SUPERIOR ENERGY SERVICES INC
Form 10-K
February 21, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2018
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

SUPERIOR ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	75-2379388
(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:	Name of each exchange on which registered:
Common Stock, $.001 Par Value	New York Stock Exchange

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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 No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

At June 30, 2018, the aggregate market value of the registrant's voting stock held by non-affiliates of the registrant was $1.52 billion. At February 14, 2019 there were 155,931,859 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information called for by Items 10, 11, 12, 13 and 14 of Part III is incorporated by reference from the registrant's definitive proxy statement to be filed pursuant to Regulation 14A.

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES

Annual Report on Form 10-K for

the Fiscal Year Ended December 31, 2018

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and other documents filed by us with the Securities and Exchange Commission (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 variations of such words and similar expressions identify forward-looking statements, although not all forward-looking statements contain these identifying words. All statements other than statements of historical fact included in this Annual Report on Form 10-K or such other materials 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 its 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: the conditions in the oil and gas industry, especially oil and natural gas prices and capital expenditures by oil and gas companies; our outstanding debt obligations and the potential effect of limiting our ability to fund future growth and operations and increasing our exposure to risk during adverse economic conditions; necessary capital financing may not be available at economic rates or at all; volatility of our common stock; operating hazards, including the significant possibility of accidents resulting in personal injury or death, property damage or environmental damage for which we may have limited or no insurance coverage or indemnification rights; we may not be 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 (including regarding worker health and safety laws) and environmental matters on our operations or prospects, including the risk that future changes in the regulation of hydraulic fracturing could reduce demand for our pressure pumping and fluid management services, or that future changes in climate change legislation could result in increased operating costs or reduced commodity demand globally; 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 risks and uncertainties associated with our international operations; laws, regulations or practices in foreign countries 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; not realizing the benefits of acquisitions or divestitures; our operations may be subject to cyber-attacks that could have an adverse effect on our business operations; counterparty risks associated with reliance on key suppliers; challenges with estimating our potential liabilities related to our oil and natural gas property; and risks associated with potential changes of Bureau of Ocean Energy Management (BOEM) security and bonding requirements for offshore platforms. These risks and other uncertainties related to our business are described in detail below in Part I, Item 1A of this Annual Report on Form 10-K. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Investors are cautioned that many of the assumptions on which our forward-looking statements are based are likely to change after such statements are made, including for example the market prices of oil and gas and regulations affecting oil and gas operations, which we cannot control or anticipate. Further, we may make changes to our business strategies and plans (including our capital spending and capital allocation plans) at any time and without notice, based on any changes in the above-listed factors, our assumptions or otherwise, any of which could or will affect our results. For all these reasons, actual events and results may differ materially from those anticipated, estimated, projected or implied by us in our forward-looking statements. We undertake no obligation to update any of our forward-looking statements for any reason, notwithstanding any changes in our assumptions, changes in our business plans, our actual experience, or other changes. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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PART I

Item 1. Business

General

We provide a wide variety of services and products to the energy industry. We serve major, national and independent oil and natural gas exploration and production companies around the world and we offer products and services with respect to the various phases of a well's economic life cycle. We report our operating results in four business segments: Drilling Products and Services; Onshore Completion and Workover Services; Production Services; and Technical Solutions. Given our long-term strategy of geographic expansion, we also provide supplemental segment revenue information in three geographic areas: U.S. land; Gulf of Mexico; and International.

For information about our operating segments and financial information by operating segment and geographic area, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7 of this Annual Report on Form 10-K and note 8 to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Products and Services

We offer a wide variety of specialized oilfield services and equipment generally categorized by their typical use during the economic life of a well. A description of the products and services offered by each of our four segments is as follows:

- Drilling Products and Services – Includes downhole drilling tools and surface rentals.

  - Downhole drilling tools – Includes rentals of tubulars, such as primary drill pipe strings, landing strings, completion tubulars and associated accessories, and manufacturing and rentals of bottom hole tools, including stabilizers, non-magnetic drill collars and hole openers.

  - Surface rentals – Includes rentals of temporary onshore and offshore accommodation modules and accessories.

· Onshore Completion and Workover Services – Includes pressure pumping, fluid management and workover services.

§ Pressure pumping – Includes hydraulic fracturing and high pressure pumping services used to complete and stimulate production in new oil and gas wells.

§ Fluid management – Includes services used to obtain, move, store and dispose of fluids that are involved in the exploration, development and production of oil and gas, including mobile piping systems, specialized trucks, fracturing tanks and other assets that transport, heat, pump and dispose of fluids.

§ Workover services – Includes a variety of well completion, workover and maintenance services, including installations, completions, sidetracking of wells and support for perforating operations.

· Production Services – Includes intervention services.

§ Intervention services – Includes services to enhance, maintain and extend oil and gas production during the life of the well, including coiled tubing, cased hole and mechanical wireline, hydraulic workover and snubbing, pressure control services, production testing and optimization.

· Technical Solutions – Includes products and services that generally address customer-specific needs with their applications, which typically require specialized engineering, manufacturing or project planning expertise. Most operations requiring our technical solutions are generally in offshore environments during the completion, production and decommissioning phase of an oil and gas well. These products and services primarily include completion tools and services, well control services and subsea well intervention.

§ Completion tools and services – Provides products and services used during the completion phase of an offshore well to control sand and maximize oil and gas production, including sand control systems, well screens and filters, and surface-controlled sub surface safety valves.

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§ Well control services – Resolves well control and pressure control problems through firefighting, engineering and well control training.

§ Subsea well intervention – Provides offshore well decommissioning services, consisting of plugging and abandoning wells at the end of their economic life.

The Technical Solutions segment also includes revenues from oil and gas production related to our 51% ownership interest in our sole federal offshore oil and gas property (which we refer to in this Annual Report on Form 10-K as the "oil and gas property") and related assets.

Customers

Our customers are the major and independent oil and gas companies that are active in the geographic areas in which we operate. There were no customers that exceeded 10% of our total revenues in 2018. Anadarko Petroleum Corporation (Anadarko) accounted for approximately 13% and 11% of our revenues in 2017 and 2016, respectively, primarily within the Onshore Completion and Workover Services segment. The reduction in sales to existing large customers could have a material adverse effect on our business and operations if it is not offset by sales to new or other existing customers.

Competition

We provide products and services worldwide in highly competitive markets, with competitors comprised of both small and large companies. Our revenues and earnings can be affected by several factors, including changes in competition, fluctuations in drilling and completion activity, perceptions of future prices of oil and gas, government regulation, disruptions caused by weather and general economic conditions. We believe that the principal competitive factors are price, performance, product and service quality, safety, response time and breadth of products and services.

Potential Liabilities and Insurance

Our operations involve a high degree of operational risk and expose us to significant liabilities. An accident involving our services or equipment, or the failure of a product sold by us, could result in personal injury, loss of life, and damage to property, equipment or the environment. Litigation arising from a catastrophic occurrence, such as fire, explosion, well blowout or vessel loss, may result in substantial claims for damages.

As is customary in our industry, our contracts generally provide that we will indemnify and hold harmless our customers from any claims arising from personal injury or death of our employees, damage to or loss of our equipment, and pollution emanating from our equipment and services. Similarly, our customers generally agree to indemnify and hold us harmless from any claims arising from personal injury or death of their employees, damage to or loss of their equipment or property, and pollution caused from their equipment or the well reservoir (including uncontained oil flow from a reservoir). Nonetheless, our indemnification arrangements may not protect us in every case.

