K”). We undertake no obligation to update any of our forward-looking statements in the Form 10-Q. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except per share data)
(unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 357,769	$ 258,999
Accounts receivable, net	251,395	249,808
Income taxes receivable	6,046	6,665
Prepaid expenses	17,167	17,299
Inventory	87,010	65,587
Other current assets	7,185	6,276
Assets held for sale	753	11,978
Total current assets	727,325	616,612
Property, plant and equipment, net	291,144	282,376
Note receivable	72,611	69,679
Restricted cash	80,940	80,108
Deferred tax assets	68,187	97,492
Other assets, net	42,826	44,745
Total assets	$ 1,283,033	$ 1,191,012
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	41,760	$ 31,570
Accrued expenses	103,279	116,575
Income taxes payable	15,680	11,682
Decommissioning liability	25,334	9,770
Liabilities held for sale	292	3,349
Total current liabilities	186,345	172,946
Decommissioning liability	136,233	150,901
Other liabilities	45,231	84,281
Total liabilities	367,809	408,128
Stockholders' equity:		
Class A common stock $0.01 par value; 50,000 shares authorized; 19,999 shares issued and outstanding at September 30, 2023 and December 31, 2022	200	200
Class B common stock $0.01 par value; 2,000 shares authorized; 156 shares issued and 152 shares outstanding at September 30, 2023 and 84 shares issued and 80 shares outstanding at December 31, 2022	2	1
Class A Additional paid-in capital	902,486	902,486
Class B Additional paid-in capital	7,879	5,896
Accumulated deficit	4,657	(125,699)
Total stockholders' equity	915,224	782,884
Total liabilities and stockholders' equity	$ 1,283,033	$ 1,191,012

See accompanying notes to unaudited condensed consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Revenues:				
Services	$ 80,956	$ 99,763	$ 280,376	$ 291,268
Rentals	89,348	80,173	260,319	224,328
Product sales	40,081	42,351	134,300	129,261
Total revenues	210,385	222,287	674,995	644,857
Cost of revenues:				
Services	57,202	66,205	181,221	199,903
Rentals	29,580	25,816	88,942	74,664
Product sales	23,063	24,060	78,157	74,862
Total cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	109,845	116,081	348,320	349,429
Depreciation, depletion, amortization and accretion:				
Services	6,684	8,266	21,683	30,224
Rentals	7,272	6,749	20,131	23,278
Product sales	6,534	5,493	19,436	24,437
Total depreciation, depletion, amortization and accretion	20,490	20,508	61,250	77,939
General and administrative expenses	30,089	31,841	92,256	94,090
Restructuring expenses	-	1,223	1,983	4,441
Other gains, net	(4,073)	(13,397)	(5,424)	(30,263)
Income from operations	54,034	66,031	176,610	149,221
Other income (expense):				
Interest income, net	6,629	3,373	18,581	6,011
Loss on Blue Chip Swap securities	(12,120)	-	(12,120)	-
Other expense, net	(4,520)	(6,838)	(8,508)	(6,362)
Income from continuing operations before income taxes	44,023	62,566	174,563	148,870
Income tax expense	(11,403)	(14,058)	(44,615)	(32,813)
Net income from continuing operations	32,620	48,508	129,948	116,057
Income (loss) from discontinued operations, net of income tax	128	17	408	(188)
Net income	$ 32,748	$ 48,525	$ 130,356	$ 115,869
Income (loss) per share - basic:				
Net income from continuing operations	$ 1.62	$ 2.42	$ 6.46	$ 5.80
Income (loss) from discontinued operations, net of income tax	0.01	-	0.02	(0.01)
Net income	$ 1.63	$ 2.42	$ 6.48	$ 5.79
Income (loss) per share - diluted:				
Net income from continuing operations	$ 1.62	$ 2.41	$ 6.45	$ 5.78
Income (loss) from discontinued operations, net of income tax	-	0.01	0.02	(0.01)
Net income	$ 1.62	$ 2.42	$ 6.47	$ 5.77
Weighted-average shares outstanding				
Basic	20,136	20,024	20,123	20,016
Diluted	20,159	20,090	20,144	20,074

See accompanying notes to unaudited condensed consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity
(in thousands)
(unaudited)

	Common Stock				Additional paid-in capital		Accumulated deficit	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount	Class A	Class B		
Balances, December 31, 2021	**19,999**	**$ 200**	**76**	**$ 1**	**$ 902,486**	**$ 1,224**	**$ (162,178)**	**$ 741,733**
Net income	-	-	-	-	-	-	286,465	286,465
Cash dividends ($12.45 per share)	-	-	-	-	-	-	(249,986)	(249,986)
Stock-based compensation expense, net	-	-	-	-	-	4,807	-	4,807
Restricted stock units vested	-	-	10	-	-	-	-	-
Share withheld and retired	-	-	(2)	-	-	(135)	-	(135)
Shares placed in treasury	-	-	(4)	-	-	-	-	-
Balances, December 31, 2022	**19,999**	**$ 200**	**80**	**1**	**$ 902,486**	**$ 5,896**	**$ (125,699)**	**$ 782,884**
Net income	-	-	-	-	-	-	30,213	30,213
Restricted stock units vested	-	-	91	1	-	(1)	-	-
Shares withheld and retired	-	-	(19)	-	-	(1,116)	-	(1,116)
Stock-based compensation expense, net	-	-	-	-	-	1,052	-	1,052
Balances, March 31, 2023	**19,999**	**$ 200**	**152**	**$ 2**	**$ 902,486**	**$ 5,831**	**$ (95,486)**	**$ 813,033**
Net income	-	-	-	-	-	-	67,395	67,395
Stock-based compensation expense, net	-	-	-	-	-	1,024	-	1,024
Balances, June 30, 2023	**19,999**	**$ 200**	**152**	**$ 2**	**$ 902,486**	**$ 6,855**	**$ (28,091)**	**$ 881,452**
Net income	-	-	-	-	-	-	32,748	32,748
Stock-based compensation expense, net	-	-	-	-	-	1,024	-	1,024
Balances, September 30, 2023	**19,999**	**$ 200**	**152**	**$ 2**	**$ 902,486**	**$ 7,879**	**$ 4,657**	**$ 915,224**

