Table of Contents

As filed with the Securities and Exchange Commission on January 23, 2014

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

Parker Drilling Company*

(Exact Name of Registrant as Specified in its Charter)

Delaware	1381	73-0618660
(State or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

5 Greenway Plaza, Suite 100
Houston, Texas 77046
(281) 406-2000
(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Jon-Al Duplantier
Senior Vice President, Chief Administrative Officer and General Counsel
Parker Drilling Company
5 Greenway Plaza, Suite 100
Houston, Texas 77046
(281) 406-2000

Copy to:

Kelly B. Rose
Baker Botts L.L.P.
One Shell Plaza
910 Louisiana Street
Houston, Texas 77002
(713) 229-1234

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check is a smaller reporting company)	Smaller reporting company	☐

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ☐

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Note	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
7.500% Senior Notes due 2020	$225,000,000	100%	$225,000,000	$28,980
Guarantees of 7.500% Senior Notes due 2020 by certain subsidiaries of Parker Drilling Company	(2)	(2)	(2)	(2)

(1) Determined in accordance with Rule 457(f) under the Securities Act of 1933, as amended.
(2) No separate consideration will be received for the guarantees, and no separate fee is payable pursuant to Rule 457(n) under the Securities Act of 1933, as amended.
* The companies listed on the next page in the Table of Additional Registrants are also included in this Registration Statement as additional Registrants.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

TABLE OF ADDITIONAL REGISTRANTS

Exact Name of Registrant as Specified in its Charter(1)	State of other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number
Anachoreta, Inc.	Nevada	88-0103667
ITS Rental and Sales, Inc.	Texas	20-1063049
Pardril, Inc.	Oklahoma	73-0774469
Parker Aviation Inc.	Oklahoma	73-1126372
Parker Drilling Arctic Operating, Inc.	Delaware	26-2376834
Parker Drilling Company North America, Inc.	Nevada	73-1506381
Parker Drilling Company of Niger	Oklahoma	73-1394204
Parker Drilling Company of Oklahoma, Incorporated	Oklahoma	73-0798949
Parker Drilling Company of South America, Inc.	Oklahoma	73-0760657
Parker Drilling Management Services, Inc.	Nevada	73-1567200
Parker Drilling Offshore Corporation	Nevada	76-0409092
Parker Drilling Offshore USA, L.L.C.	Oklahoma	72-1361469
Parker North America Operations, Inc.	Nevada	73-1571180
Parker Technology, Inc.	Oklahoma	73-1326129
Parker Technology, L.L.C.	Louisiana	62-1681875
Parker Tools, LLC	Oklahoma	81-0588864
Parker-VSE, LLC	Nevada	75-1282282
Quail Tools, L.P.	Oklahoma	72-1361471
Quail USA, LLC	Oklahoma	82-0578885

(1) The address, including zip code, and telephone number, including area code, of each of the additional Registrants' principal executive offices is c/o Parker Drilling Company, 5 Greenway Plaza, Suite 100, Houston, Texas 77046, (281) 406-2000. The primary standard industrial classification code number of each of the additional Registrants is 1381. The name, address, including zip code, and telephone number, including area code, of the agent for service for each of the additional Registrants is Jon-Al Duplantier, Senior Vice President, Chief Administrative Officer and General Counsel, Parker Drilling Company, 5 Greenway Plaza, Suite 100, Houston, Texas 77046, (281) 406-2000.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the United States Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 23, 2014

PRELIMINARY PROSPECTUS

Parker Drilling Company

Offer to Exchange
$225,000,000 of 7.500% Senior Notes due 2020
which have been registered under
the Securities Act of 1933
for any and all outstanding
$225,000,000 of unregistered 7.500% Senior Notes due 2020
issued on July 30, 2013

Parker Drilling Company is offering to exchange registered 7.500% Senior Notes due 2020, or the "exchange notes," for any and all of its $225.0 million aggregate principal amount of unregistered 7.500% Senior Notes due 2020 that were issued pursuant to a private placement on July 30, 2013, or the "private notes." We refer to the private notes and the exchange notes collectively in this prospectus as the "notes." We refer to this exchange as the "exchange offer." The exchange notes are substantially identical to the private notes, except the exchange notes are registered under the Securities Act of 1933, as amended (the "Securities Act"), and the transfer restrictions and registration rights, and related additional interest provisions, applicable to the private notes will not apply to the exchange notes. The exchange notes will represent the same debt as the private notes and we will issue the exchange notes under the same indenture used in issuing the private notes.

The private notes issued pursuant to Rule 144A under the Securities Act bear the CUSIP number 701081 AV3 and the ISIN number US701081AV32, and the private notes issued pursuant to Regulation S under the Securities Act bear the CUSIP number U70081 AF8 and the ISIN number USU70081AF84.

Terms of the exchange offer:

- The exchange offer expires at 5:00 p.m., New York City time, on , 2014, unless we extend it.
- The exchange offer is subject to customary conditions, which we may waive.
- We will exchange all private notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer for an equal principal amount of exchange notes. All interest due and payable on the private notes will become due on the same terms under the exchange notes.
- You may withdraw your tender of private notes at any time prior to the expiration of the exchange offer.
- If you fail to tender your private notes, you will continue to hold unregistered, restricted securities, and your ability to transfer them could be adversely affected.
- We believe that the exchange of private notes for exchange notes will not be a taxable transaction for U.S. federal income tax purposes, but you should see the discussion under the caption "Material U.S. Federal Income and Estate Tax Considerations" for more information.
- We will not receive any proceeds from the exchange offer.

Investing in the exchange notes involves risks. See " Risk Factors," beginning on page 13, for a discussion of certain factors that you should consider before deciding to participate in the exchange offer.

Each broker-dealer that receives the exchange notes for its own account pursuant to this exchange offer must acknowledge by way of the letter of transmittal that it will deliver a prospectus in connection with any resale of the exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, such broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the exchange notes received in exchange for private notes where such private notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. Until , 2014 all dealers that effect transactions in the exchange notes, whether or not participating in this exchange offer, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions. We have agreed that, until , 2014, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

Neither the United States Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2014.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS	i
PROSPECTUS SUMMARY	1
RISK FACTORS	13
USE OF PROCEEDS	28
RATIOS OF EARNINGS TO FIXED CHARGES	29
THE EXCHANGE OFFER	30
BUSINESS	39
PROPERTIES	49
LEGAL PROCEEDINGS	51
SELECTED FINANCIAL DATA	52
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	53
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	74
CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	75
DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	76
EXECUTIVE COMPENSATION	81
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	110
DESCRIPTION OF THE EXCHANGE NOTES	112
EXCHANGE OFFER; REGISTRATION RIGHTS	156
PLAN OF DISTRIBUTION	158
MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS	159
LEGAL MATTERS	164
EXPERTS	164
INDEX TO FINANCIAL STATEMENTS	F-1

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXCEPTION OR EXEMPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ABOUT THIS PROSPECTUS

We have filed a registration statement on Form S-4 with respect to the exchange notes with the SEC. This prospectus, which forms part of such registration statement, does not contain all the information included in the registration statement, including its exhibits and schedules. For further information about us and the notes described in this prospectus, you should refer to the registration statement and its exhibits and schedules. Statements we make in this prospectus about certain contracts or other documents are not necessarily complete.

When we make such statements, we refer you to the copies of the contracts or documents that are filed as exhibits to the registration statement, because those statements are qualified in all respects by reference to those exhibits. The registration statement, including the exhibits and schedules, is available at the SEC's website at www.sec.gov.

We have not authorized anyone to give any information or to make any representations concerning the exchange offer except that which is in this prospectus. If anyone gives or makes any other information or representation, you should not rely on it. This prospectus is not an offer to sell or a solicitation of an offer to buy securities in any circumstances in which the offer or solicitation is unlawful. You should not interpret the delivery of this prospectus, or any sale of securities, as an indication that there has been no change in our affairs since the date of this prospectus. You should also be aware that information in this prospectus may change after this date.

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available over the Internet at the SEC's website at *http://www.sec.gov*. You may also read and copy any document that we file at the SEC's public reference room at 100 F. Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference room and its copy charges.

You may also obtain documents referenced in this prospectus without charge by writing or telephoning us at the following address and telephone number:

Parker Drilling Company
5 Greenway Plaza, Suite 100
Houston, Texas 77046
Attention: Investor Relations
Telephone: (281) 406-2000

You will not be charged for any of these documents that you request. In order to ensure timely delivery of the documents, any request should be made at least five days prior to the expiration date.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information about Parker Drilling Company, the exchange offer and the exchange notes. This summary is not complete and does not contain all of the information that is important to you. To understand the exchange offer fully and for a more complete description of the legal terms of the exchange notes, you should carefully read this entire prospectus, particularly the risks of investing in the exchange notes discussed under "Risk Factors," our audited historical combined financial statements, our unaudited historical consolidated and combined financial statements, our unaudited pro forma condensed consolidated financial information, the respective notes to those financial statements and the accompanying letter of transmittal. In this prospectus, other than in "Description of the Exchange Notes" and unless the context requires otherwise, "Parker Drilling," "we," "us" and "our" refer to Parker Drilling Company and its subsidiaries and consolidated joint ventures.

Parker Drilling Company

We are an international provider of contract drilling and drilling-related services and rental tools. We have operated in over 50 foreign countries and the United States since beginning operations in 1934, making us among the most geographically experienced providers of contract drilling services and rental tools in the world. During 2012, we operated in 12 countries, and in 2013, we acquired an international rental tools business with operations in ten additional countries. We have extensive experience and expertise drilling geologically difficult wells and managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. We believe we are industry leaders in quality, health, safety and environmental practices. We own and operate our own drilling rigs and also perform drilling-related services, referred to as Operations & Maintenance ("O&M") work, for customer-owned drilling rigs on a contracted basis.

Our operating results are derived from the following five reportable segments:

- Rental Tools
- U.S. Barge Drilling
- U.S. Drilling
- International Drilling
- Technical Services

For the nine months ended September 30, 2013, operating gross margin for the Rental Tools, U.S. Barge Drilling, U.S. Drilling, International Drilling and Technical Services segments were approximately $72.5 million, $37.7 million, $(4.6) million, $12.8 million and $0.6 million, respectively.

Our principal executive offices are located at 5 Greenway Plaza, Suite 100, Houston, Texas 77046 and our telephone number at that location is (281) 406-2000.

Our Rental Tools Business

U.S. Rental Tools

We provide premium rental tools for land and offshore oil and natural gas drilling and provide high-quality, reliable equipment used for drilling, workover and production applications, such as drill pipe, heavy-weight drill pipe, tubing, high-torque connections, blow-out preventers ("BOPs"), drill collars, casing running systems, fishing services and more. Our U.S. rental tools business is headquartered in New Iberia, Louisiana. We also hold an inventory of rental tools and provide service to our customers from locations in Louisiana, Texas, Oklahoma, Wyoming, North Dakota and West Virginia.

During 2012, our largest market for rental tools was land drilling, a cyclical market driven primarily by commodity prices and our customers' access to project financing. The increase in unconventional lateral drilling, often used in shale formations, added to the market demand for rental tools, keeping our U.S. market focus in the regions of primary shale plays. Based on industry information on rig use, we believe that our U.S. rental tools were used primarily in drilling for oil and liquids-rich natural gas in 2012.

Our principal customers are major and independent oil and natural gas exploration and production ("E&P") companies operating in the U.S. energy producing markets on land and in the GOM. Generally, rental tools are used for only a portion of a customer's well drilling program and are requested when they are required. As a result, rental tools are usually rented on a daily or monthly basis, requiring us to keep a broad inventory in stock. We also have a growing portion of our business that supplies tubular goods and other equipment to international and offshore Gulf of Mexico ("GOM") customers. For 2012, approximately 18% of revenues from our U.S. rental tools business was derived from equipment used in offshore and coastal water operations in the GOM. In addition, from our locations within the United States, we have provided rental tools to customers operating internationally.