We maintain a liability insurance program that covers against certain operating hazards, including product liability, property damage and personal injury claims, as well as certain limited environmental pollution claims for damage to a third party or its property arising out of contact with pollution for which we are liable, but well control costs are not covered by this program. These policies include primary and excess umbrella liability policies with limits of $350 million per occurrence, including sudden and accidental pollution incidents. All of the insurance policies we purchase contain specific terms, conditions, limitations and exclusions and are subject to either deductibles or self-insured retention amounts for which we are responsible. There can be no assurance that the nature and amount of insurance we maintain will be sufficient to fully protect us against all liabilities related to our business.

Government Regulation

Our business is significantly affected by Federal, State and local laws and other regulations. These laws and regulations relate to, among other things:

- worker safety standards;
- the protection of the environment;
- the handling and transportation of hazardous materials; and
- the mobilization of our equipment to, and operations conducted at, our work sites.

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Numerous permits are required for the conduct of our business and operation of our various facilities and equipment, including our underground injection wells, marine vessels, trucks and other heavy equipment. These permits can be revoked, modified or renewed by issuing authorities based on factors both within and outside our control.

We cannot predict the level of enforcement of existing laws and regulations or how such laws and regulations may be interpreted by enforcement agencies or court rulings in the future. We also cannot predict whether additional laws and regulations will be adopted, including changes in regulatory oversight, increase of federal, state or local taxes, increase of inspection costs, or the effect such changes may have on us, our businesses or our financial condition.

Environmental Matters

Our operations, and those of our customers, are subject to extensive laws, regulations and treaties relating to air and water quality, generation, storage and handling of hazardous materials, and emission and discharge of materials into the environment. We believe we are in substantial compliance with all regulations affecting our business. Historically, our expenditures in furtherance of our compliance with these laws, regulations and treaties have not been material, and we do not expect the cost of compliance to be material in the future.

Raw Materials

We purchase various raw materials and component parts in connection with delivering our products and services. These materials are generally, but not always, available from multiple sources and may be subject to price volatility. While we generally do not experience significant long-term shortages of these materials, we have from time to time experienced temporary shortages of particular raw materials. We are always seeking ways to ensure the availability of resources, as well as manage costs of raw materials.

Seasonality

Seasonal weather and severe weather conditions can temporarily impair our operations and reduce demand for our products and services. Examples of seasonal events that negatively affect our operations include high seas associated with cold fronts during the winter months and hurricanes during the summer months in the Gulf of Mexico, and severe cold during winter months in the U.S. land market area.

Employees

At December 31, 2018, we had approximately 6,600 employees. Approximately 6% of our employees are subject to union contracts, all of which are in international locations. We believe that we have good relationships with our employees.

Facilities

Our principal executive offices are located at 1001 Louisiana Street, Suite 2900, Houston, Texas, 77002. We own or lease a large number of facilities in the various areas in which we operate throughout the world.

Intellectual Property

We seek patent and trademark protections throughout the world for our technology when we deem it prudent, and we aggressively pursue protection of these rights. We believe our patents and trademarks are adequate for the conduct of our business, and that no single patent or trademark is critical to our business. In addition, we rely to a great extent on the technical expertise and know-how of our personnel to maintain our competitive position.

Other Information

We have our principal executive offices at 1001 Louisiana Street, Suite 2900, Houston, Texas 77002. Our telephone number is (713) 654-2200. We also have a website at http://www.superiorenergy.com. Copies of the annual, quarterly and current reports we file with or furnish to the SEC, and any amendments to those reports, are available on our website free of charge soon after such reports are filed with or furnished to the SEC. The information posted on our website is not incorporated into this Annual Report on Form 10-K. Alternatively, you may access these reports at the SEC's website at http://www.sec.gov/.

Our Shared Core Values at Work (Code of Conduct) applies to all of our directors, officers and employees. This Code of Conduct is publicly available on the Corporate Governance page in the About Us section of our website at http://www.superiorenergy.com. Any waivers granted to directors or executive officers and any material amendment to our Code of Conduct will be posted promptly on our website and/or disclosed in a current report on Form 8-K.

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Investors should be aware that while we do, at various times, communicate with securities analysts, it is against our policy to selectively disclose to them any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by an analyst with respect to our past or projected performance. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Executive Officers

The following table indicates the names and ages of our executive officers, including all offices and positions held by each in the past five years:

Name and Age	Offices Held and Term of Office
David D. Dunlap	President and Chief Executive Officer, since February 2011
(Age 57)	
Westervelt T. Ballard, Jr.	Executive Vice President, Chief Financial Officer and Treasurer, since March 2018
(Age 47)	Executive Vice President of International Services, from February 2012 to February 2018
James W. Spexarth	Chief Accounting Officer, since March 2018
(Age 51)	Vice President and Corporate Controller, from August 2013 to February 2018
A. Patrick Bernard	Executive Vice President, since April 2016
(Age 61)	Senior Executive Vice President, from July 2006 to March 2016
Brian K. Moore	Executive Vice President of Corporate Services, since April 2016
(Age 62)	Senior Executive Vice President of North America Services, from February 2012 to March 2016

William B. Masters	Executive Vice President and General Counsel, since March 2008
(Age 61)	

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Item 1A. Risk Factors

The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Part II, Item 7 of this Annual Report on Form 10-K, the consolidated financial statements and related notes contained in Part II, Item 8 of this Annual Report on Form 10-K and the matters contained under the caption "Forward-Looking Statements" at the beginning of this Annual Report on Form 10-K.

The following discussion of "risk factors" identifies the most significant risks or uncertainties that could (i) materially and adversely affect our business, financial condition, results of operations, liquidity or prospects, as well as the market value of our securities, or (ii) cause our actual results to differ materially from our anticipated results or other expectations. These risks are not the only risks that we face. Our business operations could also be affected by additional factors that apply to all companies operating in the U.S. and globally, as well as other risks that are not presently known to us or that we currently consider to be immaterial to our operations. These risks include:

Our business depends on conditions in the oil and gas industry, especially oil and natural gas prices and capital expenditures by oil and gas companies.

Our business depends on the level of oil and natural gas exploration, development and production activity by oil and gas companies worldwide. The level of exploration, development and production activity is directly affected by trends in oil and natural gas prices, which historically have been volatile and difficult to predict. Oil and natural gas prices are subject to large fluctuations in response to relatively minor changes in supply and demand, economic growth trends, market uncertainty and a variety of other factors beyond our control. Lower oil and natural gas prices generally lead to decreased spending by our customers. While higher oil and natural gas prices generally lead to increased spending by our customers, sustained high energy prices can also be an impediment to economic growth and can therefore negatively impact spending by our customers. Our customers may also take into account the volatility of energy prices and other risk factors by requiring higher returns for individual projects if there is higher perceived risk. Any of these factors could significantly affect the demand for oil and natural gas, which could affect the level of capital spending by our customers and in turn could have a material effect on our results of operations.

The availability of quality drilling prospects, exploration success, relative production costs, expectations about future oil and natural gas demand and prices, the stage of reservoir development, the availability of financing, and political and regulatory environments are also expected to affect levels of exploration, development, and production activity, which would impact the demand for our services. Any prolonged reduction of oil and natural gas prices, as well as anticipated declines, could also result in lower levels of exploration, development, and production activity.