See accompanying notes to unaudited condensed consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net income	$ 130,356	$ 115,869
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, depletion, amortization and accretion	61,250	77,939
Deferred income taxes	29,589	7,254
Stock based compensation expense	3,100	3,519
Bad debt	(423)	(106)
Gain on sale of equity securities	-	(3,611)
Unrealized gain on investment in equity securities	-	(908)
Other gains, net	(6,359)	(37,148)
Loss on Blue Chip Swap securities	12,120	-
Washington State Tax Settlement	(27,068)	-
Decommissioning costs	(6,279)	-
Other reconciling items, net	(2,550)	2,835
Changes in operating assets and liabilities:		
Accounts receivable	(3,399)	(37,072)
Prepaid expenses	(511)	(279)
Inventory and other current assets	(23,978)	(8,641)
Accounts payable	9,470	(3,296)
Accrued expenses	(18,856)	(3,726)
Income taxes	5,274	7,200
Other, net	(6,390)	2,196
Net cash from operating activities	155,346	122,025
Cash flows from investing activities:		
Payments for capital expenditures	(67,218)	(42,901)
Proceeds from sales of assets	24,710	46,414
Proceeds from sales of equity securities	-	13,366
Proceeds from sales of Blue Chip Swap securities	9,656	-
Purchases of Blue Chip Swap securities	(21,776)	-
Net cash from investing activities	(54,628)	16,879
Cash flows from financing activities:		
Tax withholdings for vested restricted stock units	(1,116)	-
Net cash from financing activities	(1,116)	-
Net change in cash, cash equivalents, and restricted cash	99,602	138,904
Cash, cash equivalents, and restricted cash at beginning of period	339,107	394,535
Cash, cash equivalents, and restricted cash at end of period	$ 438,709	$ 533,439

See accompanying notes to unaudited condensed consolidated financial statements

(unless noted otherwise, amounts in thousands, except share data)

(1) Basis of Presentation

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"); however, management believes the disclosures are adequate such that the information presented is not misleading.

As used herein, the "Company," "we," "us" and similar terms refer to Superior Energy Services, Inc. and its consolidated subsidiaries, unless otherwise specifically stated.

These financial statements and notes should be read in conjunction with the consolidated financial statements and notes included in our Form 10-K.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting primarily of normal recurring adjustments, necessary for a fair statement of our financial position as of September 30, 2023, our results of operations for the three and nine months ended September 30, 2023 and 2022, and our cash flows for the nine months ended September 30, 2023 and 2022. The balance sheet as of December 31, 2022, was derived from our audited annual financial statements.

Current Expected Credit Losses

On January 1, 2023, we adopted Financial Accounting Standards Board (FASB) ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, which replaces the incurred loss impairment methodology from previous U.S. GAAP with the Current Expected Credit losses model ("CECL"). The CECL model contemplates a broader range of information to estimate expected credit losses over the contractual lifetime of an asset. It also requires consideration on the risk of loss even if it is remote. We estimate expected credit losses through an assessment of our portfolio on a collective (pool) basis with the primary factor based on the aging of our customer accounts. Additionally, we review historical collection experience and the financial condition of our customers when assessing the CECL allowance.

(2) Revenue and Accounts Receivable

Disaggregation of Revenue

The following table presents our revenues by segment disaggregated by geography:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
U.S. land				
Rentals	$ 37,478	$ 39,673	$ 127,341	$ 117,426
Well Services	8,223	9,808	20,384	18,507
Total U.S. land	45,701	49,481	147,725	135,933
U.S. offshore				
Rentals	44,681	37,829	117,867	106,913
Well Services	14,459	23,609	54,185	84,499
Total U.S. offshore	59,140	61,438	172,052	191,412
International				
Rentals	31,042	27,055	89,225	72,703
Well Services	74,502	84,313	265,993	244,809
Total International	105,544	111,368	355,218	317,512
Total Revenues	$ 210,385	$ 222,287	$ 674,995	$ 644,857

The following table presents our revenues by segment disaggregated by type:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Services				
Rentals	$ 17,073	$ 15,301	$ 52,093	$ 39,113
Well Services	63,883	84,462	228,283	252,155
Total Services	80,956	99,763	280,376	291,268
Rentals				
Rentals	84,682	77,561	248,404	216,371
Well Services	4,666	2,612	11,915	7,957
Total Rentals	89,348	80,173	260,319	224,328
Product Sales				
Rentals	11,446	11,695	33,936	41,558
Well Services	28,635	30,656	100,364	87,703
Total Product Sales	40,081	42,351	134,300	129,261
Total Revenues	$ 210,385	$ 222,287	$ 674,995	$ 644,857

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount or the earned but not yet invoiced amount and do not bear interest. We maintain an allowance for credit losses based on our best estimate of probable uncollectible amounts in existing accounts receivable. Adjustments to the allowance for credit losses in future periods may be made based on changing customer conditions. Our allowance for credit losses as of September 30, 2023 and December 31, 2022 was approximately $6.8 million and $6.1 million, respectively.

(3) Inventory

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

	September 30, 2023	December 31, 2022
Finished goods	$ 48,765	$ 36,136
Raw materials	8,685	8,351
Work-in-process	13,061	4,718
Supplies and consumables	16,499	16,382
Total	$ 87,010	$ 65,587

Finished goods inventory includes component parts awaiting assembly of approximately $25.3 million and $20.7 million as of September 30, 2023 and December 31, 2022, respectively.

(4) Decommissioning Liability

We account for our decommissioning liability under ASC 410 – *Asset Retirement Obligations*. Our decommissioning liability is associated with our oil and gas property and includes costs related to the plugging of wells, decommissioning of the related platform and equipment and site restoration. We review the adequacy of our decommissioning liability whenever indicators suggest that the estimated cash flows and/or relating timing needed to satisfy the liability have changed materially.

The following table summarizes our net decommissioning liability:

	September 30, 2023	December 31, 2022
Wells	$ 94,245	$ 96,171
Platform	67,322	64,500
Total decommissioning liability	161,567	160,671
Note receivable	(72,611)	(69,679)
Total decommissioning liability, net of note receivable	$ 88,956	$ 90,992

Accretion expense for the three and nine months ended September 30, 2023 was $2.6 million and $7.4 million, respectively, and $2.0 million and $7.4 million for the three and nine months ended September 30, 2022, respectively. Additionally, during the nine months ended September 30, 2023, we incurred well decommissioning costs of $6.5 million.