International Rental Tools

On April 22, 2013, we acquired International Tubular Services Limited and certain of its affiliates (collectively, "ITS"), a provider of rental drilling equipment and pressure control systems, casing running systems, fishing services, and machine shop support for E&P companies, drilling contractors and service companies from 21 operating facilities primarily located in the Middle East, Latin America, the U.K., Europe and the Asia-Pacific region (the "ITS Acquisition").

Our U.S. Barge Drilling Business

Our U.S. Gulf of Mexico barge rig fleet is the largest marketed barge fleet in the GOM region, with rigs ranging from 1,000 to 3,000 horsepower with drilling depth capabilities ranging from 13,000 to over 30,000 feet. Our rigs drill for oil, natural gas, and a combination of oil and natural gas in the shallow waters in and along the inland waterways and coasts of Louisiana, Alabama and Texas. The barge drilling market in the GOM is characterized by cyclical activity where utilization and dayrates are typically driven by commodity prices and our customers' access to project financing. Contract terms tend to be well-to-well or multi-well programs, most commonly ranging from 45 to 150 days. During periods of strong market demand, contract drilling terms may extend up to twelve months or longer.

We continually make investments in our barge drilling fleet to increase its efficiency and safety performance. Our rigs are all equipped for zero-discharge operations and are suitable for a variety of drilling programs in coastal waters, particularly for deep shelf drilling.

Our U.S. Drilling Business

Our U.S. Drilling business primarily consists of two new-design Arctic class drilling rigs in Alaska intended to address the challenges presented by the remote location, harsh climate and sensitive environment that characterize the Alaskan North Slope. The rigs deliver improved drilling efficiency, operating consistency and safety in this very demanding setting. In early December 2012 we commenced drilling operations with the first rig. The second rig completed client acceptance testing and began drilling in February 2013. The Alaskan North Slope drilling market is a focus of global and regional E&P companies with active programs to develop the area's hydrocarbon resources. In this market, drilling activity, and therefore production, is constrained by the existing limits of the infrastructure in place and the capabilities of existing aged technology. We believe our new-design rigs contribute to expanded drilling capabilities in this market for our customers.

Table of Contents

Additionally, in February 2013, we began providing O&M work in support of ExxonMobil's Santa Ynez Unit offshore platform operations located in the Channel Islands region of California.

Our International Drilling Business

Our international drilling business includes operations related to Parker-owned and operated rigs as well as customer-owned rigs. We strive to deploy our fleet of Parker-owned rigs in markets where we expect to have opportunities to keep the rigs regularly at work. In addition, we have ongoing O&M and project management activities in Sakhalin Island, Russia; Papua New Guinea and Kuwait.

The international drilling markets in which we operate have one or more of the following characteristics:

- customers that typically are major, independent or national oil and natural gas companies or integrated service providers;
- drilling programs in remote locations with little infrastructure requiring a large inventory of spare parts, other ancillary equipment and self-supported service capabilities;
- complex wells and/or harsh environments such as high pressure, deep depths, hazardous or geologically challenging conditions, requiring specialized equipment and considerable experience to drill;
- drilling contracts that generally cover periods of one year or more; and
- O&M contracts that are typically in support of multi-year drilling programs.

Our Technical Services Business

We provide engineering and related project services during the Front End Engineering Design ("FEED"), pre-FEED and concept development phases of customer-owned drilling facility projects. During the Engineering, Procurement, Construction and Installation ("EPCI") phase, we focus primarily on drilling systems engineering, procurement, commissioning and installation and we typically provide customer support during construction. Currently, we provide these services on the Berkut platform project for Exxon Neftegas Limited ("ENL"). Additionally, we have a FEED engagement for an onshore arctic drilling facility project. Because these projects are customer-owned and customer-funded, the Technical Services business does not require significant capital and we believe such business helps position us for future expansion in the drilling O&M business.

Our Technical Services business is also our engineering expertise center and provides our drilling businesses with services similar to those provided to our external customers, including engineering design, retrofitting of existing rigs, modification, upgrades and other technology-related improvements.

Our Strategy

Our strategy is to achieve and maintain market leadership in selected global markets as a provider of innovative, efficient and reliable drilling and drilling-related services; to grow our business through select investments in our core businesses as well as new assets and lines of business; to achieve consistent excellence in execution; and to exercise financial discipline. We are committed to achieving peak performance for our customers in routine or more conventional settings, as well as extreme and highly challenging environments through:

- innovative, fit-for-purpose products and services that deliver reliable results and measurable value;
- safe, efficient and innovative drilling and rental tool performance; and
- highly competent teams, processes and technology that are unmatched for delivering solutions to difficult challenges.

Key elements of our strategy include:

- *Achieving and Maintaining Market Leadership*. We believe we achieve and sustain the preference for our services by the quality, efficiency and dependability of our performance and its value to the customer. We achieve this by:
  - providing premium rental tools with dependable customer service;
  - building, upgrading and maintaining a fleet of barge and land rigs that are preferred by operators because of the value they provide;
  - supplying trained and experienced operating crews, rig leadership teams and an array of support services; and
  - offering engineering and other technical services that have a record of delivering innovative solutions to drilling challenges in difficult, hazardous or environmentally sensitive areas.
- *Growing Through Selective Investment*. We believe we can improve our competitive position and financial performance through investments in our core businesses and in new assets or lines of business that complement and expand our capabilities. We are focused on:
  - growing our rental tools operation by locating new service facilities in markets with growing demand from new and existing customers;
  - upgrading and adding new equipment to our drilling rig fleet thereby improving the services we offer to operators;
  - entering new markets that we believe present long-term oil and natural gas development opportunities; and
  - expanding and broadening our technical services and O&M activities by leveraging our experience and existing relationships.
- *Striving for Execution Excellence and Maintaining Financial Discipline*. We believe we significantly enhance our operating and financial performance potential by how well we plan, execute and manage. Our operating culture is to align resources, responsibility and accountability with achievable objectives. Our management team has extensive experience in the industry and we work diligently to continue to attract new talent that can improve our management and operational performance and provide leadership excellence in the future. We maintain strong financial controls and disciplines in all aspects of our business to ensure we adhere to solid financial principles and provide attentive stewardship of our capital. We intend these principles to lead to consistency in operational performance, stronger-than-peer financial performance and value to our shareholders.

We focus on specific goals that align with these strategies. These are intended to continue to improve our safety performance; manage the geopolitical risks associated with our asset deployment; improve financial returns from operations; improve the predictability and reliability of operational, planning and project management processes; and continue to strengthen our enterprise talent.

Our Competitive Strengths

We differentiate ourselves from other providers of similar services by focusing on our core competencies and delivering premier and measurable results to our customers. We seek to provide our customers safe, reliable and efficient operations and innovation in our products and services through these key focus areas:

- *Safety*: We believe industry-leading safety performance is a crucial factor in our status as a preferred drilling contractor and rental tools supplier. We utilize a portfolio of metrics and processes to reinforce and drive continuous improvement in safety and environmental performance. Our Total Recordable

Incidence Rate ("TRIR") has been below the industry average for more than ten years. Over 70% of our facilities reported zero recordable injuries in each of 2012 and 2013. We believe our safety record, along with our integrated health, safety and environmental ("HSE") program, have contributed to our success in obtaining drilling contracts, as well as contracts to manage and provide labor resources for drilling rigs owned by third parties.

- *Personnel Development and Training*: The challenges of our business are magnified by the technological requirements of our work and our customers. We have invested significant resources to provide a full curriculum of standardized training to promote working safely and operating efficiently. Our training centers in Louisiana and Alaska provide safety and technical training curricula in four different languages and we provide regulatory compliance training throughout the world. We also provide structured training programs and on-site instruction to our customers in the use of equipment we furnish as rental tools. We are committed to ongoing training and to developing best-in-class processes for quickly and effectively developing and deploying the most qualified and highly trained industry workers.
- *Technology*: Applying new technology to create greater efficiencies in the drilling process lies at the heart of our competitive strengths. We have a nearly 80-year legacy of applying new technologies for drilling in challenging environments and a demonstrated history of technological leadership within the drilling industry. Our previous contributions to the industry include the patented heli-hoist rig design, winterized rigs on wheels for arctic drilling, and an Arctic class barge rig to explore the Caspian Sea. We have established extended reach drilling depth records on several occasions. Our two new-design Arctic class drilling rigs designed for drilling on the Alaskan North Slope are intended to increase drilling efficiency, consistency and safety in the extreme climate and harsh conditions of the arctic. Our rental tools business focuses on premium equipment, maintained to high standards, that complements advanced drilling technologies like those developed to exploit oil and natural gas deposits in shale.
- *Performance*: Our primary aim is to provide services that benefit both our customers and our company. We strive to achieve this by planning, executing and measuring our performance against our goals and our customers' expectations. We utilize performance metrics in our business and regularly share them with our customers. Our supply chain management and our planned maintenance programs, including preventive maintenance to facilitate dependable operating efficiency and minimize down time, help to establish us as a contractor of choice. Our management team has extensive experience in the energy services and oil and natural gas drilling industries and utilizes this experience to set performance standards and assess the performance of our operations and individual employees.

Recent Events

Refinancing Transactions

Offering of 6.750% Senior Notes

On January 7, 2014, we commenced a private offering of $360,000,000 aggregate principal amount of our 6.750% Senior Notes due 2022 (the "6.750% Notes"). The 6.750% Notes were offered to the public at par, resulting in a yield to maturity of 6.750%. We received net proceeds of approximately $353.7 million from our proposed offering, after deducting the initial purchasers' discount and our estimated expenses, which we used to fund a portion of our pending tender offer as described below under "— Tender Offer for 9.125% Notes." The terms of the 6.750% Notes are substantially the same as the terms of the private notes. The offering of the 6.750% Notes closed on January 22, 2014.

Table of Contents

Tender Offer for 9.125% Notes

On January 7, 2014, we also commenced a tender offer (the “tender offer”) to purchase for cash any and all of our outstanding 9.125% Senior Notes due 2018 (the “9.125% Notes”). In connection therewith, we also solicited consents to amend the indenture governing the 9.125% Notes to, among other things, eliminate substantially all of the restrictive covenants and eliminate or modify certain events of default. As of January 21, 2014, at 5:00 p.m., New York City time, we had received the requisite consents to amend the indenture. Pursuant to the tender offer, on January 22, 2014 we purchased approximately $416.2 million (or 97.9% of the outstanding principal amount of the 9.125% Notes) of the 9.125% Notes for cash at a purchase price of $1,061.98 per $1,000 principal amount, together with accrued and unpaid interest to the purchase date, which includes a consent fee of $30 per $1,000 principal amount of 9.125% Notes validly tendered before 5:00 p.m., New York City time, on January 21, 2014. The tender offer will expire at 11:59 p.m., New York City time, on February 4, 2014, unless extended by us. Holders of the 9.125% Notes who validly tender their notes on or prior to the expiration time will receive $1,031.98 per $1,000 principal amount, plus accrued and unpaid interest to the final settlement date. As of January 22, 2014, there were approximately $8.8 million aggregate principal amount of 9.125% Notes outstanding. In addition to the proceeds from the offering of the 6.750% Notes, we funded and intend to fund the remaining portion of the tender offer with cash on hand and borrowings under our senior secured credit facility.

Table of Contents

The Exchange Offer

On July 30, 2013, we completed a private offering of $225.0 million aggregate principal amount of the private notes. As part of this private offering, we entered into a registration rights agreement with the initial purchasers of the private notes in which we agreed, among other things, to use our commercially reasonable efforts to cause the exchange offer to be completed within 300 days after July 30, 2013. The following is a summary of the exchange offer.