The demand for our services may be affected by numerous factors, including the following:

- the cost of exploring for, producing and delivering oil and natural gas;
- demand for energy, which is affected by worldwide economic activity, population growth and market expectations regarding future trends;
- the ability of Organization of Petroleum Exporting Countries (OPEC) and other key oil-producing countries to set and maintain production levels for oil;

- the level of excess production capacity;
- the discovery rate of new oil and natural gas reserves;
- domestic and global political and economic uncertainty, socio-political unrest and instability, terrorism or hostilities;
- weather conditions and changes in weather patterns, including summer and winter temperatures that impact demand;
- the availability, proximity and capacity of transportation facilities;
- oil refining capacity and shifts in end-customer preferences toward fuel efficiency;
- the level and effect of trading in commodity future markets, including trading by commodity price speculators and others;
- demand for and availability of alternative, competing sources of energy;

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- the extent to which taxes, tax credits, environmental regulations, auctions of mineral rights, drilling permits, drilling concessions, drilling moratoriums or other governmental regulations, actions or policies affect the production, cost of production, price or availability of petroleum products and alternative energy sources; and
- technological advances affecting energy exploration, production and consumption.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by significantly reduced demand for oilfield services and downward pressure on the prices we charge. Moreover, weakness in the oil and gas industry may adversely impact the financial position of our customers, which in turn could cause them to fail to pay amounts owed to us in a timely manner or at all. Any of these events could have a material adverse effect on our business, results of operations, financial condition and prospects.

We have outstanding debt obligations that could limit our ability to fund future growth and operations and increase our exposure to risk during adverse economic conditions.

At December 31, 2018, we had $1.3 billion in outstanding debt obligations, $800 million of which matures in December 2021. Many factors, including factors beyond our control, may affect our ability to make payments on our outstanding indebtedness. These factors include those discussed elsewhere in these Risk Factors and those listed in the "Forward-Looking Statements" section included in this Annual Report on Form 10-K.

Our existing debt and associated commitments could have important adverse consequences. For example, these commitments could:

- make it more difficult for us to satisfy our contractual obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to refinance our debt in the future or borrow additional funds;
- limit our ability to fund future working capital, capital expenditures, acquisitions or other corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry; and
- place us at a disadvantage compared to our competitors that have less debt or less restrictive covenants in such debt.

Necessary capital financing may not be available at economic rates or at all.

Turmoil in the credit and financial markets could adversely affect financial institutions, inhibit lending and limit our access to funding through borrowings under our credit facility or obtaining other financing in the public or private capital markets on terms we believe to be reasonable. Prevailing market conditions could be adversely affected by the ongoing disruptions in domestic or overseas sovereign or corporate debt markets, low commodity prices or other factors impacting our business, contractions or limited growth in the economy or other similar adverse economic developments in the U.S. or abroad. Instability in the global financial markets has from time to time resulted in periodic volatility in the capital markets. This volatility could limit our access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are acceptable to us, or at all. Any such failure to obtain additional financing could jeopardize our ability to repay, refinance or reduce our debt obligations, or to meet our other financial commitments.

The price of our common stock has been volatile and may continue to fluctuate substantially.

The market price of our common stock has been volatile in the past. During the year ended December 31, 2018, our common stock had traded as high as $12.73 and as low as $2.87. In addition, the market price of our common stock may be highly volatile in the future. Some of the factors that could affect the price of our common stock are quarterly increases or decreases in revenue or earnings, changes in revenue or earnings estimates by the investment community and speculation in the press or investment community about our financial condition or results of operations. General market conditions and U.S. or international economic factors and political events unrelated to our performance may also affect our stock price. For these reasons, investors should not rely on recent trends in the price of our common stock to predict the future price of our common stock or our financial results.

There are operating hazards inherent in the oil and gas industry that could expose us to substantial liabilities.

Our operations are subject to hazards inherent in the oil and gas industry that may lead to property damage, personal injury, death or the discharge of hazardous materials into the environment. Many of these events are outside of our control. Typically, we provide products and services at a well site where our personnel and equipment are located together with personnel and equipment of our customer and other service providers. From time to time, personnel are injured or equipment or property is damaged or destroyed as a result of accidents, failed equipment, faulty products or services, failure of safety measures, uncontained formation pressures or other dangers inherent in oil and natural gas exploration, development and production. Any of these events can be the result of human error or purely accidental, and it may be difficult or impossible to definitively determine the ultimate cause of the event or whose personnel or equipment contributed thereto. All of these risks expose us to a wide range of significant health, safety and environmental risks and potentially substantial litigation claims for damages. With increasing frequency, our products and services are deployed in more challenging exploration, development and production locations. From time to time, customers and third parties may seek to hold us accountable for damages and costs incurred as a result of an accident, including pollution, even under circumstances where we believe we did not cause or contribute to the accident. Our insurance policies are subject to exclusions, limitations and other conditions, and may not protect us against liability for some types of events, including events involving a well blowout, or against losses from business interruption. Moreover, we may not be able to maintain insurance at levels of risk coverage or policy limits that we deem adequate or on terms that we deem commercially reasonable. Any damages or losses that are not covered by insurance, or are in excess of policy limits or subject to substantial deductibles or retentions, could adversely affect our financial condition, results of operations and cash flows.

We may not be fully indemnified against losses incurred due to catastrophic events.

As is customary in our industry, our contracts generally provide that we will indemnify and hold harmless our customers from any claims arising from personal injury or death of our employees, damage to or loss of our equipment, and pollution emanating from our equipment and services. Similarly, our customers generally agree to indemnify and hold us harmless from any claims arising from personal injury or death of their employees, damage to or loss of their equipment or property, and pollution caused from their equipment or the well reservoir (including uncontained oil flow from a reservoir). Our indemnification arrangements may not protect us in every case. For example, from time to time we may enter into contracts with less favorable indemnities or perform work without a contract that protects us. In addition, our indemnification rights may not fully protect us if we cannot prove that we are entitled to be indemnified or if the customer is bankrupt or insolvent, does not maintain adequate insurance or otherwise does not possess sufficient resources to indemnify us. In addition, our indemnification rights may be held unenforceable in some jurisdictions.

Our customers' changing views on risk allocation could cause us to accept greater risk to win new business or could result in us losing business if we are not prepared to take such risks. To the extent that we accept such additional risk, and insure against it, our insurance premiums could rise.

From time to time, we are subject to various claims, litigation and other proceedings that could ultimately be resolved against us, requiring material future cash payments or charges, which could impair our financial condition or results of operations.

The size, nature and complexity of our business make us susceptible to various claims, both in litigation and binding arbitration proceedings. We may in the future become subject to various claims, which, if not resolved within amounts we have accrued, could have a material adverse effect on our financial position, results of operations or cash flows. Similarly, any claims, even if fully indemnified or insured, could negatively impact our reputation among our customers and the public, and make it more difficult for us to compete effectively or obtain adequate insurance in the future.

The credit risks of our customer base could result in losses.

Many of our customers are oil and gas companies that are facing liquidity constraints in light of the current commodity price environment. These customers impact our overall exposure to credit risk as they are also affected by prolonged changes in economic and industry conditions. If a significant number of our customers experience a prolonged business decline or disruptions, we may incur increased exposure to credit risk and bad debts.

Increased regulation of or limiting or banning hydraulic fracturing and wastewater disposal could reduce demand for our pressure pumping and fluid management services.

Our customers rely on hydraulic fracturing in conducting exploration and production operations. Hydraulic fracturing is typically regulated by state oil and gas commissions and similar agencies. However, the practice of hydraulically fracturing formations to stimulate the production of natural gas and oil remains under increased scrutiny from federal, state and local governmental authorities. Various federal legislative and regulatory initiatives have been undertaken which could result in additional requirements or restrictions being imposed on hydraulic fracturing operations. Federal agencies, including the Environmental Protection Agency (EPA) and Bureau of Land Management, have in the past asserted regulatory authority over certain aspects of hydraulic fracturing within their specific jurisdiction. From time to time, Congress has considered legislative measures to regulate hydraulic fracturing, including the imposition of chemical disclosure and permitting requirements.