(5) Note Receivable

Our note receivable consists of a commitment from the seller of our oil and gas property for costs associated with abandonment. Pursuant to an agreement with the seller, we will invoice the seller an agreed upon amount at the completion of certain decommissioning activities. The gross amount of the seller's obligation to us is $105.2 million and is recorded at its present value, which totaled $72.6 million as of September 30, 2023.

The discount on the note receivable is currently based on an effective interest rate of 5.6% and is amortized to interest income over the expected timing of the completion of the decommissioning activities, which are expected to be completed during the second quarter of 2031. Interest receivable is considered paid in kind and is compounded into the carrying amount of the note.

Non-cash interest income related to the note receivable for the three and nine months ended September 30, 2023 was $1.0 million and $2.9 million, respectively. Non-cash interest income related to the note receivable for the three and nine months ended September 30, 2022 was $0.9 million and $2.9 million, respectively. Interest income is included in other reconciling items, net in the Condensed Consolidated Statements of Cash Flows.

(6) Property, Plant and Equipment, Net

A summary of property, plant and equipment, net is as follows:

	September 30, 2023	December 31, 2022
Machinery and equipment	$ 418,914	$ 378,907
Buildings, improvements and leasehold improvements	69,742	70,816
Automobiles, trucks, tractors and trailers	7,242	6,376
Furniture and fixtures	19,455	19,373
Construction-in-progress	14,248	5,185
Land	25,210	26,695
Oil and gas producing assets	13,260	11,714
Total	568,071	519,066
Accumulated depreciation and depletion	(276,927)	(236,690)
Property, plant and equipment, net	$ 291,144	$ 282,376

A summary of depreciation and depletion expense associated with our property, plant and equipment is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Depreciation	$ 17,021	$ 18,226	$ 51,494	$ 66,208
Depletion	592	5	1,668	3,596
Total depreciation and depletion	$ 17,613	$ 18,231	$ 53,162	$ 69,804

(7) Debt

We have a Credit Agreement providing for a $120.0 million asset-based secured revolving Credit Facility, all of which is available for the issuance of letters of credit (the “Credit Facility”) which matures in December 2024. The issuance of letters of credit reduces availability under the Credit Facility on a dollar-for-dollar basis.

As of September 30, 2023, our borrowing base, as defined in the Credit Agreement, was approximately $120.0 million, and we had $34.7 million of letters of credit outstanding that reduced the borrowing availability. We had no outstanding borrowings under the Credit Facility as of September 30, 2023. We were in compliance with all required covenants as of September 30, 2023.

(8) Fair Value Measurements

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

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

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

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

The following table provides a summary of the financial assets and liabilities measured at fair value on a recurring basis:

	September 30, 2023	December 31, 2022
Non-qualified deferred compensation assets and liabilities		
Other long-term assets, net	$ 16,549	$ 16,299
Accrued expenses	1,715	1,831
Other long-term liabilities	14,835	15,855

Our non-qualified deferred compensation plans investments are reported at fair value based on unadjusted quoted prices in active markets for identifiable assets and observable inputs for similar assets and liabilities, which represent a Level 2 in the fair value hierarchy.

The carrying amount of cash equivalents, accounts receivable, accounts payable and accrued expenses, as reflected in the consolidated balance sheets, approximates fair value due to the short maturities.

(9) Other Expense, Net

A summary of other expense, net is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Foreign currency losses	(4,601)	(7,012)	(8,157)	(11,905)
Investment income (loss), net	81	(192)	(363)	1,023
Realized gain, net	-	-	-	3,611
Unrealized gain, net	-	363	-	908
Other, net	-	3	12	1
Other expense, net	(4,520)	(6,838)	(8,508)	(6,362)

Gains and losses on foreign currencies are primarily related to our operations in Argentina. During the nine months ended September 30, 2022, we disposed of $1.7 million shares pertaining to our ownership of Select Water Solutions, Inc. (formerly known as "Select Energy Services, Inc." or "Select") for $13.4 million. All investments in equity securities were disposed of prior to December 31, 2022.

(10) Blue Chip Swap Securities

The functional currency for our Argentine operations is the U.S. dollar and we use Argentina's official exchange rate to remeasure our Argentine peso-denominated net monetary assets into U.S. dollars at each balance sheet date. The Central Bank of Argentina has maintained certain currency controls that limited our ability to access U.S. dollars in Argentina and to remit cash from our Argentine operations. During the third quarter of 2023, we utilized an indirect foreign exchange mechanism known as a Blue Chip Swap ("BCS") to remit $9.7 million U.S. dollars from Argentina through the purchase and sale of BCS securities. The transactions were completed at implied exchange rates ("BCS rate") that were approximately 123.2% higher than the official exchange rate resulting in a loss of $12.1 million during the third quarter of 2023. We continue to use the official exchange rate for remeasurement of our Argentine peso-denominated net monetary assets under U.S. GAAP as the BCS rate does not meet the criteria for remeasurement under U.S. GAAP.

(11) Other (Gains) and Losses

Other (gains) and losses, net include gains and losses on the disposal of assets as well as impairments, if any, related to long-lived assets.

During the three and nine months ended September 30, 2023, we recognized net gains of $4.1 million and $5.4 million, respectively, which includes the sale of certain non-core business and related assets in our Well Services segment. Proceeds from these sales totaled $8.8 million and $12.6 million, respectively, for three and nine months ended September 30, 2023.

During the three and nine months ended September 30, 2022, we recognized net gains of $13.4 million and $12.9 million, respectively, from the disposal of non-core business and assets within our Well Services segment. Proceeds from these sales totaled $26.3 million and $27.6 million, respectively, for three and nine months ended September 30, 2022. Additionally, during the nine months ended September 30, 2022, we recognized a gain of $17.4 million from revisions in estimates related to our decommissioning liability, which occurred during the second quarter of 2022.

(12) Segment Information

Our reportable segments are Rentals and Well Services.

The products and service offerings of Rentals are comprised of value-added engineering and design services, rental of premium drill strings, tubing, landing strings, completion tubulars and handling accessories, manufacturing and rental of bottom hole assemblies, and rentals of accommodation units.

The products and service offerings of Well Services are comprised of risk management, well control and training solutions, hydraulic workover and snubbing services, engineering and manufacturing of premium sand control tools, and onshore international production services. The Well Services segment also includes the operations of our offshore oil and gas property.