Exchange Offer	We are offering to exchange • $1,000 principal amount of our 7.500% Senior Notes due 2020 registered under the Securities Act, which we refer to as exchange notes, for • each $1,000 principal amount of our unregistered 7.500% Senior Notes due 2020 issued on July 30, 2013 in a private offering (CUSIP Numbers 701081 AV3 and U70081 AF8), which we refer to as private notes. As of the date of this prospectus, there are $225,000,000 aggregate principal amount of private notes outstanding. See “The Exchange Offer.”
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2014, unless we extend the expiration date. In that case, the phrase “expiration date” will mean the latest date and time to which we extend the exchange offer. We will issue exchange notes on the expiration date or promptly after that date.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions which include, among other things, the absence of any applicable law or any applicable interpretation of the staff of the SEC which, in our reasonable judgment, would materially impair our ability to proceed with the exchange offer. The exchange offer is not conditioned upon any minimum principal amount of private notes being submitted for exchange. See “The Exchange Offer — Conditions.”
Procedures for Participating in the Exchange Offer	If you wish to participate in the exchange offer, you must complete, sign and date an original or faxed letter of transmittal in accordance with the instructions contained in the letter of transmittal accompanying this prospectus. Then you must mail, fax or deliver the completed letter of transmittal, together with the private notes you wish to exchange and any other required documentation to The Bank of New York Mellon Trust Company, N.A, which is acting as exchange agent, for receipt prior to 5:00 p.m., New York City time, on the expiration date. By signing the letter of transmittal, you represent to and agree with us that: • you are acquiring the exchange notes in the ordinary course of your business;

Table of Contents

	• you are not participating, do not intend to participate, and have no arrangement or understanding with anyone to participate in a distribution of the exchange notes; and • you are not an "affiliate," as defined in Rule 405 under the Securities Act, of Parker Drilling Company, or a broker-dealer tendering the private notes acquired directly from Parker Drilling Company for its own account. If you are a broker-dealer who will receive exchange notes for your own account in exchange for private notes that you acquired as a result of your market-making or other trading activities, you will be required to acknowledge in the letter of transmittal that you will deliver a prospectus in connection with any resale of such exchange notes.
Resale of Exchange Notes	We believe that you may offer for resale, resell and transfer your exchange notes without registering them under the Securities Act and delivering a prospectus, if you can make the same three representations that appear above under the heading "Procedures for Participating in the Exchange Offer." Our belief is based on interpretations of the SEC staff for other exchange offers that the SEC staff expressed in some of the SEC's no-action letters to other issuers in exchange offers like ours. We cannot guarantee that the SEC would make a similar decision about this exchange offer. If our belief is wrong, or if you cannot truthfully make the representations mentioned above, and you transfer any exchange note issued to you in the exchange offer without meeting the registration and prospectus delivery requirements of the Securities Act, or without an exemption from such requirements, you could incur liability under the Securities Act. We are not indemnifying you for any such liability and we will not protect you against any loss incurred as a result of any such liability under the Securities Act. If you are a broker-dealer that has received exchange notes for your own account in exchange for private notes that were acquired as a result of market-making or other trading activities, you must acknowledge in the letter of transmittal that you will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. We have agreed that for a period of up to one year after the registration statement is declared effective, we will make this prospectus, as amended or supplemented, available to any such broker-dealer that requests copies of this prospectus in the letter of transmittal for use in connection with any such resale.
Special Procedures for Beneficial Owners	If your private notes are held through a broker, dealer, commercial bank, trust company or other nominee and you wish to surrender such private notes, you should contact your intermediary promptly and instruct it to surrender your private notes on your behalf.

	If you wish to tender on your own behalf, you must, before completing and executing the letter of transmittal for the exchange offer and delivering your private notes, either arrange to have your private notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take a long time.
Guaranteed Delivery Procedures	If you wish to tender your private notes and you cannot do so before the expiration date deadline, or you cannot deliver your private notes, the letter of transmittal or any other documentation on time, then you must surrender your private notes according to the guaranteed delivery procedures appearing below under "The Exchange Offer — Guaranteed Delivery Procedures."
Acceptance of Private Notes and Delivery of Exchange Notes	We will accept for exchange any and all private notes that are properly surrendered in the exchange offer and not withdrawn prior to the expiration date, if you comply with the procedures of the exchange offer. The exchange notes will be delivered promptly after the expiration date.
Withdrawal Rights	You may withdraw the surrender of your private notes at any time prior to the expiration date, by complying with the procedures for withdrawal described in "The Exchange Offer — Withdrawal of Tenders."
Accounting Treatment	We will not recognize a gain or loss for accounting purposes as a result of the exchange.
Certain Federal Income Tax Considerations	The exchange of private notes for exchange notes will not be a taxable transaction for U.S. federal income tax purposes. See the discussion under the caption "Material U.S. Federal Income and Estate Tax Considerations" for more information.
Exchange Agent	The Bank of New York Mellon Trust Company, N.A. is serving as the exchange agent in connection with the exchange offer. The Bank of New York Mellon Trust Company, N.A. also serves as trustee under the indenture governing the notes. The address, telephone number and facsimile number of the exchange agent are listed under the heading "The Exchange Offer — Exchange Agent."
Failure to Exchange Private Notes Will Adversely Affect You	If you are eligible to participate in this exchange offer and you do not surrender your private notes as described in this prospectus, you will not have any further registration or exchange rights. In that event, your private notes will continue to accrue interest until maturity in accordance with the terms of the private notes but will continue to be subject to restrictions on transfer. As a result of such restrictions and the availability of registered exchange notes, your private notes are likely to be a much less liquid security than before.

Table of Contents

The Exchange Notes

The exchange notes have the same financial terms and covenants as the private notes. The exchange notes will evidence the same debt as the private notes, and the same indenture will govern the exchange notes and the private notes. We refer to the exchange notes and the private notes collectively as the notes. The brief summary below describes the principal terms of the exchange notes. Some of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Exchange Notes" section of this prospectus contains a more detailed description of the terms and conditions of the exchange notes.

Issuer	Parker Drilling Company
Notes Offered	$225,000,000 in aggregate principal amount of 7.500% senior notes due 2020.
Maturity Date	August 1, 2020.
Interest Payment Dates	February 1 and August 1 of each year, with the next interest payment date being February 1, 2014.
Ranking	The exchange notes will be our general unsecured obligations. The exchange notes will rank equal in right of payment with all of our existing and future senior unsecured indebtedness (including our other outstanding series of senior notes). However, the exchange notes will (1) effectively rank junior to all of our existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness and (2) structurally rank junior to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and other liabilities of such subsidiaries owed to Parker Drilling Company). As of September 30, 2013, we had approximately (1) $654.0 million of indebtedness outstanding on an unconsolidated basis, (2) no indebtedness outstanding at our non-guarantor subsidiaries, (3) $42.5 million available for borrowing under our senior secured term loan facility (the "Term Loan") and (4) $76.2 million available for borrowing under our senior secured revolving credit facility (which includes an approximate $3.8 million reduction in availability for outstanding letters of credit).
Subsidiary Guarantees	Initially, the exchange notes will be jointly and severally guaranteed by each of our subsidiaries that guarantee any indebtedness under our senior secured credit facility or our other outstanding series of senior notes. In the future, if any of our restricted subsidiaries that is not already a subsidiary guarantor guarantees, assumes or otherwise becomes an obligor with respect to any of our or any subsidiary guarantors' indebtedness, it will become a subsidiary guarantor under the terms set forth in "Description of the Exchange Notes —Additional Subsidiary Guarantees." The subsidiary guarantee of each guarantor will rank: • equal in right of payment with all of the existing and future senior unsecured debt of such guarantor including the guarantee of our senior unsecured indebtedness (including our other outstanding series of senior notes);

	• effectively subordinate to all existing and future secured indebtedness of such guarantor; and • senior in right of payment to all future subordinated indebtedness of such guarantor. As of September 30, 2013: • we had no indebtedness outstanding at our guarantor subsidiaries (other than guarantees of our obligations under the 9.125% Notes, our senior secured credit facility and the private notes); and • the subsidiary guarantees were effectively subordinated to no guarantees of secured indebtedness under our senior secured credit facility.
Mandatory Redemption	We will not be required to make mandatory redemption or sinking fund payments with respect to the exchange notes.
Optional Redemption	At any time prior to August 1, 2016, we may redeem up to 35% of the aggregate principal amount of the notes with an amount of cash not to exceed the net cash proceeds of certain equity offerings at the redemption price set forth under "Description of the Exchange Notes — Optional Redemption," if at least 65% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding immediately after such redemption and the redemption occurs within 120 days of the closing date of such equity offering. At any time prior to August 1, 2016, we may redeem some or all of the notes at a "make whole" redemption price set forth under "Description of the Exchange Notes — Optional Redemption." On or after August 1, 2016, we may redeem some or all of the notes at the redemption prices set forth under "Description of the Exchange Notes — Optional Redemption."
Change of Control	If we experience specified kinds of changes of control, we must offer to repurchase the notes at 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of repurchase. See "Description of the Exchange Notes — Repurchase at the Option of Holders — Change of Control."
Certain Covenants	The private notes were, and the exchange notes will be, issued under an indenture between us and The Bank of New York Mellon Trust Company, N.A., as trustee. The indenture among other things, restricts our ability and the ability of our restricted subsidiaries to: • sell assets; • pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness; • make investments;

Table of Contents

	• incur or guarantee additional indebtedness; • create or incur liens; • enter into sale and leaseback transactions; • incur dividend or other payment restrictions affecting subsidiaries; • merge or consolidate with other entities; • enter into transactions with affiliates; and • engage in certain business activities. These covenants are subject to a number of important exceptions and qualifications. Please see "Description of the Exchange Notes — Repurchase at the Option of Holders — Asset Sales" and "Description of the Exchange Notes — Certain Covenants."
Absence of Established Market for the Notes	The exchange notes will be new securities for which there is currently no market. Although the initial purchasers have informed us that they intend to make a market in the exchange notes, they are not obligated to do so and may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the exchange notes will develop or be maintained.
Use of Proceeds	We will not receive any proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes in exchange for private notes as described in this prospectus, we will receive private notes of like principal amount. The private notes surrendered in exchange for the exchange notes will be retired and cancelled.
Consequences of Failure to Exchange Private Notes	If you do not exchange your private notes for exchange notes under the exchange offer, the private notes you hold will continue to be subject to the existing restrictions on transfer. In general, you may not offer or sell the private notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not intend to register private notes under the Securities Act unless the registration rights agreement requires us to do so.
Risk Factors	You should consider carefully all the information set forth in this prospectus and, in particular, you should evaluate the specific factors set forth under "Risk Factors" in this prospectus, before deciding whether to participate in this exchange offer.

RISK FACTORS

An investment in the exchange notes involves a high degree of risk. You should consider carefully the risks and uncertainties described below and the other information included in this prospectus, including the financial statements and related notes, before deciding to exchange your private notes for exchange notes pursuant to this exchange offer. While these are the risks and uncertainties we believe are most important for you to consider, you should know that they are not the only risks or uncertainties facing us or which may adversely affect our business. If any of the following risks or uncertainties actually occur, our business, financial condition or results of operations would likely suffer.

Risks Related to Our Business

Volatile oil and natural gas prices impact demand for our services. A decrease in demand for crude oil and natural gas or other factors may reduce demand for our services and substantially reduce our profitability or result in losses.