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At the state level, several states have adopted or are considering legal requirements that could impose more stringent permitting, disclosure, and well construction requirements on hydraulic fracturing activities. Local governments may also seek to adopt ordinances within their jurisdictions regulating the time, place and manner of, or prohibiting the performance of, drilling activities in general or hydraulic fracturing activities in particular.

In addition, in recent years there have been various legislative and regulatory initiatives intended to address seismic activity associated with disposal wells. Developing research suggests that the link between seismic activity and wastewater disposal may vary by region, and that only a very small fraction of the tens of thousands of injection wells have been suspected to be, or have been, the likely cause of induced seismicity. The United States Geological Survey identified certain states with the most significant hazards from induced seismicity, including states where we operate, such as Oklahoma, Texas and Colorado. In response to concerns regarding induced seismicity, regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells in proximity to faults. For example, Oklahoma implemented plans restricting or suspending disposal well operations of certain wells where seismic incidents have occurred. In particular, hydraulic fracturing operations in the Oklahoma SCOOP and STACK, where we conduct operations may be suspended following earthquakes of certain magnitudes in the vicinity. In addition, the Oklahoma Corporation Commission’s Oil and Gas Conservation Division issued an order limiting future increases in the volume of oil and natural gas wastewater injected into the ground in an effort to reduce the number of earthquakes in the state. The Texas Railroad Commission has adopted similar rules. Furthermore, ongoing lawsuits allege that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells. Increased regulation and attention given to induced seismicity could lead to greater opposition to oil and gas activities utilizing injection wells for waste disposal.

The adoption of additional legislation or regulation could impose further requirements or limitations, such as restrictions on the use of certain chemicals or prohibitions on hydraulic fracturing and disposal of wastewater in certain areas, which could impact our and our customers operations, and demand for our services.

We are subject to environmental, worker health and safety laws and regulations, which could reduce our business opportunities and revenue, and increase our costs and liabilities.

Our business is significantly affected by a wide range of environmental and worker health and safety laws and regulations in the areas in which we operate, including increasingly rigorous environmental laws and regulations governing air emissions, water discharges and waste management. Generally, these laws and regulations have become more stringent and have sought to impose greater liability on a larger number of potentially responsible parties. The Macondo well explosion in 2010 resulted in additional regulation of our offshore operations, and similar onshore or offshore accidents in the future could result in additional increases in regulation. Failure to comply with these laws and regulations may result in a variety of administrative, civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions as to future compliance.

Environmental laws and regulations may provide for “strict liability” for remediation costs, damages to natural resources or threats to public health and safety as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior owners or operators or other third parties. Strict liability can render a party liable for damages without regard to negligence or fault on the part of the party. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. For example, our well service and fluids businesses routinely involve the handling of significant amounts of waste materials, some of which are classified as hazardous substances. We also store, transport and use radioactive and explosive materials in certain of our operations. In addition, many of our current and former facilities are, or have been, used for industrial purposes. Accordingly, we could become subject to material liabilities relating to the containment and disposal of hazardous substances, oilfield waste and other waste materials, the use of radioactive materials, the use of underground injection wells, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new domestic or foreign laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could reduce our earnings and our cash available for operations.

In addition, we and our customers may need to apply for or amend facility permits or licenses from time to time with respect to storm water or wastewater discharges, waste handling, or air emissions relating to manufacturing activities or equipment operations, which subjects us and our customers to new or revised permitting conditions that may be onerous or costly to comply with.

Climate change legislation or regulations restricting emissions of greenhouse gases (GHGs) could result in increased operating costs and reduced demand for the oil and natural gas our customers produce.

Increasing concerns that emissions of carbon dioxide, methane and other greenhouse gases (GHGs) may endanger public health and produce climate changes with significant physical effects, such as increased frequency and severity of storms, floods, droughts and other climatic events, have drawn significant attention from government agencies and environmental advocacy groups. In response, additional costly requirements and restrictions have been imposed on the oil and gas industry to regulate and reduce the emission of GHGs.

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Specifically, the EPA has adopted regulations under existing provisions of the federal Clean Air Act (CAA) which increase operational costs by requiring the monitoring and annual reporting of GHG emissions from oil and gas production, processing, transmission and storage facilities in the United States. Although, the U.S. Congress has considered legislation to reduce emissions of GHGs, significant legislation has not yet been adopted to reduce GHG emissions at the federal level. In the absence of such federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions through the completion of GHG emissions inventories and through cap and trade programs that typically require major sources of GHG emissions to acquire and surrender emission allowances in return for emitting GHGs. Given the long-term trend towards increasing regulation, future federal GHG regulations of the oil and gas industry remain a possibility. Additionally, in December 2015, the United States joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France that proposed an agreement requiring member countries to review and “represent a progression” in their intended nationally determined contributions, which set GHG emission reduction goals every five years beginning in 2020. This agreement was signed by the United States in April 2016 and entered into force in November 2016. The United States is one of over 120 nations having ratified or otherwise consented to the agreement; however this agreement does not create any binding obligations for nations to limit their GHG emissions, but rather includes pledges to voluntarily limit or reduce future emissions. In June 2017, President Trump announced that the United States intended to withdraw from the Paris Agreement and to seek negotiations either to reenter the Paris Agreement on different terms or a separate agreement. In August 2017, the U.S. Department of State officially informed the United Nations of the intent of the United States to withdraw from the Paris Agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States’ adherence to the exit process and/or the terms on which the United States may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time.

In addition to governmental regulations, our customers are also requiring additional equipment upgrades to address the growing concerns of GHG emission and climate change which result in higher operational costs for service providers such as us. Despite taking additional measures to reduce GHG emissions, there is the possibility that the demand for fossil fuels may nevertheless decrease due to such concerns.

At this stage, we cannot predict the impact of these or other initiatives on our or our customers operations, nor can we predict whether, or which of, other currently pending greenhouse gas emission proposals will be adopted, or what other actions may be taken by domestic or international regulatory bodies. The potential passage of climate change regulation may curtail production and demand for fossil fuels such as oil and gas in areas of the world where our customers operate and thus adversely affect future demand for our products and services, which may in turn adversely affect future results of operations.

Adverse and unusual weather conditions may affect our operations.

Our operations may be materially affected by severe weather conditions in areas where we operate. Severe weather, such as hurricanes, high winds and seas, blizzards and extreme temperatures may cause evacuation of personnel, curtailment of services and suspension of operations, inability to deliver materials to jobsites in accordance with contract schedules, loss of or damage to equipment and facilities and reduced productivity. In addition, variations from normal weather patterns can have a significant impact on demand for oil and natural gas, thereby reducing demand for our services and equipment.

Our inability to retain key employees and skilled workers could adversely affect our operations.

Our performance could be adversely affected if we are unable to retain certain key employees and skilled technical personnel. Our ability to continue to expand the scope of our services and products depends in part on our ability to increase the size of our skilled labor force. The loss of the services of one or more of our key employees or the inability to employ or retain skilled technical personnel could adversely affect our operating results. In the past, the demand for skilled personnel has been high and the supply limited. We have experienced increases in labor costs in recent years and may continue to do so in the future.