We evaluate the performance of our reportable segments based on income or loss from operations. The segment measure is calculated as segment revenues less segment operating expenses, including general and administrative expenses, depreciation, depletion, amortization and accretion expense and other (gains) and losses, net. We use this segment measure to evaluate our reportable segments as it is the measure that is most consistent with how we organize and manage our business operations. Corporate and other costs primarily include expenses related to support functions, including salaries and benefits for corporate employees.

Summarized financial information for our segments is as follows:

For the Three Months Ended September 30, 2023	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 113,201	$ 97,184	$ -	$ 210,385
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	37,769	72,076	-	109,845
Depreciation, depletion, amortization and accretion	12,538	7,277	675	20,490
General and administrative expenses	6,767	11,197	12,125	30,089
Restructuring expenses	-	-	-	-
Other gains, net	(126)	(3,947)	-	(4,073)
Income (loss) from operations	$ 56,253	$ 10,581	$ (12,800)	$ 54,034

For the Three Months Ended September 30, 2022	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 104,557	$ 117,730	$ -	$ 222,287
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	33,638	82,443	-	116,081
Depreciation, depletion, amortization and accretion	12,554	6,900	1,054	20,508
General and administrative expenses	7,020	10,220	14,601	31,841
Restructuring expenses	-	-	1,223	1,223
Other gains, net	(4,946)	(8,082)	(369)	(13,397)
Income (loss) from operations	$ 56,291	$ 26,249	$ (16,509)	$ 66,031

For the Nine Months Ended September 30, 2023	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 334,433	$ 340,562	$ -	$ 674,995
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	109,258	239,062	-	348,320
Depreciation, depletion, amortization and accretion	37,259	21,558	2,433	61,250
General and administrative expenses	20,962	34,087	37,207	92,256
Restructuring expenses	-	-	1,983	1,983
Other gains, net	(419)	(5,005)	-	(5,424)
Income (loss) from operations	$ 167,373	$ 50,860	$ (41,623)	$ 176,610

For the Nine Months Ended September 30, 2022	Rentals	Well Services	Corporate and Other	Consolidated Total
Revenues	$ 297,042	$ 347,815	$ -	$ 644,857
Cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	101,250	248,179	-	349,429
Depreciation, depletion, amortization and accretion	46,099	28,290	3,550	77,939
General and administrative expenses	20,944	32,823	40,323	94,090
Restructuring expenses	-	-	4,441	4,441
Other gains, net	(4,886)	(25,008)	(369)	(30,263)
Income (loss) from operations	$ 133,635	$ 63,531	$ (47,945)	$ 149,221

Identifiable Assets

	Rentals	Well Services	Corporate and Other	Consolidated Total
September 30, 2023	$ 529,850	$ 572,496	$ 180,687	$ 1,283,033
December 31, 2022	432,437	533,327	225,248	1,191,012

(13) Stock-Based Compensation Plans

We have a Management Incentive Plan ("MIP"), which provides the issuance of up to 1,999,869 shares of our Class B common stock, par value $0.01 per share (the "Class B Common Stock") for the grant of share-based and cash-based awards.

To date, grants under the MIP have been in the form of shares of Class B common stock ("RSAs"), restricted stock units which will be settled in Class B common stock upon the satisfaction of time-based vesting conditions ("RSUs") and performance stock units which will be settled in Class B common stock upon the satisfaction of time and performance-based vesting conditions ("PSUs").

The RSAs vest over a period of three years, subject to earlier vesting and forfeiture on terms and conditions set forth in the applicable award agreement. RSUs granted in 2022 generally vest in three equal annual installments over the three-year period, subject generally to continued employment and the other terms and conditions set forth in the forms of the RSU award agreements. RSUs granted in 2021 vested in full during the current quarter. PSUs may be earned between 25% and 100% of the target award based on achievement of share price goals set forth in the forms of the PSU award agreements and will vest to the extent that share price goals are achieved based on the terms and conditions set forth in the forms of the PSU award agreements.

The following sets forth issuances under the MIP for the nine months ended September 30, 2023 and 2022*:*

	Grants of Share-Based Awards				
	June 2021	**July/ August 2021**	**March 2022**	**July 2022**	**Total**
Unvested awards outstanding, December 31, 2022	29,976	37,947	72,050	88,215	228,188
Vested	(14,988)	(37,947)	(24,017)	(29,405)	(106,357)
Unvested awards outstanding, September 30, 2023	**14,988**	**-**	**48,033**	**58,810**	**121,831**
Estimated grant date fair value	$ 39.53	$ 39.53	$ 58.80	$ 58.80	
Unamortized grant date fair value, December 31, 2022 (in millions)	$ 0.9	$ -	$ 3.1	$ 4.2	$ 8.2
Unamortized grant date fair value, September 30, 2023 (in millions)	$ 0.4	$ -	$ 2.0	$ 2.7	$ 5.1

	Grants of Share-Based Awards				
	June 2021	July/ August 2021	March 2022	July 2022	Total
Unvested awards outstanding, December 31, 2021	76,269	50,596	-	-	126,865
Granted	-	-	72,050	88,215	160,265
Vested	(25,423)	-	-	-	(25,423)
Unvested awards outstanding, September 30, 2022	50,846	50,596	72,050	88,215	261,707
Estimated grant date fair value	$ 39.53	$ 39.53	$ 58.80	$ 58.80	
Unamortized grant date fair value, December 31, 2021 (in millions)	$ 2.4	$ 1.4	$ -	$ -	$ 3.8
Unamortized grant date fair value, September 30, 2022 (in millions)	$ 1.0	$ 0.3	$ 3.5	$ 4.7	$ 9.5

Compensation expense associated with RSA and RSU grants are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Compensation Expense	$ 1,024	$ 1,976	$ 3,099	$ 3,519

We have not concluded that it is probable that the performance condition will be achieved and therefore are not currently amortizing our PSUs.

(14) Income Taxes

The effective tax rate for the three and nine months ended September 30, 2023 was 25.9% and 25.6%, respectively, on income from continuing operations. The effective tax rate for both periods is different from the U.S. federal statutory rate of 21.0%, primarily from non-deductible items including the BCS and foreign tax rates that differ from the U.S. federal statutory rate.

The effective tax rate for the nine months ended September 30, 2023 was unfavorably impacted by the identification of an error in the tax provision for the year ended December 31, 2022 pertaining to certain net operating loss carryforwards that should have been eliminated as part of a worthless stock deduction taken in the fourth quarter of 2022. As such, we recognized an additional income tax expense of $7.6 million during the three months ended March 31, 2023 with a corresponding decrease to deferred tax assets to correct this immaterial misstatement. Management has determined that this misstatement was not material to any of its previously issued financial statements.