The success of our operations is significantly dependent upon the exploration and development activities of the major, independent and national oil and natural gas companies and large integrated service companies that comprise our customer base. Oil and natural gas prices and market expectations regarding potential changes in these prices can be extremely volatile. Increases or decreases in oil and natural gas prices and expectations of future prices could have an impact on our customers' long-term exploration and development activities, which in turn could materially affect our business and financial performance. Higher commodity prices do not necessarily result immediately in increased drilling activity because our customers' expectations of future commodity prices typically drive demand for our drilling services.

Commodity prices and demand for our services also depends upon numerous factors which are beyond our control, including:

- the demand for oil and natural gas;
- the cost of exploring for, producing and delivering oil and natural gas;
- expectations regarding future energy prices;
- advances in exploration, development and production technology;
- the adoption or repeal of laws and government regulations, both in the United States and other countries;
- the imposition or lifting of economic sanctions against certain countries, persons and other entities;
- the number of ongoing and recently completed rig construction projects which may create overcapacity;
- local and worldwide military, political and economic events, including events in the oil producing countries of Africa, the Middle East, Russia, Central Asia, Southeast Asia and Latin America;
- the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and prices;
- the level of production by non-OPEC countries;
- weather conditions;
- expansion or contraction of worldwide economic activity, which affects levels of consumer and industrial demand;
- the rate of discovery of new oil and natural gas reserves;
- domestic and foreign tax policies;
- acts of terrorism in the United States or elsewhere;

- the development and use of alternative energy sources; and
- the policies of various governments regarding exploration and development of their oil and natural gas reserves.

The 2010 drilling rig accident in the U.S. Gulf of Mexico and its consequences may continue to adversely affect our operations.

On April 22, 2010, the Deepwater Horizon, a deepwater drilling rig that was operating in the U.S. GOM, sank after an apparent blowout and fire (“Macondo well blowout”). The Macondo well blowout resulted in a temporary moratorium on certain drilling activities in the GOM, drilling delays after the lifting of the moratorium and increased federal regulation. For example, the Bureau of Safety and Environmental Enforcement (“BSEE”) has issued regulations that require each operator to conduct a specific review of its operations and to certify compliance to the BSEE, that mandate independent third-party verifications, that impose blowout preventer capability, testing and documentation obligations, and that outline standards for specific well control training for deepwater operations. The BSEE has noted that it may impose additional regulations and has stated that it has the legal authority to extend its regulatory reach to include contractors in addition to operators.

The Macondo well blowout and the resulting moratorium and increased regulation resulted in longer times to obtain required permits and significantly reduced offshore drilling operations in the GOM, which negatively affected our Rental Tools segment. Significant continuing delay in the issuance of drilling permits, the possibility of additional regulations and government oversight and the possibility of increased legal liability could cause additional floating rigs to depart the GOM, with fewer customers operating in the region. If this were to occur, the market for our rental tools and other services could be further adversely affected.

A slow recovery from an economic recession or a slowdown in economic activity may result in lower demand for our drilling and drilling related services and rental tools business, and could have a material adverse effect on our business.

A slow recovery from an economic recession in the United States or abroad, or a slowdown in economic activity could lead to uncertainty in corporate credit availability and capital market access and could reduce worldwide demand for energy and result in lower crude oil and natural gas prices. Our business depends to a significant extent on the level of international onshore drilling activity and GOM inland and offshore drilling activity for oil and natural gas. Depressed oil and natural gas prices from lower demand as a result of slow or negative economic growth would reduce the level of exploration, development and production activity, all of which could cause our revenues and margins to decline, decrease day rates and utilization of our rigs and limit our future growth prospects. Any significant decrease in dayrates or utilization of our rigs or use of our rental tools could materially reduce our revenue and profitability. In addition, current and potential customers who depend on financing for their drilling projects may be forced to curtail or delay projects and may also experience an inability to pay suppliers and service providers, including us. Likewise, a slow recovery from an economic recession in the United States or abroad could also impact our vendors’ and suppliers’ ability to meet obligations to provide materials and services in general. All of these factors could have a material adverse effect on our business and financial results.

Rig upgrade, refurbishment and construction projects are subject to risks and uncertainties, including delays and cost overruns, which could have an adverse impact on our results of operations and cash flows.

We regularly make significant expenditures in connection with upgrading and refurbishing our rig fleet. These activities include planned upgrades to maintain quality standards, routine maintenance and repairs, changes made at the request of customers, and changes made to comply with environmental or other regulations. Rig upgrade, refurbishment and construction projects are subject to the risks of delay or cost overruns inherent in any large construction project, including the following:

- shortages of equipment or skilled labor;
- unforeseen engineering problems;

- unanticipated change orders;
- work stoppages;
- adverse weather conditions;
- unexpectedly long delivery times for manufactured rig components;
- unanticipated repairs to correct defects in construction not covered by warranty;
- failure or delay of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor or raw materials, particularly steel;
- disputes with customers, shipyards or suppliers;
- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;
- financial or other difficulties with current customers at shipyards and suppliers;
- loss of revenue associated with downtime to remedy malfunctioning equipment not covered by warranty;
- unanticipated cost increases;
- loss of revenue and payments of liquidated damages for downtime to perform repairs associated with defects, unanticipated equipment refurbishment and delays in commencement of operations; and
- lack of ability to obtain the required permits or approvals, including import/export documentation.

Any one of the above risks could adversely affect our financial condition and results of operations. Delays in the delivery of rigs being constructed or undergoing upgrade, refurbishment or repair may, in many cases, delay commencement of a drilling contract resulting in a loss of revenue to us, and may also cause our customer to renegotiate the drilling contract for the rig or terminate or shorten the term of the contract under applicable late delivery clauses, if any. If one of these contracts is terminated, we may not be able to secure a replacement contract on as favorable terms, if at all. Additionally, actual expenditures for required upgrades or to refurbishment or construct rigs could exceed our planned capital expenditures, impairing our ability to service our debt obligations.

Failure to attract and retain skilled and experienced personnel could affect our operations.

We require skilled, trained and experienced personnel to provide our customers with the highest quality technical services and support for our drilling operations. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience we require. Competition for skilled labor and other labor required for our operations intensifies as the number of rigs activated or added to worldwide fleets or under construction increases, creating upward pressure on wages. In periods of high utilization, we have found it more difficult to find and retain qualified individuals. A shortage in the available labor pool of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain personnel and could require us to enhance our wage and benefits packages. Increases in our operating costs could adversely affect our business and financial results. Moreover, the shortages of qualified personnel or the inability to obtain and retain qualified personnel could negatively affect the quality, safety and timeliness of our operations.

Our debt levels and debt agreement restrictions may limit our liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

As of September 30, 2013, we had:

- $654.0 million of long-term debt;
- $55.2 million of operating lease and capital lease commitments; and
- $3.8 million of standby letters of credit.

Our ability to meet our debt service obligations depends on our ability to generate positive cash flows from operations. We have in the past, and may in the future, incur negative cash flows from one or more segments of our operating activities. Our future cash flows from operating activities will be influenced by the demand for our drilling services, the utilization of our rigs, the dayrates that we receive for our rigs, demand for our rental tools, general economic conditions and financial, business and other factors affecting our operations, many of which are beyond our control.

If we are unable to service our debt obligations, we may have to take one or more of the following actions:

- delay spending on capital projects, including maintenance projects and the acquisition or construction of additional rigs, rental tools and other assets;
- sell equity securities or assets; or
- restructure or refinance our debt.

Additional indebtedness or equity financing may not be available to us in the future for the refinancing or repayment of existing indebtedness, or if available, such additional indebtedness or equity financing may not be available on a timely basis, or on terms acceptable to us and within the limitations specified in our then existing debt instruments. In addition, in the event we decide to sell assets, we can provide no assurance as to the timing of any asset sales or the proceeds that could be realized by us from any such asset sale. Our ability to generate sufficient cash flow from operating activities to pay the principal of and interest on our indebtedness is subject to certain market conditions and other factors which are beyond our control.

Increases in the level of our debt and restrictions in the covenants contained in the instruments governing our debt could have important consequences to you. For example, they could:

- result in a reduction of our credit rating, which would make it more difficult for us to obtain additional financing on acceptable terms;
- require us to dedicate a substantial portion of our cash flows from operating activities to the repayment of our debt and the interest associated with our debt;
- limit our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt, and create liens on our properties;
- place us at a competitive disadvantage compared with our competitors that have relatively less debt; and
- make us more vulnerable to downturns in our business.

Our current operations and future growth may require significant additional capital, and the amount of our indebtedness could impair our ability to fund our capital requirements.

Our business requires substantial capital. Currently, we anticipate that our capital expenditures in 2014 will be between $180 million to $200 million, including maintenance projects and investments in rental tools equipment. We may require additional capital in the event of growth opportunities, unanticipated maintenance requirements or significant departures from our current business plan.

Additional financing may not be available on a timely basis or on terms acceptable to us and within the limitations contained in the indentures governing our other outstanding series of senior notes and the documentation governing our senior secured credit facility. Failure to obtain additional financing, should the need for it develop, could impair our ability to fund capital expenditure requirements and meet debt service requirements and could have an adverse effect on our business.

Certain of our contracts are subject to cancellation or delay by our customers without penalty and with little or no notice.

Certain of our contracts are subject to cancellation by our customers without penalty and with relatively little or no notice. When drilling market conditions are depressed, a customer may no longer need a rig that is currently under contract or may be able to obtain a comparable rig at a lower dayrate. Further, due to government actions, a customer may no longer be able to operate in, or it may not be economical to operate in, certain regions. As a result, customers may leverage their termination rights in an effort to renegotiate contract terms.

Our customers may also seek to terminate drilling contracts if we experience operational problems. If our equipment fails to function properly and cannot be repaired promptly, we will not be able to engage in drilling operations, and customers may have the right to terminate the drilling contracts. If a rig is not timely delivered to a customer or does not pass acceptance testing, a customer may in certain circumstances have the right to terminate the contract. Even the payment of a termination fee may not fully compensate us for the loss of the contract. Early termination of a contract may result in a rig being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. The cancellation or renegotiation of a number of our drilling contracts could materially reduce our revenue and profitability.

We rely on a small number of customers and the loss of a significant customer could adversely affect us.

A substantial percentage of our revenues are generated from a relatively small number of customers and the loss of a significant customer could adversely affect us. In 2012, our two largest customers, ENL and Schlumberger, accounted for approximately 11.8% and 10.4%, respectively of our total revenues. Each of our segments depends on a limited number of key customers and the loss of any one or more key customers could have a material adverse effect on a segment. Our consolidated results of operations could be adversely affected if any of our significant customers terminate their contracts with us, fail to renew our existing contracts or refuse to award new contracts to us.

The contract drilling and the rental tools businesses are highly competitive and cyclical, with intense price competition.

The contract drilling and rental tools markets are highly competitive and many of our competitors in both the contract drilling and rental tools business may possess greater financial resources than we do. Some of our competitors also are incorporated in countries that may provide them with significant tax advantages that are not available to us as a U.S. company and which may impair our ability to compete with them for many projects.

Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. Many drilling and workover rigs can be moved from one region to another in response to changes in levels of activity, provided market conditions warrant, which may result in an oversupply of rigs in an area. Many competitors have constructed numerous rigs during periods of high energy prices and, consequently, the number of rigs available in some of the markets in which we operate has exceeded the demand for rigs for extended periods of time, resulting in intense price competition. Most drilling and workover contracts are awarded on the basis of competitive bids, which also results in price competition. Historically, the drilling service industry has been highly cyclical, with periods of high demand, limited rig supply and high dayrates often followed by periods of low demand, excess rig supply and low dayrates. Periods

of low demand and excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time. During periods of decreased demand we typically experience significant reductions in dayrates and utilization. We, or our competition, may move rigs from one geographic location to another location; the cost of which may be substantial. If we experience reductions in dayrates or if we cannot keep our rigs operating, our financial performance will be adversely impacted. Prolonged periods of low utilization and dayrates could result in the recognition of impairment charges on certain of our rigs if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable.