Our international operations and revenue are affected by political, economic and other uncertainties worldwide.

In 2018, we conducted business in more than 50 countries, and we intend to expand our international operations.

Our international operations are subject to varying degrees of regulation in each of the foreign jurisdictions in which we provide services. Local laws and regulations, and their interpretation and enforcement, differ significantly among those jurisdictions, and can change significantly over time. Future regulatory, judicial and legislative changes or interpretations may have a material adverse effect on our ability to deliver services within various foreign jurisdictions.

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In addition to these international regulatory risks, our international operations are subject to a number of other risks inherent in any business operating in foreign countries, including, but not limited to, the following:

- political, social and economic instability;
- potential expropriation, seizure or nationalization of assets;
- inflation;
- deprivation of contract rights;
- increased operating costs;
- inability to collect receivables and longer receipt of payment cycles;
- civil unrest and protests, strikes, acts of terrorism, war or other armed conflict;
- import-export quotas or restrictions, including tariffs and the risk of fines or penalties assessed for violations;
- confiscatory taxation or other adverse tax policies;
- currency exchange controls;
- currency exchange rate fluctuations, devaluations and conversion restrictions;
- potential submission of disputes to the jurisdiction of a foreign court or arbitration panel;
- pandemics or epidemics that disrupt our ability to transport personnel or equipment;
- embargoes or other restrictive governmental actions that could limit our ability to operate in foreign countries;
- additional U.S. and other regulation of non-domestic operations, including regulation under the Foreign Corrupt Practices Act (the FCPA) as well as other anti-corruption laws;
- restrictions on the repatriation of funds;
- limitations in the availability, amount or terms of insurance coverage;
- the risk that our international customers may have reduced access to credit because of higher interest rates, reduced bank lending or a deterioration in our customers’ or their lenders’ financial condition;
- the burden of complying with multiple and potentially conflicting laws and regulations;
- the imposition of unanticipated or increased environmental and safety regulations or other forms of public or governmental regulation that increase our operating expenses;
- complications associated with installing, operating and repairing equipment in remote locations;
- the geographic, time zone, language and cultural differences among personnel in different areas of the world; and
- challenges in staffing and managing international operations.

These and the other risks outlined above could cause us to curtail or terminate operations, result in the loss of personnel or assets, disrupt financial and commercial markets and generate greater political and economic instability in some of the geographic areas in which we operate. International areas where we operate that have significant risk include the Middle East, Indonesia, Nigeria and Angola.

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Laws, regulations or practices in foreign countries could materially restrict our operations or expose us to additional risks.

In many countries around the world where we do business, all or a significant portion of the decision making regarding procuring our services and products is controlled by state-owned oil companies. State-owned oil companies or prevailing laws may (i) require us to meet local content or hiring requirements or other local standards, (ii) restrict with whom we can contract or (iii) otherwise limit the scope of operations that we can legally or practically conduct. Our inability or failure to meet these requirements, standards or restrictions may adversely impact our operations in those countries. In addition, our ability to work with state-owned oil companies is subject to our ability to negotiate and agree upon acceptable contract terms, and to enforce those terms. In addition, many state-owned oil companies may require integrated contracts or turnkey contracts that could require us to provide services outside our core businesses. Providing services on an integrated or turnkey basis generally requires us to assume additional risks.

Moreover, in order to effectively compete in certain foreign jurisdictions, it is frequently necessary or required to establish joint ventures or strategic alliances with local contractors, partners or agents. In certain instances, these local contractors, partners or agents may have interests that are not always aligned with ours. Reliance on local contractors, partners or agents could expose us to the risk of being unable to control the scope or quality of our overseas services or products, or being held liable under the FCPA, or other anti-corruption laws for actions taken by our strategic or local contractors, partners or agents even though these contractors, partners or agents may not themselves be subject to the FCPA or other applicable anti-corruption laws. Any determination that we have violated the FCPA or other anti-corruption laws could have a material adverse effect on our business, results of operations, reputation or prospects.

Changes in tax laws or tax rates, adverse positions taken by taxing authorities and tax audits could impact our operating results.

We are subject to the jurisdiction of a significant number of domestic and foreign taxing authorities. Changes in tax laws or tax rates, the resolution of tax assessments or audits by various tax authorities could impact our operating results. In addition, we may periodically restructure our legal entity organization. If taxing authorities were to disagree with our tax positions in connection with any such restructurings, our effective income tax rate could be impacted. The final determination of our income tax liabilities involves the interpretation of local tax laws, tax treaties and related authorities in each taxing jurisdiction, as well as the significant use of estimates and assumptions regarding future operations and results and the timing of income and expenses. We may be audited and receive tax assessments from taxing authorities that may result in assessment of additional taxes that are ultimately resolved with the authorities or through the courts. We believe these assessments may occasionally be based on erroneous and even arbitrary interpretations of local tax law. Resolution of any tax matter involves uncertainties and there are no assurances that the outcomes will be favorable. If U.S. or other foreign tax authorities change applicable tax laws, our overall taxes could increase, and our business, financial condition or results of operating may be adversely impacted.

If we are not able to design, develop, and produce commercially competitive products and to implement commercially competitive services in a timely manner in response to changes in the market, customer requirements, competitive pressures, and technology trends, our business and results of operations could be materially and adversely affected.

The market for oilfield services in which we operate is highly competitive and includes numerous small companies capable of competing effectively in our markets on a local basis, as well as several large companies that possess substantially greater financial resources than we do. Contracts are traditionally awarded on the basis of competitive bids or direct negotiations with customers.

The market for our services and products is characterized by continual technological developments to provide better and more reliable performance and services. If we are not able to design, develop, and produce commercially competitive products and to implement commercially competitive services in a timely manner in response to changes in the market, customer requirements, competitive pressures, and technology trends, our business and consolidated results of operations could be materially and adversely affected. Likewise, if our proprietary technologies, equipment, facilities, or work processes become obsolete, we may no longer be competitive, and our business and results of operations could be materially and adversely affected. In addition, we may be disadvantaged competitively and financially by a significant movement of exploration and production operations to areas of the world in which we are not currently active.

We are affected by global economic factors and political events.

Our financial results depend on demand for our services and products in the U.S. and the international markets in which we operate. Declining economic conditions, or negative perceptions about economic conditions, could result in a substantial decrease in demand for our services and products. World political events could also result in further U.S. military actions, terrorist attacks and related unrest. Military action by the U.S. or other nations could escalate and further acts of terrorism may occur in the U.S. or elsewhere. Such acts of terrorism could lead to, among other things, a loss of our investment in the country, impairment of the safety of our employees, extortion or kidnapping, and impairment of our ability to conduct our operations. Such developments have caused instability in the world's financial and insurance markets in the past, and many experts believe that a confluence of worldwide factors could result in a prolonged period of economic uncertainty and slow growth in the future. In addition, any of these developments could lead to increased

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volatility in prices for oil and gas and could affect the markets for our products and services. Insurance premiums could also increase and coverages may be unavailable.

Uncertain economic conditions and instability make it particularly difficult for us to forecast demand trends. The timing and extent of any changes to currently prevailing market conditions is uncertain and may affect demand for many of our services and products. Consequently, we may not be able to accurately predict future economic conditions or the effect of such conditions on demand for our services and products and our results of operations or financial condition.

We may not realize the anticipated benefits of acquisitions or divestitures.