Additionally, the effective tax rate for the nine months ended September 30, 2023 was favorably impacted by approximately $14.9 million in income tax benefits recorded during the three months ended June 30, 2023 from reversals of uncertain tax positions in foreign jurisdictions and adjustments to valuation allowances on foreign operations.

The effective tax rate for the three and nine months ended September 30, 2022 was an expense of 22.5% and 22.0%, respectively, on income from continuing operations. The effective tax rate is different from the U.S. federal statutory rate of 21.0% primarily from non-deductible items, foreign tax rates that differ from the U.S. federal statutory rate, the release of valuation allowance based on current period income in certain jurisdictions and foreign losses for which no tax benefit was recorded.

We have approximately $72.7 million in forecasted gross US foreign tax credit deferred tax assets with a valuation allowance of $44.3 million against them as of September 30, 2023. We continue to evaluate the realizability of our U.S. foreign tax credit carryforwards and may have additional valuation allowance releases in future periods if we achieve positive cumulative income results of appropriate character and timing that provide sufficient positive evidence to do so.

We had $4.1 million and $14.0 million of unrecognized tax benefits as of September 30, 2023 and December 31, 2022, respectively, all of which would impact our effective tax rate if recognized. It is reasonably possible $0.9 million of unrecognized tax benefits could be settled in the next twelve months due to the conclusion of tax audits or statute of limitations expirations. It is our policy to recognize interest and applicable penalties, if any, related to uncertain tax positions in income tax expense.

(15) Earnings per Share

Our common equity consists of Class A Common Stock and Class B Common Stock (the "Common Stock").

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of Common Stock outstanding during the period plus any potentially dilutive Common Stock, such as restricted stock awards, restricted stock units, and performance-based units calculated using the treasury stock method.

The following table presents the reconciliation between the weighted average number of shares for basic and diluted earnings per share.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted-average shares outstanding - basic	20,136	20,024	20,123	20,016
Potentially dilutive stock awards and units	23	66	21	58
Weighted-average shares outstanding - diluted	20,159	20,090	20,144	20,074

(16) Contingencies

Due to the nature of our business, we are involved, from time to time, in various routine litigation or subject to disputes or claims or actions, including those commercial in nature, regarding our business activities in the ordinary course of business. Legal costs related to these matters are expensed as incurred. Management is of the opinion that none of the claims and actions will have a material adverse impact on our financial position, results of operations or cash flows.

As previously reported in the Form 10-K and Form 10-Q for the quarter ended March 31, 2023, we are currently involved in legal proceedings with the Washington State Department of Revenue in relation to a dispute arising in April 2019 pertaining to a use tax assessment from 2016 as a result of the construction of a vessel by one of our subsidiaries. The matter was appealed to the Washington State Board of Tax Appeals, which affirmed the assessment on May 22, 2023. On June 20, 2023, we appealed this decision to Whatcom County Superior Court where it is currently pending review. In order to appeal the assessment to Whatcom County Superior Court, we paid the full $27.1 million assessment on May 31, 2023.

(17) Discontinued Operations

The following table summarizes the components of discontinued operations, net of tax:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
General and administrative expenses	$ 30	$ 289	$ 419	$ 5,742
Other gains, net	(187)	(303)	(935)	(5,496)
Income (loss) from discontinued operations before tax	157	14	516	(246)
Income tax benefit (expense)	(29)	3	(108)	58
Income (loss) from discontinued operations, net of income tax	$ 128	$ 17	$ 408	$ (188)

The following summarizes the assets and liabilities related to discontinued operations:

	September 30, 2023	December 31, 2022
Assets:		
Accounts receivable, net	$ -	$ 350
Property, plant and equipment, net	753	11,468
Other assets	-	160
Total assets held for sale	$ 753	$ 11,978
Liabilities:		
Accounts payable	$ -	$ 86
Accrued expenses	292	3,192
Other liabilities	-	71
Total liabilities held for sale	$ 292	$ 3,349

Significant operating non-cash items and cash flows from investing activities for our discontinued operations were as follows:

	For the Nine Months Ended September 30,	
	2023	2022
Cash flows from discontinued operating activities:		
Other gains, net	$ (935)	$ (5,496)
Cash flows from discontinued investing activities:		
Proceeds from sales of assets	$ 12,073	$ 18,782

(18) Supplemental Cash Flow Information

The table below is a reconciliation of cash, cash equivalents and restricted cash for the beginning and the end of the periods presented:

	September 30,	
	2023	2022
Cash and cash equivalents	$ 258,999	$ 314,974
Restricted cash-non-current	80,108	79,561
Cash, cash equivalents, and restricted cash, beginning of period	$ 339,107	$ 394,535
Cash and cash equivalents	$ 357,769	$ 453,682
Restricted cash-non-current	80,940	79,757
Cash, cash equivalents, and restricted cash, end of period	$ 438,709	$ 533,439

(19) New Accounting Pronouncements

Recently Issued Accounting Standards

On January 1, 2023, we adopted Financial Accounting Standards Board (FASB) ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses on financial instruments at the time the asset is originated or acquired. We estimate, and revise when necessary, expected credit losses for financial assets held at the reporting date primarily based on the utilization of an aging schedule. Additional factors include historical experience and the financial condition of our customers. This updated guidance applies to our receivables, including trade and note receivables, and other financial assets measured at amortized cost. The adoption of this standard update did not have a material impact on our Condensed Consolidated Financial Statements.

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

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. In addition, the following discussion and analysis and information contains forward-looking statements about our business, operations and financial performance based on our current expectations that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors, including, but not limited to, those identified below and any discussed in the sections titled “Risk Factors” and under the heading “Information Regarding Forward-Looking Statements” in this Quarterly Report on Form 10-Q.

Executive Summary

General

We serve major, national and independent oil and natural gas exploration and production companies around the world and offer products and services with respect to the various phases of a well’s economic life cycle.

Historically, we provided a wide variety of services and products to many markets within the energy industry. Our core businesses focus on products and services that we believe meet the criteria of:

- being critical to our customers’ oil and gas operations;
- limiting competition from the three largest global oilfield service companies;
- requiring deep technical expertise through the design or use of our products or services, such as premium drill pipe and drilling bottom hole assembly accessory rentals;
- unlikely to become a commoditized product or service to our customers; and
- providing strong cash flow generation capacity and opportunities.