Our international operations are subject to governmental regulation and other risks.

We derive a significant portion of our revenues from our international operations. In 2012, we derived approximately 43% of our revenues from operations in countries outside the United States. Our international operations are subject to the following risks, among others:

- political, social and economic instability, war, terrorism and civil disturbances;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- expropriation, confiscatory taxation and nationalization of our assets;
- foreign laws and governmental regulation, including inconsistencies and unexpected changes in laws or regulatory requirements, and changes in interpretations or enforcement of existing laws or regulations;
- increases in governmental royalties;
- import-export quotas or trade barriers;
- hiring and retaining skilled and experienced workers, many of whom are represented by foreign labor unions;
- work stoppages;
- damage to our equipment or violence directed at our employees, including kidnapping;
- piracy of vessels transporting our people or equipment;
- unfavorable changes in foreign monetary and tax policies;
- solicitation by government officials for improper payments or other forms of corruption;
- foreign currency fluctuations and restrictions on currency repatriation;
- repudiation, nullification, modification or renegotiation of contracts; and
- other forms of governmental regulation and economic conditions that are beyond our control.

During 2012, we operated in 12 countries, and in 2013, we acquired an international rental tools business with operations in 10 additional countries. Our operations are subject to interruption, suspension and possible expropriation due to terrorism, war, civil disturbances, political and capital instability and similar events, and we have previously suffered loss of revenue and damage to equipment due to political violence. Civil and political disturbances in Syria, Egypt, Libya and other countries may affect our operations. We may not be able to obtain insurance policies covering risks associated with these types of events, especially political violence coverage, and such policies may only be available with premiums that are not commercially justifiable.

Our international operations are subject to the laws and regulations of a number of foreign countries whose political, regulatory and judicial systems and regimes may differ significantly from those in the United States. Our ability to compete in international contract drilling markets may be adversely affected by foreign governmental regulations and/or policies that favor the awarding of contracts to contractors in which nationals of

those foreign countries have substantial ownership interests or by regulations requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Furthermore, our foreign subsidiaries may face governmentally imposed restrictions or fees from time to time on the transfer of funds to us.

In addition, tax and other laws and regulations in some foreign countries are not always interpreted consistently among local, regional and national authorities, which often results in disputes between us and governing authorities. The ultimate outcome of these disputes is never certain, and it is possible that the outcomes could have an adverse effect on our financial performance.

A portion of the workers we employ in our international operations are members of labor unions or otherwise subject to collective bargaining. We may not be able to hire and retain a sufficient number of skilled and experienced workers for wages and other benefits that we believe are commercially reasonable.

We may experience currency exchange losses where revenues are received or expenses are paid in nonconvertible currencies or where we do not take protective measures against exposure to a foreign currency. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital. Given the international scope of our operations, we are exposed to risks of currency fluctuation and restrictions on currency repatriation. We attempt to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts payable in U.S. dollars or freely convertible foreign currency. In addition, some parties with which we do business could require that all or a portion of our revenues be paid in local currencies. Foreign currency fluctuations, therefore, could have a material adverse effect upon our results of operations and financial condition.

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import activities are governed by the unique customs laws and regulations in each of the countries where we operate. Moreover, many countries, including the U.S., control the export and re-export of certain goods, services and technology and impose related export recordkeeping and reporting obligations. Governments may also impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities. The laws and regulations concerning import activity, export recordkeeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations can cause delays in shipments and unscheduled operational downtime. Moreover, any failure to comply with applicable legal and regulatory trading obligations could result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from governmental contracts, seizure of shipments and loss of import and export privileges.

We are not fully insured against all risks associated with our business.

We ordinarily maintain insurance against certain losses and liabilities arising from our operations. However, we do not insure against all operational risks in the course of our business. Due to the high cost, high self-insured retention and limited coverage insurance for windstorms in the GOM we do not purchase windstorm insurance for our inland barges in the GOM. Although we have retained the risk for physical loss or damage for these rigs arising from a named windstorm, we have procured insurance coverage for removal of a wreck caused by a windstorm. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on our business activities, financial position and results of operations.

We are subject to hazards customary for drilling operations, which could adversely affect our financial performance if we are not adequately indemnified or insured.

Substantially all of our operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of well control, cratering, oil and natural gas well fires and explosions, natural disasters, pollution and mechanical failure. Our offshore operations also are subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, collision and damage from severe

weather conditions. Any of these risks could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations or environmental damage. We have had accidents in the past demonstrating some of these hazards. We may not be able to insure against these risks or to obtain indemnification agreements to adequately protect us against liability from all of the consequences of the hazards and risks described above. The occurrence of an event not fully insured or against which we are not indemnified, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not continue to be available to cover any or all of these risks. For example, pollution, reservoir damage and environmental risks generally are not fully insurable. Even if such insurance is available, insurance premiums or other costs may rise significantly in the future, so to make the cost of such insurance prohibitive.

Certain areas in and near the GOM are subject to hurricanes and other extreme weather conditions. When operating in and near the GOM, our drilling rigs and rental tools may be located in areas that could cause them to be susceptible to damage or total loss by these storms. In addition, damage caused by high winds and turbulent seas to our rigs, our shore bases and our corporate infrastructure could potentially cause us to curtail operations for significant periods of time until the effects of the damages can be repaired. In addition, our rigs in arctic regions can be affected by seasonal weather so severe, conditions are deemed too unsafe for operations.

Although not a hazard specific to our drilling operations, we could incur significant liability in the event of loss or damage to proprietary data of operators or third parties during our transmission of this valuable data.

Government regulations, including environmental regulations, may reduce our business opportunities, increase our operating costs, and may become more stringent in the future.

Government regulations control and often limit access to potential markets and impose extensive requirements concerning employee privacy and safety, environmental protection, pollution control and remediation of environmental contamination. Environmental regulations, including species protections, prohibit access to some locations and make others less economical, increase equipment and personnel costs, and often impose liability without regard to negligence or fault. In addition, governmental regulations, such as those related to climate change, may discourage our customers’ activities, reducing demand for our products and services. We may be liable for damages resulting from pollution of offshore waters and, under United States regulations, must establish financial responsibility in order to drill offshore.

Regulation of greenhouse gases and climate change could have a negative impact on our business.

Some scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases” (“GHGs”) and including carbon dioxide and methane, may be contributing to warming of the earth’s atmosphere and other climatic changes. In response to such studies, the issue of climate change and the effect of GHG emissions, in particular emissions from fossil fuels, is attracting increasing attention worldwide. Legislative and regulatory measures to address concerns that emissions of GHGs are contributing to climate change are in various phases of discussions or implementation at the international, national, regional and state levels.

In 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which establishes a binding set of emission targets for GHGs, became binding on the countries that had ratified it. International discussions are underway to develop a treaty to replace the Kyoto Protocol after its expiration in 2020. In the United States, federal legislation imposing restrictions on GHGs is under consideration. In addition, the U.S. Environmental Protection Agency (“EPA”) is taking steps to regulate GHGs as pollutants under the Clean Air Act (the “CAA”). To date, the EPA has issued (i) a “Mandatory Reporting of Greenhouse Gases” final rule, which establishes a new comprehensive scheme requiring operators of stationary sources (including certain oil and natural gas production systems) in the United States emitting more than established annual thresholds of carbon dioxide-equivalent GHGs to inventory and report their GHG emissions annually; (ii) an “Endangerment

Finding” final rule, effective January 14, 2010, which states that current and projected concentrations of six key GHGs in the atmosphere, as well as emissions from new motor vehicles and new motor vehicle engines, threaten public health and welfare, which allowed the EPA to finalize motor vehicle GHG standards (the effect of which could reduce demand for motor fuels refined from crude oil); and (iii) a final rule, effective August 2, 2010, to address permitting of GHG emissions from stationary sources under the CAA’s Prevention of Significant Deterioration (“PSD”) and Title V programs. This final rule “tailors” the PSD and Title V programs to apply to certain stationary sources of GHG emissions in a multi-step process, with the largest sources first subject to permitting.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business. In addition to potential impacts on our business directly or indirectly resulting from climate-change legislation or regulations, our business also could be negatively affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our rigs, impact our ability to conduct our operations and/or result in a disruption of our customers’ operations.

We are regularly involved in litigation, some of which may be material.

We are regularly involved in litigation, claims and disputes incidental to our business, which at times may involve claims for significant monetary amounts, some of which would not be covered by insurance. We undertake all reasonable steps to defend ourselves in such lawsuits. Nevertheless, we cannot predict the ultimate outcome of such lawsuits and any resolution which is adverse to us could have a material adverse effect on our financial condition.

Increased regulation of hydraulic fracturing could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact the demand for rental tools.

Hydraulic fracturing is a process sometimes used in the completion of oil and natural gas wells whereby water, sand and chemicals are injected under pressure into subsurface formations to stimulate natural gas and, to a lesser extent, oil production. Various governmental entities (within and outside the United States) are in the process of studying, restricting, regulating, or preparing to regulate hydraulic fracturing, directly and indirectly. For example, several state governments now require the disclosure of chemicals used in the fracturing process. The EPA has taken the position that some hydraulic fracturing operations are subject to permitting requirements under the Safe Drinking Water Act; has adopted new air emissions standards that would apply to well completion activities; is developing new standards for wastewater discharges associated with hydraulic fracturing; and has commenced a study on the impacts of hydraulic fracturing on groundwater. The Bureau of Land Management is also in the process of developing regulations for hydraulic fracturing activities that would be unique to federal lands. In addition, some jurisdictions have imposed an express or de facto ban on hydraulic fracturing. These and other developments could cause operational delays or increased costs in E&P, which could adversely affect the demand for our rental tools.

A cybersecurity incident could negatively impact our business and our relationships with customers.

If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things, loss or damage of intellectual property, proprietary information, or customer data, having our business operations interrupted, and increased costs to prevent, respond to, or mitigate cybersecurity attacks. These risks could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

If we fail to integrate or realize the expected benefits from the ITS Acquisition, or if we incur any liabilities as a result of such transaction, our business, results of operations and profitability may be adversely affected.

We may not realize the expected benefits of the ITS Acquisition because the business may not perform financially as expected or because of integration difficulties and other challenges. The success of the ITS Acquisition will depend, in part, on our ability to successfully integrate the acquired business with our existing businesses. The integration process is and is anticipated to continue to be complex, costly and time-consuming. Complications with the integration can result from the following circumstances, among others: failure to implement our business plan for the combined business; unanticipated issues in integrating and applying our internal control and other systems; failure to retain key customers; failure to retain key employees of ITS; and operating risks inherent in the acquired business. In addition, we may not accomplish the integration smoothly, successfully or within the anticipated costs or timeframe. Furthermore, we may not be able to achieve anticipated cost savings or other synergies or realize growth opportunities that we expect with respect to our operation of ITS' business. Additionally, the ITS Acquisition subjects us to potential liabilities to which we would not otherwise be exposed. In particular, our due diligence process with respect to the ITS Acquisition suggests that its internal controls may have failed to prevent violations of potentially applicable international trade and anti-corruption laws, including those of the United Kingdom. We have investigated such violations and have and will, as appropriate, make any identified violations known to relevant authorities, cooperate with any resulting investigations and take proper remediation measures (including seeking any necessary government authorizations). We do not at this time have any estimate of our potential liability. If we experience difficulties with the integration process or if the anticipated growth opportunities and other potential synergies of the ITS Acquisition, or if we incur any liabilities related to such acquisition, our business, results of operations and profitability may be adversely affected.

Risks Related to the Exchange Notes

Payment of principal and interest on the exchange notes will be effectively subordinated to our senior secured debt to the extent of the value of the assets securing that debt.