We continually seek opportunities to increase efficiency and value through various transactions, including purchases or sales of assets or businesses. These transactions are intended to result in the offering of new services or products, the entry into new markets, the generation of income or cash, the creation of efficiencies or the reduction of risk. Whether we realize the anticipated benefits from an acquisition or any other transactions depends, in part, upon our ability to timely and efficiently integrate the operations of the acquired business, the performance of the underlying product and service portfolio, and the management team and other personnel of the acquired operations. Accordingly, our financial results could be adversely affected from unanticipated performance issues, legacy liabilities, transaction-related charges, amortization of expenses related to intangibles, charges for impairment of long-term assets, credit guarantees, partner performance and indemnifications. In addition, the financing of any future acquisition completed by us could adversely impact our capital structure or increase our leverage. While we believe that we have established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful. We also may make strategic divestitures from time to time. These transactions may result in continued financial involvement in the divested businesses, such as guarantees or other financial arrangements, following the transaction. Nonperformance by those divested businesses could affect our future financial results through additional payment obligations, higher costs or asset write-downs. Except as required by law or applicable securities exchange listing standards, we do not expect to ask our shareholders to vote on any proposed acquisition or divestiture. Moreover, we generally do not announce our acquisitions or divestitures until we have entered into a preliminary or definitive agreement.

Our operations may be subject to cyber-attacks that could have an adverse effect on our business operations.

Like most companies, we rely heavily on information technology networks and systems, including the Internet, to process, transmit and store electronic information, to manage or support a variety of our business operations, and to maintain various records, which may include information regarding our customers, employees or other third parties, and the integrity of these systems are essential for us to conduct our business and operations. We make significant efforts to maintain the security and integrity of these types of information and systems (and maintain contingency plans in the event of security breaches or system disruptions). However, we cannot provide assurance that our security efforts and measures will prevent security threats from materializing, unauthorized access to our systems, loss or destruction of data, account takeovers, or other forms of cyber-attacks or similar events, whether caused by mechanical failures, human error, fraud, malice, sabotage or otherwise. Cyber-attacks include, but are not limited to, malicious software, attempts to gain unauthorized access to data, unauthorized release of confidential or otherwise protected information and corruption of data. The frequency, scope and sophistication of cyber-attacks continue to grow, which increases the possibility that our security measures will be unable to prevent our systems' improper functioning or the improper disclosure of proprietary information. Any failure of our information or communication systems, whether caused by attacks, mechanical failures, natural disasters or otherwise, could interrupt our operations, damage our reputation, or subject us to claims, any of which could materially adversely affect us.

We depend on particular suppliers and are vulnerable to product shortages and price increases.

Some of the materials that we use are obtained from a limited group of suppliers. Our reliance on these suppliers involves several risks, including price increases, inferior quality and a potential inability to obtain an adequate supply in a timely manner. We do not have long-term contracts with most of these sources, and the partial or complete loss of certain of these sources could have a negative impact on our results of operations and could damage our customer relationships. Further, a significant increase in the price of one or more of these materials could have a negative impact on our results of operations.

Estimates of our potential liabilities relating to our oil and natural gas property may be incorrect.

Actual abandonment expenses may vary substantially from those estimated by us and any significant variance in these assumptions could materially affect the estimated liability recorded in our consolidated financial statements. Therefore, the risk exists we may underestimate the cost of plugging wells and abandoning production facilities. If costs of abandonment are materially greater than our estimates, this could have an adverse effect on our financial condition, results of operations and cash flows.

Potential changes of Bureau of Ocean Energy Management security and bonding requirements for offshore platforms could impact our operating cash flows and results of operations.

Federal oil and natural gas leases contain standard terms and require compliance with detailed Bureau of Safety and Environmental Enforcement (BSEE) and BOEM regulations and orders issued pursuant to various federal laws, including the Outer Continental Shelf Lands Act. In 2016 BOEM undertook a review of its historical policies and procedures for determining a lessee's ability to decommission platforms on the Outer Continental Shelf and whether lessees should furnish additional security, and in July 2016, BOEM issued a new Notice to Lessees requiring additional security for decommissioning activities. In January 2017, BOEM extended the implementation timeline for properties with co-lessees by an additional six months, and in June 2017 announced that the Notice to Lessees would be stayed while BOEM continued to review its implementation issues and continued industry engagement to gather additional information on the financial assurance program. We cannot predict whether these laws and regulations may change in the future, particularly in connection with the transition of presidential administrations.

During the second half of 2016, BSEE increased its estimates of many offshore operator's decommissioning costs, including the decommissioning costs at our sole federal offshore oil and gas property, in which our subsidiary owns a 51% non-operating interest. In October 2016, BOEM sent an initial proposal letter to the operator of the oil and gas property, proposing an increase in the supplemental bonding requirement for the property's sole fixed platform that was eight to ten times higher than the revised supplemental bonding requirement requested for any other deep-water fixed platform in the U.S. Gulf of Mexico. Both the operator and our subsidiary submitted formal dispute notices, asserting that the estimates in the October 2016 proposal letter may be based on erroneous or arbitrary estimates of the potential decommissioning costs, and requesting in-person meetings to discuss the estimate. We asked that BSEE and BOEM reduce the estimate to an amount that more closely approximates actual decommissioning costs, consistent with estimates identified by BSEE and BOEM for similar deep-water platforms. BSEE and BOEM have not yet responded to our dispute notice. If BOEM ultimately issues a formal order and we are unable to obtain the additional required bonds or assurances, BOEM may suspend or cancel operations at the oil and gas property or otherwise impose monetary penalties. Any of these actions could have a material adverse effect on our financial condition, operating cash flows and liquidity.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Information on properties is contained in Part I, Item 1 of this Annual Report on Form 10-K.

Item 3. Legal Proceedings

From time to time, we are involved in various legal actions incidental to our business. The outcome of these proceedings is not predictable. 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 4. Mine Safety Disclosures

Not Applicable.

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PART II

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

Our common stock trades on the New York Stock Exchange under the symbol "SPN." At February 14, 2019, there were 155,931,859 shares of our common stock outstanding, which were held by 112 record holders.

Performance Graph

The following graph compares the yearly percentage change in cumulative total stockholder return on our common stock for the five years ended December 31, 2018 with the cumulative total return on the Standard & Poor' 500 Index (S&P 500 Index) and our Self-Determined Peer Group, as described below, for the same period. The information in the graph is based on the assumption of a $100 investment on January 1, 2014 at closing prices on December 31, 2013. The comparisons in the graph are required by the SEC and are not intended to be a forecast or indicative of possible future performance of our common stock. The following performance graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that we specifically incorporate it by reference into such filing.

	2014	2015	2016	2017	2018
Superior Energy Services, Inc.	$ 77	$ 52	$ 66	$ 38	$ 13
S&P 500 Index	$ 114	$ 115	$ 129	$ 157	$ 150
Peer Group	$ 82	$ 57	$ 80	$ 69	$ 36

NOTES:

- The lines represent monthly index levels derived from compounded daily returns that reflect the reinvestment of all dividends.
- The indexes are reweighted daily, using the market capitalization on the previous trading day.
- If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
- The index level for all securities was set to $100.00 on December 31, 2013.

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Our Self-Determined Peer Group consisted of 13 companies whose average stockholder return levels comprised part of the performance criteria established by the Compensation Committee of our Board of Directors under grants made in 2018 as part of our long-term incentive compensation program: Basic Energy Services, Inc., Halliburton Company, Helix Energy Solutions Group, Inc., Helmerich & Payne, Inc., Key Energy Services, Inc., Nabors Industries Ltd., National Oilwell Varco, Inc., Oceaneering International, Inc., Oil States International, Inc., Patterson-UTI Energy, Inc., RPC, Inc., Schlumberger N.V. and Weatherford International plc.