The result of this approach is a portfolio of business lines grounded in our core mission of providing high quality products and services while maintaining the trust and serving the needs of our customers, with an emphasis on free cash flow generation and capital efficiency.

Industry Trends

The oil and gas industry is both cyclical and seasonal. The level of spending by oil and gas companies is highly influenced by current and expected demand and future prices of oil and natural gas. Changes in spending result in an increased or decreased demand for our services and products. Rig count is an indicator of the level of spending by oil and gas companies.

Our financial performance is significantly affected by the U.S. land, U.S. offshore and International markets rig count as well as oil and natural gas prices, which are summarized in the tables below:

	For the Three Months Ended			For the Nine Months Ended		
	September 30, 2023	June 30, 2023	% Change	September 30, 2023	September 30, 2022	% Change
Worldwide Rig Count (1)						
U.S.:						
Land	691	722	(4.3%)	630	692	(9.0%)
Offshore	18	18	0.0%	18	15	20.0%
Total	709	740	(4.2%)	648	707	(8.3%)
International (2)	951	960	(0.9%)	942	832	13.2%
Worldwide Total	1,660	1,700	(2.4%)	1,590	1,539	3.3%
Commodity Prices (average)						
Crude Oil (West Texas Intermediate)	$ 82.69	$ 73.54	12.4%	$ 76.90	$ 98.96	(22.3%)
Natural Gas (Henry Hub)	$ 2.66	$ 2.16	23.0%	$ 2.49	$ 6.71	(62.9%)

(1) Estimate of drilling activity as measure by the average active drilling rigs based on Baker Hughes Co. rig count information
(2) Excludes Canadian rig count

Comparison of the Results of Operations for the Three Months Ended September 30, 2023 and June 30, 2023

We reported net income from continuing operations for the three months ended September 30, 2023 (the "Current Quarter") of $32.6 million on revenue of $210.4 million. This compares to a net income from continuing operations for the three months ended June 30, 2023 (the "Prior Quarter") of $67.4 million on revenues of $244.5 million.

	For the Three Months Ended		Change	
	September 30, 2023	June 30, 2023	$	%
Revenues				
Rentals	$ 113,201	$ 112,411	$ 790	0.7%
Well Services	97,184	132,062	(34,878)	(26.4%)
Total revenues	210,385	244,473	(34,088)	
Cost of revenues				
Rentals	37,769	35,021	2,748	7.8%
Well Services	72,076	85,733	(13,657)	(15.9%)
Total cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	109,845	120,754	(10,909)	
Depreciation, depletion, amortization and accretion	20,490	20,621	(131)	**
General and administrative expenses	30,089	31,177	(1,088)	(3.5%)
Other (gains) and losses, net	(4,073)	47	(4,120)	**
Income from operations	54,034	71,874	(17,840)	
Other income (expense):				
Interest income, net	6,629	6,513	116	1.8%
Loss on Blue Chip Swap securities	(12,120)	-	(12,120)	100.0%
Other expense, net	(4,520)	(1,836)	(2,684)	**
Income from continuing operations before income taxes	44,023	76,551	(32,528)	
Income tax expense	(11,403)	(9,147)	(2,256)	24.7%
Net income from continuing operations	32,620	67,404	(34,784)	
Income (loss) from discontinued operations, net of income tax	128	(9)	137	**
Net income	$ 32,748	$ 67,395	$ (34,647)	

** Not a meaningful percentage

Revenues and Cost of Revenues

Current Quarter revenues from our Rentals segment of $113.2 million were consistent with the Prior Quarter. Cost of revenues increased $2.7 million, or 7.8%, in the Current Quarter as compared to the Prior Quarter. Changes in revenues and cost of revenues are primarily a result of increases in U.S. offshore premium drill pipe and accommodations rentals, offset by declines in U.S. land, which was impacted by a decline in the U.S land rig count. Lower rig counts resulted in a decrease in utilization and a decreased gross margin of 66.6% for the Current Quarter as compared to 68.8% in the Prior Quarter.

Revenues from our Well Services segment in the Current Quarter decreased $34.9 million, or 26.4%, from the Prior Quarter. The decrease in revenue is largely driven by a comparatively stronger performance in the Prior Quarter in our well control and completion tools service business units, particularly in our International markets. Cost of revenues decreased $13.7 million, or 15.9%, in the Current Quarter as compared to the Prior Quarter, primarily as a result of the decreases in revenues discussed above. As a result, gross margin for the Current Quarter also decreased to 25.8% as compared to 35.1% for the Prior Quarter.

Other (gains) and losses, net

Other gains in the Current Quarter were $4.1 million primarily from the sale of certain non-core business and related assets in our Well Services segment. Other (gains) and losses, net during the Prior Quarter were not material.

Loss on Blue Chip Swap Securities

An indirect foreign exchange mechanism known as a Blue Chip Swap ("BCS") allows entities to remit U.S. dollars from operations in Argentina. During the third quarter of 2023 we utilized a BCS to remit $9.7 million U.S. dollars from Argentina through the purchase and sale of BCS securities. The transaction resulted in a loss of $12.1 million during the Current Quarter. See "*Note 10 - Blue Chip Swap Securities*".

Income Taxes

The effective tax rate for the Current Quarter and Prior Quarter was 25.9% and 11.9%, respectively, on income from continuing operations. The effective tax rate is different from the U.S. federal statutory rate of 21.0% in the Current Quarter primarily from non-deductible items including the BCS and foreign tax rates that differ from the U.S. federal statutory rate.

The effective tax rate in the Prior Quarter was impacted by approximately $14.9 million in income tax benefits from reversals of uncertain tax positions in foreign jurisdictions and adjustments to valuation allowances on foreign operations.

We had $4.1 million and $14.0 million of unrecognized tax benefits as of September 30, 2023 and December 31, 2022, respectively, all of which would impact our effective tax rate if recognized. It is reasonably possible $0.9 million of unrecognized tax benefits could be settled in the next twelve months due to the conclusion of tax audits or statute of limitations expirations. It is our policy to recognize interest and applicable penalties, if any, related to uncertain tax positions in income tax expense.