The exchange notes will be senior unsecured obligations of Parker Drilling Company and the guarantees related to these exchange notes will be senior unsecured obligations of the subsidiaries that guarantee the exchange notes, in each case ranking senior in right of payment to all current and future subordinated debt. Holders of our secured obligations, including obligations under our senior secured credit facility, will have claims that are prior to claims of the holders of the exchange notes with respect to the assets securing those obligations. In the event of a liquidation, dissolution, reorganization, bankruptcy or any similar proceeding, our assets and those of our subsidiaries will be available to pay obligations on the exchange notes and the guarantees only after holders of our senior secured debt have been paid the value of the assets securing such debt. Accordingly, there may not be sufficient funds remaining to pay amounts due on all or any of the exchange notes.

We have granted the lenders under our senior secured credit facility a security interest in all accounts receivable and certain deposit accounts of us and certain of our subsidiaries, a pledge of stock of certain of our subsidiaries, a naval mortgage on certain eligible barge drilling rigs owned by certain of our subsidiaries and substantially all of the other personal property and assets of certain of our subsidiaries.

In the event of a default on secured indebtedness, the parties granted security interests will have a prior secured claim on such assets. If the parties should attempt to foreclose on their collateral, our financial condition and the value of the exchange notes would be adversely affected.

We are a holding company and conduct substantially all of our operations through our subsidiaries, which may affect our ability to make payments on the exchange notes.

We conduct substantially all of our operations through our subsidiaries. As a result, our cash flows and our ability to service our debt, including the exchange notes, is dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments from our subsidiaries to us.

Any payment of dividends, distributions, loans or other payments from our subsidiaries to us could be subject to statutory restrictions, including local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate. In addition, payment of dividends or distributions from our joint ventures are subject to contractual restrictions. Payments to us by our subsidiaries also will be contingent upon the profitability of our subsidiaries. If we are unable to obtain funds from our subsidiaries we may not be able to pay interest or principal on the exchange notes when due, or to redeem the exchange notes upon a change of control, and we may not be able to obtain the necessary funds from other sources.

Some of our subsidiaries will not guarantee the exchange notes.

Some of our subsidiaries, including our existing and future immaterial subsidiaries, foreign subsidiaries, domestic subsidiaries owned by foreign subsidiaries, subsidiaries generating revenue primarily outside the United States and certain other subsidiaries, will not guarantee the exchange notes. The exchange notes will be structurally subordinated to all existing and future liabilities and preferred equity of the subsidiaries that do not guarantee the exchange notes. In the event of liquidation, dissolution, reorganization, bankruptcy or any similar proceeding with respect to any such subsidiary, we, as common equity owner of such subsidiary, and therefore, holders of our debt, including holders of the exchange notes, will be subject to the prior claims of such subsidiary's creditors, including trade creditors, and preferred equity holders. As of September 30, 2013, our non-guarantor subsidiaries and joint ventures collectively owned approximately 56.2% of our consolidated total assets and held approximately $51.7 million of our consolidated cash and cash equivalents of approximately $162.5 million. For the nine months ended September 30, 2013, our non-guarantor subsidiaries and joint ventures had revenues of approximately $388.9 million and operating income of approximately $18.0 million. In 2011 and 2012, our non-guarantor subsidiaries and joint ventures had revenues of approximately $426.5 million and $385.3 million, respectively, and operating income of approximately $19.1 million and $8.4 million, respectively. Additionally, we expect the percentage of our total revenues and operating income represented by our non-guarantor subsidiaries and joint ventures to increase in the future as a result of the ITS Acquisition.

The subsidiary guarantees could be deemed fraudulent transfers under certain circumstances, and a court may try to subordinate or void the subsidiary guarantees.

Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

- issued the guarantee with the intent of hindering, delaying or defrauding current or future creditors; or
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee; and
  - was insolvent or rendered insolvent by reason of such incurrence;
  - was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
  - intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor. The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability, including contingent liabilities, on its existing debts, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot assure you what standard a court would apply in determining a guarantor's solvency and whether or not it would conclude that such guarantor was solvent when it incurred the guarantee. Each subsidiary guarantee will contain a provision intended to limit the guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer. This provision may not be effective to protect the subsidiary guarantees from being voided under fraudulent transfer law or may eliminate the guarantor's obligations or reduce the guarantor's obligations to an amount that effectively makes the guarantee worthless. In a Florida bankruptcy case, this kind of provision was found to be ineffective to protect the guarantees.

We may not be able to repurchase the exchange notes upon a change of control.

Upon the occurrence of certain change of control events affecting us, you will have the right to require us to repurchase the exchange notes at 101% of their principal amount, plus accrued and unpaid interest. Our ability to repurchase the exchange notes upon such a change of control event would be limited by our access to funds at the time of the repurchase and the terms of our other debt agreements. We cannot assure you that we will have sufficient financial resources to purchase the exchange notes upon a change of control. In addition, the terms of other debt instruments to which we are party may not permit us to repurchase the exchange notes. The terms of our current senior secured credit facility prohibit our repurchase of the exchange notes, as may the terms of additional indebtedness we may incur in the future. Upon a change of control event, we may be required immediately to repay the outstanding principal, any accrued interest on and any other amounts owed by us under our senior secured credit facilities, the exchange notes and other outstanding indebtedness. The source of funds for these repayments would be our available cash or cash generated from other sources. However, we may not have sufficient funds available upon a change of control to make any required repurchases of this outstanding indebtedness. The failure to repurchase the exchange notes upon a change of control would constitute an event of default under the indenture for the exchange notes, which would likely in turn constitute a default under the terms of our or our subsidiaries' other indebtedness.

In addition, the change of control provisions in the indenture may not protect you from certain important corporate events, such as a leveraged recapitalization (which would increase the level of our indebtedness), reorganization, restructuring, merger or other similar transaction, unless such transaction constitutes a "Change of Control" under the indenture. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change that constitutes a "Change of Control" as defined in the indenture that would trigger our obligation to repurchase the exchange notes. Therefore, if an event occurs that does not constitute a "Change of Control" as defined in the indenture, we will not be required to make an offer to repurchase the exchange notes and you may be required to continue to hold your exchange notes despite the event. See "Description of the Exchange Notes — Repurchase at the Option of Holders — Change of Control."

There will be no public trading market for the exchange notes, and your ability to sell your exchange notes is limited.

The exchange notes are new securities, and there is no existing public market for the exchange notes. We cannot assure you as to the liquidity of any markets that may develop for the exchange notes, the ability of holders of the exchange notes to sell their exchange notes or the price at which holders would be able to sell their exchange notes. Future trading prices of the exchange notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, the number of holders of the exchange notes and the market for similar securities. The initial purchasers of the private notes have advised us that they currently intend to

make a market in the exchange notes. However, none of the initial purchasers is obligated to do so, and any market-making activities may be discontinued by any of them at any time without notice. We do not intend to apply for listing of the exchange notes on any securities exchange.

If you wish to tender your private notes for exchange, you must comply with the requirements described in this prospectus.

You will receive exchange notes in exchange for private notes only after the exchange agent receives such private notes, a properly completed and duly executed letter of transmittal and all other required documentation within the time limits described below. If you wish to tender your private notes in exchange for exchange notes, you should allow sufficient time for delivery. Neither the exchange agent nor the Company has any duty to give you notice of defects or irregularities with respect to tenders of private notes for exchange. Private notes that are not tendered or are tendered but not accepted will, following consummation of the exchange offer, continue to be subject to the existing restrictions upon transfer relating to the private notes.

In addition, if you tender your private notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer who holds private notes acquired for its own account as a result of market-making or other trading activities and who receives exchange notes for its own account in exchange for such private notes pursuant to the exchange offer must acknowledge in the letter of transmittal that it will deliver a prospectus in connection with any resale of such exchange notes.

If you do not exchange your private notes, you may have difficulty transferring them at a later time.

We will issue exchange notes in exchange for the private notes after the exchange agent receives your private notes, the letter of transmittal and all related documents. You should allow adequate time for delivery if you choose to tender your notes for exchange. Notes that are not exchanged will remain subject to restrictions on transfer and will not have rights to registration.

If you do not participate in the exchange offer, you must comply with the registration and prospectus delivery requirements of the Securities Act for any resale transaction. Each broker-dealer who holds private notes for its own account due to market-making or other trading activities and who receives exchange notes for its own account must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. If any private notes are not tendered in the exchange or are tendered but not accepted, the trading market for such notes could be negatively affected due to the limited amount of notes expected to remain outstanding following the completion of the exchange offer.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. All statements contained in this prospectus, including in the sections entitled “Summary,” “Risk Factors,” “Business,” “Properties,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” other than statements of historical facts, are “forward-looking statements” for purposes of these provisions, including any statements regarding:

- stability of prices and demand for oil and natural gas;
- levels of oil and natural gas exploration and production activities;
- demand for contract drilling and drilling-related services and demand for rental tools;
- our future operating results and profitability;
- our future rig utilization, dayrates and rental tools activity;
- entering into new, or extending existing, drilling contracts and our expectations concerning when our rigs will commence operations under such contracts;
- growth through acquisitions of companies or assets, including the ITS Acquisition;
- organic growth of our operations;
- construction or upgrades of rigs and expectations regarding when these rigs will commence operations;
- capital expenditures for acquisition of rigs, construction of new rigs or major upgrades to existing rigs;
- entering into joint venture agreements;
- the sale or potential sale of assets or references to assets held for sale;
- our future liquidity;
- availability and sources of funds to refinance our debt and expectations of when debt will be reduced;
- the outcome of pending or future legal proceedings, investigations, tax assessments and other claims;
- the availability of insurance coverage for pending or future claims;
- the enforceability of contractual indemnification in relation to pending or future claims;
- compliance with covenants under our debt agreements; and
- the repurchase of the 9.125% Notes.

In some cases, you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “outlook,” “may,” “should,” “will” and “would” or similar words. Forward-looking statements are based on certain assumptions and analyses made by our management in light of their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are relevant. Although our management believes that their assumptions are reasonable based on information currently available, those assumptions are subject to significant risks and uncertainties, many of which are outside of our control. The following factors, as well as any other cautionary language included in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our “forward-looking statements”:

- worldwide economic and business conditions that adversely affect market conditions and/or the cost of doing business including potential country failures and downgrades;
- our inability to access the credit or bond markets;

- U.S. credit market volatility resulting from the U.S. national debt and potential further downgrades of the U.S. credit rating;
- the U.S. economy and the demand for natural gas;
- low U.S. natural gas prices that could adversely affect U.S. drilling and our barge rig and rental tools businesses;
- worldwide demand for oil;
- fluctuations in the market prices of oil and natural gas, including the inability or unwillingness of our customers to fund drilling programs in low price cycles;
- imposition of unanticipated trade restrictions;
- unanticipated operating hazards and uninsured risks;
- political instability, terrorism or war;
- governmental regulations, including changes in accounting rules or tax laws that may impact our ability to remit funds to the United States, that adversely affect the cost of doing business;
- changes in the tax laws that would allow double taxation on foreign sourced income;
- the outcome of investigations into possible violations of law;
- adverse environmental events;
- adverse weather conditions;
- global health concerns;
- changes in the concentration of customer and supplier relationships;
- ability of our customers and suppliers to obtain financing for their operations;
- ability of our customers to fund drilling plans with low commodity prices;
- unexpected cost increases for new construction and upgrade and refurbishment projects;
- delays in obtaining components for capital projects and in ongoing operational maintenance and equipment certifications;
- shortages of skilled labor;
- unanticipated cancellation of contracts by customers or operators;
- breakdown of equipment;
- other operational problems including delays in start-up or commissioning of rigs;
- changes in competition;
- any failure to realize expected benefits from acquisitions;
- the effect of litigation and contingencies; and
- other similar factors.