Equity Compensation Plan Information

Information required by this item with respect to compensation plans under which our equity securities are authorized for issuance is incorporated by reference from Part III, Item 12 of this Annual Report Form 10-K, which will be contained in our definitive proxy statement to be filed pursuant to Regulation 14A and is incorporated herein by reference.

Share Repurchases

The following table provides information about shares of our common stock repurchased and retired during each month for the three months ended December 31, 2018:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share
October 1 - 31, 2018	865	$ 11.53
November 1 - 30, 2018	-	$ -
December 1 - 31, 2018	-	$ -
Total	865	$ 11.53

(1) Through our stock incentive plans, 865 shares were delivered to us by our employees to satisfy their tax withholding requirements upon vesting of long-term incentive awards.

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Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with both “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K in order to understand factors which may affect the comparability of the Selected Financial Data.

	2018	2017	2016	2015	2014
	(in thousands, except per share data)				
Revenues	$ 2,130,265	$ 1,874,076	$ 1,450,047	$ 2,774,565	$ 4,556,622
Income (loss) from operations	(801,664)	(272,997)	(1,030,209)	(1,952,989)	546,604
Net income (loss) from continuing operations	(857,386)	(187,011)	(833,340)	(1,807,763)	280,790
Loss from discontinued operations, net of tax	(729)	(18,910)	(53,559)	(46,955)	(22,973)
Net income (loss)	(858,115)	(205,921)	(886,899)	(1,854,718)	257,817
Net income (loss) from continuing operations per share:					
Basic	(5.55)	(1.22)	(5.50)	(12.02)	1.81
Diluted	(5.55)	(1.22)	(5.50)	(12.02)	1.79
Net loss from discontinued operations per share:					
Basic	(0.01)	(0.13)	(0.35)	(0.31)	(0.15)
Diluted	(0.01)	(0.13)	(0.35)	(0.31)	(0.14)
Net income (loss) per share:					
Basic	(5.56)	(1.35)	(5.85)	(12.33)	1.66
Diluted	(5.56)	(1.35)	(5.85)	(12.33)	1.65
Cash dividends declared per share	-	-	0.08	0.32	0.24
Cash	$ 158,050	$ 172,000	$ 187,591	$ 564,017	$ 393,046
Working capital	410,128	385,622	437,017	846,549	984,626
Total assets	2,215,962	3,110,225	3,470,255	4,914,244	7,317,782
Long-term debt, net	1,282,921	1,279,771	1,284,600	1,588,263	1,600,373
Decommissioning liabilities, less current portion	126,558	103,136	101,513	98,890	88,000
Stockholders' equity	290,739	1,132,429	1,303,920	2,210,812	4,079,738

For 2018, 2017, 2016 and 2015 net loss from continuing operations included $739.7 million, $14.2 million, $500.4 million and $1,738.9 million, respectively of reduction in value of assets.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and applicable notes to our consolidated financial statements and other information included elsewhere in this Annual Report on Form 10-K, including risk factors disclosed in Part I, Item 1A. The following information contains forward-looking statements, which are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, our actual results may differ from those expressed or implied by the forward-looking statements. See "Forward-Looking Statements" at the beginning of this Annual Report on Form 10-K.

Executive Summary

General

We provide a wide variety of services and products to the energy industry. We serve major, national and independent oil and natural gas exploration and production companies around the world and we offer products and services with respect to the various phases of a well's economic life cycle. We report our operating results in four business segments: Drilling Products and Services; Onshore Completion and Workover Services; Production Services; and Technical Solutions. Given our long-term strategy of geographic expansion, we also provide supplemental segment revenue information in three geographic areas: U.S. land; Gulf of Mexico; and International.

Financial Results

During the first three quarters of 2018, both commodity prices and the worldwide rig count increased compared to 2017. Commencing early in the fourth quarter of 2018, and by the end of the year, the price of crude oil had declined by more than 40%, which led to a sharp decrease in U.S. land well completion activity during the final months of the year. In addition, during the fourth quarter of 2018, we faced temporary challenges caused by offtake capacity constraints in the Permian and Midcontinent basins in West Texas which led to a decrease in demand for our completion services, and, in turn, to negative pressure on our utilization and pricing.

During 2018, we generated $2,130.3 million of revenue which represents a 14% increase from $1,874.1 million of revenue generated during 2017. The increase in revenue is largely attributable to our U.S. land market area, in which revenue grew by 18% during 2018. The increase in revenue generated in the U.S. land market area was primarily due to increased revenues from our hydraulic fracturing services, rental products and an increase in demand for completion tools and products. In addition, revenue from our international market areas increased by 11%, primarily driven by increased revenue from premium drill pipe rentals, coiled tubing services and completion tools and products. Revenue generated from the Gulf of Mexico market area remained flat. We believe our 2018 results demonstrated the value of our geographical diversity and exposure that we have to the opportunities in the global offshore and land markets with multiple product lines.

During the fourth quarter of 2018, the industry climate deteriorated rapidly due to the dramatic decline in crude oil prices and the related large sell-off in the equity markets for issuers in the energy industry. As a result of these adverse changes in the business environment that occurred during the fourth quarter and our strategic review of expected near-term cash flows from operations, we recorded a pre-tax impairment charge of $739.7 million. The pre-tax impairment charge included a $668.9 million impairment of the remaining goodwill in our Onshore Completion and Workover Services and Production Services segments and a $70.8 million impairment of long-lived assets primarily in our Onshore Completion and Workover Services and Production Services segments. In addition, we also recorded a pre-tax charge of $12.0 million, primarily for severance and inventory write-downs. For the year ended December 31, 2018, our net loss was $858.1 million, or $5.56 loss per share.

Despite the challenges we faced as the year progressed, we generated $350.9 million in adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), which represents a 95% increase from $179.8 million of adjusted EBITDA generated during 2017. Refer to the “Non-GAAP Financial Measures” section below for a further discussion and a reconciliation of adjusted EBITDA to net operating loss. During 2018, we generated $165.1 million of cash flows from operating activities, which represents a 71% increase from operating cash flows generated during 2017. The increase in operating cash flows demonstrates our commitment to improving and managing our working capital position. During 2018, we also received $33.3 million in proceeds from sales of non-core long-lived assets.

During 2018, we made $221.4 million of capital expenditures, an increase of 34% from 2017. Our increased capital expenditures were primarily driven by the increased activity in the U.S. land market area with the majority of the capital spending used to rebuild our pressure pumping fleet. During 2019, we expect to limit capital spending within our operational cash flow levels to generate free cash flow and allocate capital to businesses with higher returns on invested capital.

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 as well as 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 rig count in the U.S. land and offshore market areas as well as oil and natural gas prices and worldwide rig count, which are summarized in the table below.

	2018	2017	2018 to 2017 Change	2016	2017 to 2016 Change
Worldwide Rig Count (1)					
U.S.:					
Land	1,013	856	18%	486	76%
Offshore	19	20	-5%	23	-13%
Total	1,032	876	18%	509	72%
International (2)	988	948	4%	955	-1%
Worldwide Total	2,020	1,824	11%	1,464	25%
Commodity Prices (average)					
Crude Oil (West Texas Intermediate)	$ 65.23	$ 50.80	28%	$ 43.29	17%
Natural Gas (Henry Hub)	$ 3.15	$ 2.99	5%	$ 2.52	19%

(1) Estimate of drilling activity as measured by average active drilling rigs based on Baker Hughes, a GE company, rig count information.