Comparison of the Results of Operations for the Nine Months Ended September 30, 2023 and 2022

We reported net income from continuing operations for the nine months ended September 30, 2023 (the “Current Period”) of $129.9 million on revenue of $675.0 million. This compares to a net income from continuing operations for the nine months ended September 30, 2022 (the “Prior Year Period") of $116.1 million on revenues of $644.9 million.

	For the Nine Months Ended September 30,		Change	
	2023	2022	$	%
Revenues:				
Rentals	$ 334,433	$ 297,042	$ 37,391	12.6%
Well Services	340,562	347,815	$ (7,253)	(2.1%)
Total revenues	674,995	644,857	30,138	
Cost of revenues:				
Rentals	109,258	101,250	8,008	7.9%
Well Services	239,062	248,179	(9,117)	(3.7%)
Total cost of revenues (exclusive of depreciation, depletion, amortization and accretion)	348,320	349,429	(1,109)	
Depreciation, depletion, amortization and accretion	61,250	77,939	(16,689)	(21.4%)
General and administrative expenses	92,256	94,090	(1,834)	**
Restructuring expenses	1,983	4,441	(2,458)	(55.3%)
Other gains, net	(5,424)	(30,263)	24,839	(82.1%)
Income from operations	176,610	149,221	27,389	
Other income (expense):				
Interest income, net	18,581	6,011	12,570	209.1%
Loss on Blue Chip Swap securities	(12,120)	-	(12,120)	100.0%
Other expense, net	(8,508)	(6,362)	(2,146)	33.7%
Income from continuing operations before income taxes	174,563	148,870	25,693	
Income tax expense	(44,615)	(32,813)	(11,802)	36.0%
Net income from continuing operations	129,948	116,057	13,891	
Income (loss) from discontinued operations, net of income tax	408	(188)	596	(317.0%)
Net income	$ 130,356	$ 115,869	$ 14,487	

** Not a meaningful percentage

Revenues and Cost of Revenues

Revenues from our Rentals segment increased $37.4 million, or 12.6%, in the Current Period as compared to the Prior Year Period. Cost of revenues increased $8.0 million, or 7.9%, in the Current Period as compared to the Prior Year Period. These increases were due to increased revenue from premium drill pipe in all our markets and bottom hole assembly accessories in our onshore U.S. market. As a result of the increases discussed above, gross margin for the current period increased to 67.3% for the Current Period as compared to 65.9% in the Prior Year Period.

Revenues from our Well Services segment decreased $7.3 million, or 2.1%, in the Current Period as compared to the Prior Year Period, primarily as a result of a reduction in hydraulic workover services in our U.S. offshore and International markets. Cost of revenues decreased $9.1 million, or 3.7%, in the Current Period as compared to the Prior Year Period as a result of the decreases in revenue as well as a reduction in costs associated with well decommissioning services in our U.S offshore market. Gross margin for the Current

Period was 29.8%, which was roughly consistent with the Prior Year Period as the focus of operations remains on service revenues with higher margins and less on pass through and mobilization projects with lower margins.

Depreciation, Depletion, Amortization and Accretion

Depreciation, depletion, amortization and accretion expense for the Current Period decreased $16.7 million, or 21.4%, as compared to the Prior Year Period. Depreciation expense for the Prior Year Period was impacted by the valuation process under fresh start accounting, where certain fully depreciated assets were assigned a new estimated fair value and a new remaining useful life of less than 36 months.

Restructuring Expenses

Restructuring expenses relate to charges recorded as part of our strategic efforts to reconfigure our organization both operationally and financially. Current Period restructuring expenses decreased $2.5 million, or 55.3%, as compared to the Prior Year Period.

Other (gains) and losses, net

Other gains in the Current Period declined by $24.8 million primarily due to inclusion of a $17.4 million gain from revisions in estimates related to our decommissioning liability in the Prior Year Period.

Loss on Blue Chip Swap Securities

During the third quarter of 2023 we utilized a BCS to remit $9.7 million U.S. dollars from Argentina through the purchase and sale of BCS securities. The transaction resulted in a loss of $12.1 million during the Current Year Period. See "*Note 10 - Blue Chip Swap Securities"*.

Interest Income (Expense), net

Interest income, net for the Current Period was $18.6 million compared to $6.0 million for the Prior Year Period. The increase in interest income was driven by interest derived on overnight money market accounts primarily in Argentina and the U.S.

Other Income (Expense), net

Losses on foreign currencies during the Current Period and Prior Year Period were $8.2 million and $11.9 million, respectively. Losses on foreign currencies during the Prior Year Period also include an expense of $2.7 million which represents a correction of an immaterial error relating to a period prior to our emergence from bankruptcy. Realized and unrealized gains, net on our investment in equity securities for the Prior Year Period were $4.5 million. During the Prior Year Period, we disposed of 1.7 million shares of Select for $13.4 million. All investments in equity securities were disposed of prior to December 31, 2022.

Income Taxes

The effective tax rate for the Current Period and Prior Year Period was 25.6% and 22.0%, respectively, on income from continuing operations.

The effective tax rate in the Current Period is different from the U.S. federal statutory rate of 21.0% primarily from non-deductible items including the BCS and foreign tax rates that differ from the U.S. federal statutory rate. Additionally, we identified an error in the tax provision for the year ended December 31, 2022 pertaining to certain net operating loss carryforwards that should have been eliminated as part of a worthless stock deduction taken in the fourth quarter of 2022. As such, we recognized an additional income tax expense of $7.6 million during the three months ended March 31, 2023 with a corresponding decrease to deferred tax assets to correct this immaterial misstatement.

The effective tax rate in the Current Period was also impacted by approximately $14.9 million in income tax benefits recorded during the three months ended June 30, 2023 from reversals of uncertain tax positions in foreign jurisdictions and adjustments to valuation allowances on foreign operations. We evaluate tax credits and associated allowances on a routine basis and this may result in the release of all or a portion of the valuation allowance when there is sufficient positive evidence.

The effective tax rate for the Prior Year Period is different from the U.S. federal statutory rate of 21.0% primarily from other non-deductible items, foreign tax rates that differ from the U.S. federal statutory rate, the release of valuation allowance based on current period income in certain jurisdictions and foreign losses for which no tax benefit was being recorded.

Liquidity and Capital Resources

Cash flows depend, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Certain sources and uses of cash, such as our level of discretionary capital expenditures and divestitures of non-core assets, are within our control and are adjusted as necessary based on market conditions.