Each forward-looking statement speaks only as of the date of this prospectus, and, except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Before you decide to exchange your private notes for exchange notes, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this prospectus could have a material adverse effect on our business, results of operations, financial condition and cash flows.

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any proceeds from the issuance of the exchange notes. In exchange for issuing the exchange notes as contemplated in this exchange offer, we will receive private notes in the same principal amount. The form and terms of the exchange notes are identical in all material respects to the form and terms of the private notes, except as described below under the heading "The Exchange Offer — Terms of the Exchange Offer." The private notes surrendered in exchange for the exchange notes will be retired and cancelled and cannot be re-issued. Accordingly, issuance of the exchange notes will not result in any increase in our outstanding debt.

RATIOS OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for each period indicated is set forth in the following table:

	Nine Months Ended September 30,	Year Ended December 31,				
	2013	2012	2011	2010	2009	2008
Ratio of earnings to fixed charges	2.0x	2.4x	(1)	1.0x	1.2x	1.8x

(1) For the year ended December 31, 2011, earnings were deficient to cover fixed charges by $41.1 million, which was primarily due to a pre-tax, non-cash charge to earnings of $170.0 million related to the impairment of our two Alaska rigs.

For purposes of calculating the ratio of earnings to fixed charges, (i) "earnings" consist of our consolidated income from continuing operations before income taxes and fixed charges and (ii) "fixed charges" consist of interest expense, amortization of deferred financing costs and the portion of rental expense representing interest.

THE EXCHANGE OFFER

Purpose of the Exchange Offer

We sold the private notes in transactions that were exempt from or not subject to the registration requirements of the Securities Act. Accordingly, the private notes are subject to transfer restrictions. In general, you may not offer or sell the private notes unless either they are registered under the Securities Act or the offer or sale is exempt from or not subject to registration under the Securities Act and applicable state securities laws.

As a condition to the initial sale of the private notes, we and the initial purchasers entered into a registration rights agreement on July 30, 2013. We are offering the exchange notes under this prospectus in an exchange offer for the private notes to satisfy our obligations under the registration rights agreement. The exchange offer will be open for at least 20 business days (or longer, if required by applicable law). During the exchange offer period, we will exchange the exchange notes for all private notes properly surrendered and not withdrawn before the expiration date. The exchange notes will be registered and the transfer restrictions, registration rights and provisions for additional interest relating to the private notes will not apply to the exchange notes.

The exchange notes issued in exchange for the private notes are expected to bear a different CUSIP number and ISIN number from any unexchanged private notes. Holders of the exchange notes and the private notes will vote as one series under the indenture governing the notes.

The summary in this document of the registration rights agreement is not complete and is subject to, and is qualified in its entirety by, all the provisions of the registration rights agreement. We urge you to read the entire registration rights agreement carefully. A copy of the registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus forms a part. The registration statement is intended to satisfy some of our obligations under the registration rights agreement and the purchase agreement.

Terms of the Exchange Offer

Subject to the terms and conditions in this prospectus and in the letter of transmittal, we will issue $1,000 principal amount of exchange notes in exchange for each $1,000 principal amount of outstanding private notes properly surrendered pursuant to the exchange offer and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date. Private notes may be surrendered only in integral multiples of $1,000.

As of the date of this prospectus, $225,000,000 in aggregate principal amount of the private notes are outstanding. All of this amount is registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). There will be no fixed record date for determining registered holders of private notes entitled to participate in the exchange offer. This exchange offer is made only to holders of the private notes.

In connection with the exchange offer, neither the General Corporation Law of the State of Delaware nor the indenture governing the notes gives you any appraisal or dissenters’ rights nor any other right to seek monetary damages in court. We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement and the applicable requirements of the Exchange Act and the related SEC rules and regulations.

For all relevant purposes, we will be regarded as having accepted properly surrendered private notes if and when we give written notice of our acceptance to the exchange agent. The exchange agent will act as agent for the surrendering holders of private notes for the purposes of receiving the exchange notes from us. We will return any private notes that we do not accept for exchange for any reason without expense to their tendering holders promptly after the expiration or termination of the exchange offer.

If you surrender private notes in the exchange offer, you will not be required to pay brokerage commissions or fees. In addition, subject to the instructions in the letter of transmittal, you will not have to pay transfer taxes for the exchange of private notes. We will pay all charges and expenses, other than certain applicable taxes described under “— Fees and Expenses” below.

Table of Contents

By executing or otherwise becoming bound by the letter of transmittal, you will be making the representations described under "— Representations on Tendering Private Notes" below.

Expiration Date; Extensions; Amendments

The expiration date is 5:00 p.m., New York City time, on , 2014, unless we, in our sole discretion, extend the exchange offer, in which case the expiration date is the latest date and time to which we extend the exchange offer.

In order to extend the exchange offer, we will:

- notify the exchange agent of any extension by written notice; and
- issue a press release or other public announcement which will include disclosure of the approximate number of private notes deposited; such press release or announcement would be issued prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We expressly reserve the right:

- to delay accepting any private notes;
- to extend the exchange offer; or
- if, in the opinion of our counsel, the consummation of the exchange offer would violate any law or interpretation of the staff of the SEC, to terminate or amend the exchange offer by giving written notice to the exchange agent.

Any delay in acceptance, extension, termination or amendment will be followed as soon as practicable by a press release or other public announcement. If the exchange offer is amended in a manner determined by us to constitute a material change, we will promptly disclose that amendment by means of a prospectus supplement that will be distributed to the holders. We will also extend the exchange offer for a period of five to ten business days, depending upon the significance of the amendment and the manner of disclosure to the holders, if the exchange offer would otherwise expire during the five to ten business days period.

We will have no obligation to publish, advertise, or otherwise communicate any public announcement of any delay, extension, amendment or termination that we may choose to make, other than by making a timely release to an appropriate news agency.

Interest on the Exchange Notes

The exchange notes will accrue interest on the same terms as the private notes, i.e., at the rate of 7.500% per year from July 30, 2013, payable semi-annually in arrears on February 1 and August 1 of each year, with the next interest payment date being February 1, 2014.

Resale of the Exchange Notes

We believe that you will be allowed to resell the exchange notes to the public without registration under the Securities Act, and without delivering a prospectus that satisfies the requirements of the Securities Act, if you can make the three representations set forth above under "Prospectus Summary — Summary of the Exchange Offer — Procedures for Participating in the Exchange Offer." However, if you intend to participate in a distribution of the exchange notes, you must comply with the registration requirements of the Securities Act and deliver a prospectus, unless an exemption from registration is otherwise available. In addition, you cannot be an "affiliate" of the Company as defined under Rule 405 of the Securities Act, or a broker-dealer tendering the private notes acquired directly from the Company for its own account. You are required to represent to us in the letter of transmittal accompanying this prospectus that you meet these conditions exempting you from the registration requirements.

We base our view on interpretations by the staff of the SEC in no-action letters issued to other issuers in exchange offers like ours. We have not, however, asked the SEC to consider this particular exchange offer in the context of a no-action letter. Therefore, you cannot be sure that the SEC will treat this exchange offer in the same way as it has treated others in the past. If our belief is wrong, or if you cannot truthfully make the representations described above, and you transfer any exchange note issued to you in the exchange offer without meeting the registration and prospectus delivery requirements of the Securities Act, or without an exemption from such requirements, you could incur liability under the Securities Act. We are not indemnifying you for any such liability and we will not protect you against any loss incurred as a result of any such liability under the Securities Act.

A broker-dealer that has bought private notes for market-making or other trading activities has to deliver a prospectus in order to resell any exchange notes it has received for its own account in the exchange. This prospectus may be used by a broker-dealer to resell any of its exchange notes. In addition, a broker-dealer which has acquired the private notes for its own account as a result of market-making or other trading activities may participate in the exchange offer if it has not entered into any arrangement or understanding with us or any of our affiliates to distribute the exchange notes. We have agreed in the registration rights agreement to make this prospectus, and any amendment or supplement to this prospectus, available to any broker-dealer that requests copies in the letter of transmittal for a period of up to one year after the registration statement relating to this exchange offer is declared effective. See "Plan of Distribution" for more information regarding broker-dealers.

Procedures For Tendering

If you wish to surrender private notes you must do the following:

- properly complete, sign and date the letter of transmittal (or a facsimile of the letter of transmittal);
- have the signatures on the letter of transmittal (or facsimile) guaranteed if required by the letter of transmittal; and
- mail or deliver the letter of transmittal (or facsimile) together with any other required documents to the exchange agent at the address appearing below under "— Exchange Agent" for receipt prior to 5:00 p.m., New York City time, on the expiration date.

In addition, either:

- certificates for such private notes must be received by the exchange agent along with the letter of transmittal;
- a timely confirmation of a book-entry transfer of the private notes into the exchange agent's account at DTC pursuant to the procedure for book-entry transfer described below under "— Book-Entry Transfer," must be received by the exchange agent prior to the expiration date; or
- you must comply with the procedures described below under "— Guaranteed Delivery Procedures."

In order for the tender to be effective, the exchange agent must receive the completed letter of transmittal and all other required documents before 5:00 p.m., New York City time, on the expiration date.

The method of delivery of the letter of transmittal and all other required documents to the exchange agent is at your election and risk, and the delivery will be deemed made only when actually received or confirmed by the exchange agent.

As an alternative to delivery by mail, you may wish to consider overnight or hand delivery service, properly insured. In all cases, you should allow sufficient time to assure delivery to the exchange agent before the expiration date. Do not send the letter of transmittal or any private notes to us. You may ask your broker, dealer, commercial bank, trust company or nominee to perform these transactions for you.

If you do not withdraw your surrender of private notes prior to the expiration date, you will be regarded as agreeing to surrender the private notes in accordance with the terms and conditions in this exchange offer.

If you are a beneficial owner of the private notes and your private notes are held through a broker, dealer, commercial bank, trust company or other nominee and you want to surrender your private notes, you should contact your intermediary promptly and instruct it to surrender the private notes on your behalf. If you wish to tender on your own behalf, you must, before completing and executing the letter of transmittal for the exchange offer and delivering your private notes, either arrange to have your private notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take a long time.

By tendering, you make the representations described below under "— Representations on Tendering Private Notes." In addition, each participating broker-dealer must acknowledge that it will deliver a prospectus in connection with any resale of the new notes. See "Plan of Distribution."

Your tender and our acceptance of the tender will constitute the agreement between you and us set forth in this prospectus and in the letter of transmittal.

Signature on Letter Of Transmittal

Signatures on a letter of transmittal or a notice of withdrawal described below under "— Withdrawal of Tenders," as the case may be, must generally be guaranteed by an eligible institution. You can submit the letter of transmittal without guarantee if you surrender your private notes (i) as a registered holder and you have not completed the box titled "Special Delivery Instruction" on the letter of transmittal or (ii) for the account of an eligible institution. In the event that signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, the guarantee must be made by:

- a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority;
- a commercial bank or trust company having an office or correspondent in the United States; or
- an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act which is a member of one of the recognized signature guarantee programs identified in the letter of transmittal.

If you sign the letter of transmittal even though you are not the registered holder of any private notes listed in the letter of transmittal, your private notes must be endorsed or accompanied by a properly completed bond power. The bond power must authorize you to tender the private notes on behalf of the registered holder and must be signed by the registered holder as the registered holder's name appears on the private notes.

In connection with any surrender of private notes in definitive certificated form, if you sign the letter of transmittal or any private notes or bond powers in your capacity as trustee, executor, administrator, guardian, attorney-in-fact or officer of a corporation or if you are otherwise acting in a fiduciary or representative capacity, you should indicate this when signing. Unless waived by us, you must submit with the letter of transmittal evidence satisfactory to us of your authority to act in the particular capacity.

