

Complete Production Services, Inc.

Form 8-K

June 01, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 31, 2007

COMPLETE PRODUCTION SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

1-32858

(Commission
File Number)

72-1503959

(IRS Employer
Identification No.)

11700 Old Katy Road, Suite 300

Houston, Texas

(Address of principal executive
offices)

77079

(Zip Code)

Registrant's telephone number, including area code: (281) 372-2300

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Other Events

On December 6, 2006, Complete Production Services, Inc. (we our or the Company) issued 8.0% Senior Notes with a face value of \$650.0 million, in a private placement transaction. In connection with this private placement, we entered into a registration rights agreement with the note holders whereby we agreed to file a registration statement enabling the note holders to exchange their notes for publicly registered notes with identical terms. We were not required to provide guarantor and non-guarantor condensed consolidating financial statements when we filed our Annual Report on Form 10-K for the year ended December 31, 2006 or when we filed our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, as we did not have public debt at such time. However, we intend to file a registration statement on Form S-4, and are required to provide condensed consolidating financial statements pursuant to SEC Regulation S-X Rule 3-10(f). Therefore, we have included in this Current Report on Form 8-K the financial statements from our Annual Report on Form 10-K for the year ended December 31, 2006, along with an additional footnote (note 24) which includes the required condensed consolidating financial statements required by Rule 3-10(f). We have also included the interim unaudited financial statements from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, with a similar additional footnote (note 14).

The following financial statements are provided in this Current Report on Form 8-K.

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Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit	Description
23.1	Consent of Grant Thornton, LLP
23.2	Consent of KPMG LLP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Complete Production Services, Inc.

We have audited the accompanying consolidated balance sheets of Complete Production Services, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of Integrated Production Services, Inc., a wholly-owned subsidiary, which financial statements reflect total revenues constituting 38 percent for the year ended December 31, 2004 of the related consolidated totals. Those consolidated financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Integrated Production Services, Inc., is based on the accompanying report of the other auditors.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Complete Production Services, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the consolidated financial statements of Integrated Production Services, Inc. for the year ended December 31, 2004 were audited by other auditors. As described in Note 16, these consolidated financial statements have been revised to reclassify assets, liabilities and results of operations of the manufacturing and production operations of a subsidiary of Integrated Production Services, Inc. to discontinued operations. We have audited the adjustments to the 2004 consolidated financial statements to reclassify those assets, liabilities and results of operations to discontinued operations. In our opinion, the revisions to the consolidated financial statements and related disclosures for 2004 in Note 16 are appropriate and have been appropriately applied. In addition, Note 24 to the consolidated financial statements presents guarantor and non-guarantor condensed consolidating financial statements for the year ended December 31, 2004. We have audited the classification of the parent and guarantor subsidiaries and non-guarantor subsidiaries and related adjustments of Integrated Production Services, Inc. for the year ended December 31, 2004. In our opinion, the classifications for the year ended December 31, 2004 in Note 24 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2004 financial statements of Integrated Production Services, Inc. other than with respect to such revisions, classifications and related disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2004 financial statements of Integrated Production Services, Inc. taken as a whole.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*.

/s/ Grant Thornton LLP

Houston, Texas

March 9, 2007

(except as to note 24, which is

as of May 31, 2007)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Integrated Production Services, Inc.:

We have audited the consolidated balance sheet of Integrated Production Services, Inc. and subsidiaries as of December 31, 2004, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented separately herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Integrated Production Services, Inc. and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Calgary, Canada

April 8, 2005

(except as to note 18, which is
as of August 19, 2005)

COMPLETE PRODUCTION SERVICES, INC.
Consolidated Balance Sheets
December 31, 2006 and 2005