Financial Condition and Liquidity

Our primary sources of liquidity have been cash and cash equivalents, cash generated from our operations and from asset sales, and availability under our Credit Facility. As of September 30, 2023, we had cash, cash equivalents and restricted cash of $438.7 million. During the nine months ended September 30, 2023 net cash provided by operating activities was $155.3 million, and we received $24.7 million in cash proceeds from the sale of assets. The primary uses of liquidity are to provide support for operating activities and capital expenditures. We spent $67.2 million of cash on capital expenditures during the nine months ended September 30, 2023.

The energy industry faces growing negative sentiment in the market which may affect our ability to access capital on terms favorable to us. While we have confidence in the level of support from our lenders, this negative sentiment in the energy industry has not only impacted our customers in North America, but also affected the availability and pricing for most credit lines extended to participants in the energy industry. From time to time, we may enter into transactions to dispose of businesses or capital assets that no longer fit our long-term strategy.

Debt Instruments

We have a Credit Agreement providing for a $120.0 million asset-based secured revolving Credit Facility, all of which is available for the issuance of letters of credit (the “Credit Facility”), which matures in December 2024. The issuance of letters of credit reduces availability under the Credit Facility on a dollar-for-dollar basis.

As of September 30, 2023, our borrowing base, as defined in the Credit Agreement, was approximately $120.0 million and we had $34.7 million of letters of credit outstanding that reduced the borrowing availability. We had no outstanding borrowings under the Credit Facility as of September 30, 2023. We were in compliance with all required covenants as of September 30, 2023.

Other Matters

New Accounting Pronouncements

See Part 1, Item 1, “Unaudited Condensed Consolidated Financial Statements and Notes” – Note 19 – *“New Accounting Pronouncements.”*

Critical Accounting Policies and Estimates

There have been no changes to the critical accounting policies reported in our Annual Report on Form 10-K for the period ended December 31, 2022 (the “Form 10-K”) that affect our significant judgments and estimates used in the preparation of our Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. Please refer to the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” in the Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks associated with foreign currency fluctuations and changes in commodity prices.

Foreign Currency Exchange Rates Risk

While we continue to be exposed to foreign currency exchange rates, we do not hold derivatives for trading purposes or use derivatives with complex features. When we believe it is prudent, we may enter into forward foreign exchange contracts to hedge the impact of foreign currency fluctuations. As of June 30, 2023, we did not have any outstanding foreign currency forward contracts.

During the third quarter of 2023 we utilized an indirect foreign exchange mechanism known as a Blue Chip Swap ("BCS") to remit $9.7 million U.S. dollars from Argentina through the purchase and sale of BCS securities. The transactions were completed at implied exchange rates that were approximately 123.2% higher than the official exchange rate resulting in a loss of $12.1 million during the third quarter of 2023.

Commodity Price Risk

Our revenues, profitability and future rate of growth significantly depend upon the market prices of oil and natural gas. Lower prices may also reduce the amount of oil and gas that can economically be produced.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In addition, the disclosure controls and procedures provide reasonable assurance that such information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. An evaluation was carried out, under the supervision and with the participation of our management, including our CEO and CFO, regarding the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures as of September 30, 2023 were not effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure as a result of the material weakness in our internal control over financial reporting described below.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified a material weakness in our internal control over financial reporting as we did not design and maintain effective controls to review the reasonableness of assumptions determined by, and accuracy of calculations performed by, our external tax service providers. This material weakness resulted in an adjustment to deferred tax benefit and income tax benefit that was recorded in the consolidated financial statements as of and for the year ended December 31, 2022. Additionally, this material weakness could result in misstatements of income tax related balances that would result in a material misstatement to the annual or interim consolidated financial statements which would not be prevented or detected.

Remediation Plan for Material Weakness

In order to address the material weakness described above, management has implemented a remediation plan that includes implementing enhancements to our controls around reviewing the reasonableness of assumptions determined by, and the accuracy of calculations performed by, our external tax service providers. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional measures to address the material weakness.

Based on its evaluation, the controls described above have not had sufficient time for management to conclude that the controls are operating effectively. Therefore, the material weakness described above existed at September 30, 2023, and will continue to exist until the controls described above have had sufficient time for management to conclude that they are effective.

Changes in Internal Control Over Financial Reporting

Other than the changes related to the remediation plan above, there were no changes in internal control over financial reporting during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

As of September 30, 2023, there have been no material changes in risk factors previously disclosed in our Form 10-K.

Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed on February 3, 2021(File No. 001-34037)).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed on February 3, 2021(File No. 001-34037)).
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to Superior Energy Services, Inc.'s Current Report on Form 8-K filed on February 3, 2021(File No. 001-34037)).
31.1*	Officer's certification pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Officer's certification pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1*	Officer's certification pursuant to Section 1350 of Title 18 of the U.S. Code.
32.2*	Officer's certification pursuant to Section 1350 of Title 18 of the U.S. Code.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUPERIOR ENERGY SERVICES, INC.
(Registrant)

Date:	November 3, 2023	By:	/s/ Brian K. Moore
			Brian K. Moore President and Chief Executive Officer (Principal Executive Officer)
		By:	/s/ James W. Spexarth
			James W. Spexarth Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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EXHIBIT 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Brian K. Moore, President and Chief Executive Officer of Superior Energy Services, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Superior Energy Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023

/s/ Brian K. Moore
Brian K. Moore
President and Chief Executive Officer
(Principal Executive Officer)
Superior Energy Services, Inc.

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, James W. Spexarth, Executive Vice President and Chief Financial Officer of Superior Energy Services, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Superior Energy Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023

/s/ James W. Spexarth
James W. Spexarth
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
Superior Energy Services, Inc.

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 1350 OF TITLE 18 OF THE U.S. CODE

I, Brian K. Moore, President and Chief Executive Officer of Superior Energy Services, Inc. (the “Company”), certify, pursuant to Section 1350 of Title 18 of the U.S. Code, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), that, to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023	/s/ Brian K. Moore
	Brian K. Moore
	President and Chief Executive Officer (Principal Executive Officer)
	Superior Energy Services, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
SECTION 1350 OF TITLE 18 OF THE U.S. CODE

I, James W. Spexarth, Executive Vice President and Chief Financial Officer of Superior Energy Services, Inc. (the "Company"), certify, pursuant to Section 1350 of Title 18 of the U.S. Code, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023

/s/ James W. Spexarth
James W. Spexarth
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
Superior Energy Services, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.