(2) Excludes Canadian rig count.

At December 31, 2018, the U.S. land rig count was 1,059 rigs and the price of crude oil was $45.15 per barrel.

Overview of our business segments

We attribute revenue to major geographic regions based on the location where services are performed or the destination of the rental or sale of products. The following table compares our revenues generated from major geographic regions (in thousands).

Revenue

	2018	%	2017	%	Change
U.S. Land	$ 1,460,604	69%	$ 1,238,954	66%	$ 221,650
Gulf of Mexico	327,874	15%	327,306	17%	568
International	341,787	16%	307,816	16%	33,971
Total	$ 2,130,265	100%	$ 1,874,076	100%	$ 256,189

The Drilling Products and Services segment is capital intensive with higher operating margins relative to our other segments as a result of relatively low operating expenses. The largest fixed cost is depreciation as there is little labor associated with our drilling products and services businesses. In 2018, 46% of segment revenue was derived from U.S. land market area (up from 40% in 2017), while 26% of segment revenue was from the Gulf of Mexico market area (down from 31% in 2017) and 28% of segment revenue was from international market areas (down from 29% in 2017). Premium drill pipe accounted for more than 55% of this segment's revenue in 2018, while bottom hole assemblies and accommodations each accounted for approximately 20% of this segment's revenue in 2018.

The Onshore Completion and Workover Services segment consists primarily of services used in the completion and workover of oil and gas wells on land. These services include pressure pumping, well service rigs and fluid management services. All of this segment's revenue is derived in the U.S. land market areas. Demand for these services in the U.S. land market can change quickly and is highly dependent on the number of oil and natural gas wells drilled and completed. Given the cyclical nature of these drilling and completion activities in the U.S. land market, coupled with the high labor intensity of these services, operating margins can fluctuate widely depending on supply and demand at a given point in the cycle. Pressure pumping is the largest service offering in this segment, representing more than 60% of this segment's revenue in 2018. Fluid management and well service rigs each accounted for approximately 20% of this segment's revenue in 2018.

The Production Services segment consists of intervention services primarily used to maintain and extend oil and gas production during the life of a producing well. These services are labor intensive and margins fluctuate based on how much capital our customers allocate towards enhancing existing oil and gas production from mature wells. In 2018, 47% of segment revenue was derived from the U.S. land market area (up from 41% in 2017), while 16% of segment revenue was from the Gulf of Mexico market area (down from 20% in 2017) and 37% of this segment's revenue was from international market areas (down from 39% in 2017). Coiled tubing is the largest service offering in this segment, accounting for approximately 28% of this segment's revenue in 2018. Hydraulic workover and snubbing

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represented approximately 18% of this segment's revenue in 2018, pressure control services represented approximately 22% of this segment's revenue and electric wireline accounted for approximately 12% of this segment's revenue in 2018.

The Technical Solutions segment consists of products and services that address customer-specific needs and include offerings such as completion tools and services, well control services, subsea well intervention and the production and sale of oil and gas. Given the project-specific nature associated with several of the service offerings in this segment and the seasonality associated with Gulf of Mexico activity, revenue and operating margins in this segment can have significant variations from quarter to quarter. In 2018, revenue derived from the U.S. land market area was 12% of segment revenue (down from 13% in 2017), while 59% of segment revenue was from the Gulf of Mexico market area (unchanged from 2017) and 29% of segment revenue was from international market areas (up from 28% in 2017). Completion tools and products accounted for approximately 40% of this segment's revenue in 2018, while well control services represented more than 30% of this segment's revenue in 2018.

Comparison of the Results of Operations for the Years Ended December 31, 2018 and 2017

For 2018, our revenue was $2,130.3 million, an increase of $256.2 million or 14%, as compared to 2017. The increase is largely attributable to an increase in land-based activity, particularly in the U.S. land market, where the average rig count increased 18% as compared to 2017. As a result of the adverse changes in the business environment that occurred during the fourth quarter of 2018 and our strategic review of expected near-term cash flows from operations, we recorded a pre-tax impairment charge of $739.7 million, which resulted in a net loss from continuing operations of $857.4 million, or a $5.55 loss per share. Net loss was $858.1 million, or $5.56 loss per share. For 2017, our revenue was $1,874.1 million, resulting in a loss from continuing operations of $187.0 million, or $1.22 loss per share. Net loss was $205.9 million, or $1.35 loss per share. Included in the results for 2017 were pre-tax charges of $14.2 million related to the reduction in value of assets.

The following table compares our operating results for 2018 and 2017 (in thousands). Cost of services and rentals excludes depreciation, depletion, amortization and accretion for each of our business segments.

	Revenue				Cost of Services and Rentals				
	2018	2017	Change	%	2018	%	2017	%	Change
Drilling Products and Services	$ 383,719	$ 293,690	$ 90,029	31%	$ 148,019	39%	$ 128,381	44%	$ 19,638
Onshore Completion and									

Workover Services	1,057,656	935,183	122,473	13%	846,907	80%	791,581	85%	55,326
Production Services	418,525	372,781	45,744	12%	342,420	82%	303,256	81%	39,164
Technical Solutions	270,365	272,422	(2,057)	-1%	164,758	61%	175,477	64%	(10,719)
Total	$ 2,130,265	$ 1,874,076	$ 256,189	14%	$ 1,502,104	71%	$ 1,398,695	75%	$ 103,409

Operating Segments:

Drilling Products and Services Segment

Revenue for our Drilling Products and Services segment increased 31% to $383.7 million for 2018, as compared to $293.7 million for 2017. Cost of services and rentals as a percentage of revenue decreased to 39% of segment revenue in 2018, as compared to 44% in 2017. Revenue from the U.S. land market area increased 50% as a result of increased revenue from rentals of premium drill pipe, bottom hole assemblies and accommodation units, as demand for these rental products increased along with the increase in U.S. land rig count. Revenue from the Gulf of Mexico market area and from the international market areas increased 10% and 26%, respectively, primarily due to an increase in revenue from rentals of premium drill pipe.

Onshore Completion and Workover Services Segment

Revenue for our Onshore Completion and Workover Services segment increased 13% to $1,057.7 million for 2018, as compared to $935.2 million in 2017. All of this segment's revenue is derived from the U.S. land market area, in which rig count was up 18%. Cost of services and rentals as a percentage of revenue decreased to 80% of segment revenue in 2018, as compared to 85% in 2017, primarily due to improved pricing and efficiencies due to higher activity levels. The increase in revenue is primarily attributable to an increase in activity in our pressure pumping business. During 2018, we recorded $644.8 million in reduction in value of assets for goodwill and long-lived assets impairments.

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Production Services Segment

Revenue for our Production Services segment increased 12% to $418.5 million for 2018, as compared to $372.8 million in 2017. Cost of services and rentals as a percentage of revenue increased to 82% of segment revenue in 2018, as compared to 81% in 2017. Revenue from the U.S. land market area increased 29%, primarily due to increased activity in coiled tubing and hydraulic workover and snubbing services. Revenue from international market areas increased 7% primarily due to increased activity from coiled tubing and hydraulic workover and snubbing services. Revenue derived from the Gulf of Mexico market area decreased 10% primarily due to a decrease in hydraulic workover and snubbing activities. During 2018, we recorded $92.3 million in reduction in value of assets for goodwill and long-lived assets impairments.

Technical Solutions Segment

Revenue for our Technical Solutions segment remained flat at $270.4 million for 2018. Cost of services and rentals as percentage of revenue decreased to 61% in 2018, as compared to 64% in 20