	2006	2005
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,874	\$ 11,405
Trade accounts receivable, net of allowance for doubtful accounts of \$2,431 and \$1,872, respectively	301,764	158,022
Inventory, net of obsolescence reserve of \$1,719 and \$2,070, respectively	43,930	32,066
Prepaid expenses	24,998	25,333
Other current assets	74	1,992
Current assets held for sale		18,668
 Total current assets	 390,640	 247,486
Property, plant and equipment, net	771,703	383,707
Intangible assets, net of accumulated amortization of \$3,623 and \$1,767, respectively	7,765	4,235
Deferred financing costs, net of accumulated amortization of \$547 and \$96, respectively	15,729	2,048
Goodwill	552,671	293,651
Other long-term assets	1,816	275
Long-term assets held for sale		6,251
 Total assets	 \$ 1,740,324	 \$ 937,653
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 1,064	\$ 5,950
Accounts payable	71,370	46,264
Accrued liabilities	61,365	40,211
Unearned revenue		6,407
Notes payable	17,087	14,985
Taxes payable	10,519	936
Current liabilities of held for sale operations		5,450
 Total current liabilities	 161,405	 120,203
Long-term debt	750,577	509,981
Deferred income taxes	90,805	54,084
Minority interest	2,316	2,365
Long-term liabilities of held for sale operations		259
 Total liabilities	 1,005,103	 686,892
Commitments and contingencies		
Stockholders equity:	714	555

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Common stock, \$0.01 par value per share, 200,000,000 shares authorized, 71,418,473 (2005 55,531,510) issued		
Preferred stock, \$0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	563,006	220,786
Retained earnings	155,971	16,885
Treasury stock, 35,570 shares at cost	(202)	(202)
Deferred compensation		(3,803)
Accumulated other comprehensive income	15,732	16,540
Total stockholders' equity	735,221	250,761
Total liabilities and stockholders' equity	\$ 1,740,324	\$ 937,653

See accompanying notes to consolidated financial statements.

COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Operations
Years Ended December 31, 2006, 2005 and 2004

	Year Ended December 31,		
	2006	2005	2004
	(In thousands, except per share data)		
Revenue:			
Service	\$ 1,088,748	\$ 639,421	\$ 239,427
Product	123,676	80,768	54,483
	1,212,424	720,189	293,910
Service expenses	622,786	393,856	157,540
Product expenses	88,175	56,862	37,105
Selling, general and administrative expenses	167,334	108,766	44,002
Depreciation and amortization	79,465	48,510	21,327
Income from continuing operations before interest, taxes and minority interest	254,664	112,195	33,936
Interest expense	40,759	24,460	7,471
Interest income	(1,387)		
Write-off of deferred financing costs	170	3,315	
Income from continuing operations before taxes and minority interest	215,122	84,420	26,465
Taxes	77,888	33,115	10,504
Income from continuing operations before minority interest	137,234	51,305	15,961
Minority interest	(49)	384	4,705
Income from continuing operations	137,283	50,921	11,256
Income from discontinued operations (net of tax expense of \$1,987, \$601 and \$317, respectively)	1,803	2,941	2,628
Net income	\$ 139,086	\$ 53,862	\$ 13,884
Earnings per share information:			
Continuing operations	\$ 2.09	\$ 1.09	\$ 0.38
Discontinued operations	\$ 0.02	\$ 0.07	\$ 0.09
Basic earnings per share	\$ 2.11	\$ 1.16	\$ 0.47
Continuing operations	\$ 2.02	\$ 1.00	\$ 0.37
Discontinued operations	\$ 0.02	\$ 0.06	\$ 0.09
Diluted earnings per share	\$ 2.04	\$ 1.06	\$ 0.46
Weighted average shares:			
Basic	65,843	46,603	29,548

Diluted	68,075	50,656	30,083
See accompanying notes to consolidated financial statements.			
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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2006, 2005 and 2004

	Year Ended December 31,		
	2006	2005	2004
	(In thousands)		
Net income	\$ 139,086	\$ 53,862	\$ 13,884
Change in cumulative translation adjustment	(808)	2,043	4,034
Comprehensive income	\$ 138,278	\$ 55,905	\$ 17,918

See accompanying notes to consolidated financial statements.

COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statement of Stockholders' Equity
Years Ended December 31, 2006, 2005 and 2004

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Deferred Compensation	Accumulated Other Comprehensive Income	Total
(In thousands, except share data)								
Balance at December 31, 2003	20,348,400	\$ 203	\$ 86,375	\$ 915	\$	\$	\$ 10,463	\$ 97,956
Net income				13,884				13,884
Cumulative translation adjustment							4,034	4,034
Issuance of common stock:								
Acquisition of IEM	3,882,000	39	9,961					10,000
Other acquisitions	533,454	5	3,036					3,041
Exercise of stock options	81,180	1	184					185
For cash	656,568	7	1,753					1,760
Exercise of warrants	13,393,618	134	40,861					40,995
Issuance of restricted stock			977			(977)		
Amortization of non-vested restricted stock							225	225
Balance at December 31, 2004	38,895,220	\$ 389	\$ 143,147	\$ 14,799	\$	\$ (752)	\$ 14,497	\$ 172,080
Net income				53,862				53,862
Cumulative translation adjustment							2,043	2,043
Issuance of common stock:								
Acquisition of Parchman	2,655,336	27	16,861					16,888
Acquisition of Spindletop	90,364		1,053					1,053
Exercise of warrants	2,048,526	20	9,980					10,000
For cash	136,376	1	1,403					1,404

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Exercise of stock options	15,082		79						79
Purchase of warrants			(256)						(256)
Stock compensation	16,096		187						187
Expense related to employee stock options			230						230
Issuance of restricted stock	153,736	2	4,616			(4,618)			
Amortization of deferred compensation						1,747			1,747
Purchase of minority interest	11,556,344	116	138,604			(180)			138,540
Dividend paid			(95,118)	(51,776)					(146,894)
Repurchase of common stock	(35,570)					(202)			(202)
Balance at December 31, 2005	55,531,510	\$ 555	\$ 220,786	\$ 16,885	\$ (202)	\$ (3,803)	\$ 16,540	\$ 250,761	
Adoption of SFAS No. 123R			(3,803)			3,803			
Net income				139,086					139,086
Cumulative translation adjustment							(808)		(808)
Issuance of common stock:									
Net proceeds from initial public offering	13,000,000	130	288,505						288,635
Acquisition of Parchman	1,000,000	10	23,490						23,500
Acquisition of MGM	164,210	2	3,857						3,859
Acquisition of Pumpco	1,010,566	10	21,414						21,424
Exercise of stock options	506,405	5	1,810						1,815
Expense related to employee stock options			1,848						1,848
Excess tax benefit from share-based compensation			2,333						2,333
Vested restricted stock	205,782	2	(2)						

Amortization of
non-vested
restricted stock

2,768

2,768

Balance at
December 31,
2006

71,418,473	\$	714	\$	563,006	\$	155,971	\$	(202)	\$		\$	15,732	\$	735,221
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See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2006, 2005 and 2004

	Year Ended December 31,		
	2006	2005	2004
	(In thousands)		
Cash provided by:			
Net income	\$ 139,086	\$ 53,862	\$ 13,884
Items not affecting cash:			
Depreciation and amortization	79,813	48,840	21,616
Deferred income taxes	30,907	17,993	9,267
Write-off of deferred financing fees	170	3,315	
Loss on sale of discontinued operations	603		
Minority interest	(49)	384	4,705
Excess tax benefit from share-based compensation	(2,333)		
Non-cash compensation expense	4,616	1,984	
Other	3,893	2,451	(44)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(105,203)	(69,755)	(20,585)
Inventory	(11,511)	(18,346)	(7,936)
Prepaid expense and other current assets	(1,201)	(4,903)	(3,480)
Accounts payable	14,819	18,647	5,032
Accrued liabilities and other	34,133	21,955	12,163
Net cash provided by operating activities	187,743	76,427	34,622
Investing activities:			
Business acquisitions, net of cash acquired	(369,606)	(67,689)	(139,362)
Additions to property, plant and equipment	(303,922)	(125,142)	(46,904)
Purchase of short-term securities	(165,000)		
Proceeds from sale of short-term securities	165,000		
Proceeds from sale of fixed assets	3,355	4,473	489
Proceeds from sale of disposal group	19,310		
Additions to intangible assets			(999)
Net cash used in investing activities	(650,863)	(188,358)	(186,776)
Financing activities:			
Issuances of long-term debt	608,703	741,599	121,639
Repayments of long-term debt	(1,053,789)	(464,605)	(9,859)
Net borrowings (repayments) under lines of credit		(19,603)	32,500
Repayment of convertible debentures			