Acceptance of Tendered Private Notes

All questions as to the validity, form, acceptance, withdrawal and eligibility, including time of receipt of surrendered private notes, will be determined by us in our sole discretion, which determinations will be final and binding.

We reserve the absolute right:

- to reject any and all private notes not properly surrendered;
- to reject any private notes if our acceptance of them would, in the opinion of our counsel, be unlawful; and
- to waive any defects, irregularities or conditions of surrender as to particular private notes.

Unless waived, you must cure any defects or irregularities in connection with surrenders of private notes within the time period we will determine. Although we intend to notify holders of defects or irregularities in connection with surrenders of private notes, neither we, the exchange agent nor anyone else will be liable for failure to give such notice. Surrenders of private notes will not be deemed to have been made until any defects or irregularities have been cured or waived.

We do not currently intend to acquire any private notes that are not surrendered in the exchange offer or to file a registration statement to permit resales of any private notes that are not surrendered pursuant to the exchange offer. We reserve the right in our sole discretion to purchase or make offers for any private notes that remain outstanding after the expiration date. To the extent permitted by applicable law, we also reserve the right in our sole discretion to purchase private notes in the open market, in privately negotiated transactions or otherwise. The terms of any future purchases or offers could differ from the terms of the exchange offer.

Representations on Tendering Private Notes

By surrendering private notes pursuant to the exchange offer, you represent that, among other things:

- you have full power and authority to surrender, sell, assign and transfer the private notes tendered;
- you are acquiring the exchange notes in the ordinary course of your business;
- you are not an “affiliate,” as defined in Rule 405 under the Securities Act, of us or any subsidiary guarantor, or a broker-dealer tendering the private notes acquired directly from us for its own account;
- you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate in the distribution of the exchange notes;
- you acknowledge and agree that if you are a broker-dealer registered under the Exchange Act or you are participating in the exchange offer for the purposes of distributing the exchange notes, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale of the exchange notes, and you cannot rely on the position of the SEC staff in their no-action letters;
- you understand that a secondary resale transaction described above and any resales of exchange notes obtained by you in exchange for private notes acquired by you directly from us should be covered by an effective registration statement containing the selling security holder information required by Item 507 or Item 508, as applicable, of Regulation S-K of the SEC; and
- we will acquire good, marketable and unencumbered title to the private notes being tendered, free and clear of all security interests, liens, restrictions, charges, encumbrances, conditional sale agreements or other obligations relating to their sale or transfer, and not subject to any adverse claim when the private notes are accepted by us.

If you are a broker-dealer and you will receive exchange notes for your own account in exchange for private notes that were acquired as a result of market-making activities or other trading activities, you will be required to acknowledge in the letter of transmittal that you will deliver a prospectus in connection with any resale of such exchange notes.

Return of Private Notes

If any surrendered private notes are not accepted for any reason described here or if private notes are withdrawn or are submitted for a greater principal amount than you desire to exchange, those private notes will be returned, at our cost, to (i) the person who surrendered them or (ii) in the case of private notes surrendered by book-entry transfer, the exchange agent's account at DTC. Any such private notes will be returned to the surrendering person or credited to an account maintained with DTC promptly.

Book-Entry Transfer

The exchange agent will make a request to establish an account with respect to the private notes at DTC for purposes of facilitating the exchange offer within two business days after the date of this prospectus. Subject to the establishment of the account, any financial institution that is a participant in DTC's systems may make book-entry delivery of private notes by causing DTC to transfer the private notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. However, although delivery of private notes may be effected through book-entry transfer at DTC, you must transmit the letter of transmittal with any required signature guarantees and any other required documents to the exchange agent at the address appearing below under "— Exchange Agent" for its receipt on or prior to the expiration date or pursuant to the guaranteed delivery procedures described below.

Guaranteed Delivery Procedures

If you wish to surrender your private notes and (i) your private notes are not readily available so you cannot meet the expiration date deadline or (ii) you cannot deliver your private notes, the letter of transmittal or any other required documents to the exchange agent prior to the expiration date, you may still participate in the exchange offer if:

- the surrender is made through an eligible institution;
- prior to the expiration date, the exchange agent receives from such eligible institution a properly completed and duly executed notice of guaranteed delivery substantially in the form provided by us, by facsimile transmission, mail or hand delivery, containing:
  - the name and address of the holder, the certificate number(s) of the private notes, if applicable, and the principal amount of private notes surrendered; and
  - a statement that the surrender is being made thereby;
- a guarantee that, within five New York Stock Exchange ("NYSE") trading days after the expiration date, the letter of transmittal, together with the certificate(s) representing the private notes in proper form for transfer or a book-entry confirmation, and any other required documents, will be deposited by the eligible institution with the exchange agent; and
- the properly executed letter of transmittal, as well as the certificate(s) representing all surrendered private notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal are received by the exchange agent within five NYSE trading days after the expiration date.

The exchange agent will send you a notice of guaranteed delivery upon your request if you wish to surrender your private notes according to the guaranteed delivery procedures set forth above.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, you may withdraw your surrender of private notes at any time prior to 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective, the exchange agent must receive a written notice of withdrawal at its address or facsimile number set forth below under "— Exchange Agent" prior to 5:00 p.m., New York City time, on the expiration date. Any notice of withdrawal must:

- specify the name of the person having deposited the private notes to be withdrawn;
- identify the private notes to be withdrawn, including the certificate number or numbers, if applicable, and principal amount of the private notes; and
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the private notes were tendered, including any required signature guarantees.

All questions as to the validity, form, eligibility and time of receipt of notices will be determined by us, in our sole discretion, and our determination shall be final and binding upon all parties. Any private notes so withdrawn will be deemed not to have been validly surrendered for purposes of the exchange offer, and no exchange notes will be issued unless the private notes so withdrawn are validly re-tendered. Properly withdrawn private notes may be re-tendered by following one of the procedures described above under "— Procedures for Tendering" at any time prior to the expiration date.

Conditions to the Exchange Offer

Despite any other term of the exchange offer, we will not be required to accept for exchange, or exchange the exchange notes for, any private notes, and we may terminate the exchange offer as provided in this prospectus before the acceptance of those private notes if, in our judgment, any of the following conditions has occurred or exists or has not been satisfied or waived prior to the expiration of the exchange offer:

- any law, statute, rule or regulation is proposed, adopted or enacted, or the staff of the SEC interprets any existing law, statute, rule or regulation in a manner, which, in our reasonable judgment, would materially impair our ability to proceed with the exchange offer;
- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our reasonable judgment, would materially impair our ability to proceed with the exchange offer; or
- any governmental approval, which we deem necessary for the consummation of the exchange offer, has not been obtained.

If we determine in our sole discretion that any of these conditions are not satisfied, we may:

- refuse to accept any private notes and promptly return all tendered private notes to the tendering holders;
- extend the exchange offer and retain all private notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders who tendered the private notes to withdraw their tendered private notes; or
- waive the unsatisfied conditions with respect to the exchange offer and accept all properly tendered private notes which have not been withdrawn. If that waiver constitutes a material change to the exchange offer, we will promptly disclose the waiver by means of a prospectus supplement that will be distributed to the registered holders, and we will extend the exchange offer to the extent required by law.

The conditions listed above are for our sole benefit and we may assert these rights regardless of the circumstances giving rise to any of these conditions. We may waive these conditions in our reasonable discretion in whole or in part at any time and from time to time. If we fail at any time to exercise any of the above rights, the failure will not be deemed a waiver of these rights, and these rights will be deemed ongoing rights which may be asserted at any time and from time to time.

The exchange offer is not conditioned upon any minimum principal amount of private notes being submitted for exchange.

Termination of Certain Rights

All registration rights under the registration rights agreement benefiting the holders of the private notes will terminate when we consummate the exchange offer. That includes all rights to receive additional interest in the event of a registration default under the registration rights agreement.

Exchange Agent

We have appointed The Bank of New York Mellon Trust Company, N.A. as the exchange agent for the exchange offer. You should direct any questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notice of guaranteed delivery to the exchange agent, addressed as follows:

By mail, hand or overnight courier:

The Bank of New York Mellon Trust Company, N.A.
c/o The Bank of New York Mellon
111 Sanders Creek Corporate Center (Bldg)
East Syracuse, NY 13057
Attention: Dacia Brown-Jones

By facsimile:

(732) 667-9408

Confirm by telephone:

(315) 414-3349

The Bank of New York Mellon Trust Company, N.A. also serves as trustee under the indenture governing the notes.

Fees and Expenses

We will pay for the expenses of this exchange offer. The principal solicitation for tenders of private notes is being made by mail. However, additional solicitation may be made by telegraph, facsimile transmission, e-mail, telephone or in person by our officers and regular employees.

We have not retained a dealer-manager in connection with the exchange offer, and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection with providing the services. We will also pay other cash expenses to be incurred in connection with the exchange offer, including registration fees, accounting and legal fees, printing costs and related fees and expenses.

We will pay any transfer taxes applicable to the exchange of private notes. If, however, a transfer tax is imposed for any reason other than the exchange, then the amount of any transfer taxes will be payable by the person surrendering the notes. If you do not submit satisfactory evidence of payment of taxes or of an exemption with the letter of transmittal, the amount of those transfer taxes will be billed directly to you.

Accounting Treatment

We will record the exchange notes at the same carrying value as the private notes as reflected in our accounting records on the date of exchange. Therefore, we will not recognize a gain or loss for accounting purposes. We will capitalize and subsequently amortize the expenses of the exchange offer over the term of the exchange notes.

Consequence of Failure to Exchange

If you do not exchange your private notes for exchange notes under the exchange offer, the private notes you hold will continue to be subject to the existing restrictions on transfer. In general, you may not offer or sell the private notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not intend to register private notes under the Securities Act unless the registration rights agreement requires us to do so.

Any tenders of private notes under the exchange offer will reduce the principal amount of the private notes. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any private notes that you continue to hold following completion of the exchange offer.

Other

You do not have to participate in the exchange offer. You should carefully consider whether to accept the terms and conditions of this exchange offer. We urge you to consult your financial and tax advisors in deciding what action to take with respect to the exchange offer.

BUSINESS

General

We are an international provider of contract drilling and drilling-related services and rental tools. We have operated in over 50 foreign countries and the United States since beginning operations in 1934, making us among the most geographically experienced providers of contract drilling services and rental tools in the world. During 2012, we operated in 12 countries, and in 2013, we acquired an international rental tools business with operations in ten additional countries. We have extensive experience and expertise drilling geologically difficult wells and managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. We believe we are industry leaders in quality, health, safety and environmental practices. We own and operate our own drilling rigs and also perform O&M work for customer-owned drilling rigs on a contracted basis.

Our operating results are derived from the following five reportable segments:

- Rental Tools
- U.S. Barge Drilling
- U.S. Drilling
- International Drilling
- Technical Services

For the nine months ended September 30, 2013, operating gross margin for the Rental Tools, U.S. Barge Drilling, U.S. Drilling, International Drilling and Technical Services segments were approximately $72.5 million, $37.7 million, $(4.6) million, $12.8 million and $0.6 million, respectively.

Our principal executive offices are located at 5 Greenway Plaza, Suite 100, Houston, Texas 77046 and our telephone number at that location is (281) 406-2000.

Our Rental Tools Business

U.S. Rental Tools

We provide premium rental tools for land and offshore oil and natural gas drilling and provide high-quality, reliable equipment used for drilling, workover and production applications, such as drill pipe, heavy-weight drill pipe, tubing, high-torque connections, BOPs, drill collars, casing running systems, fishing services and more. Our U.S. rental tools business is headquartered in New Iberia, Louisiana. We also hold an inventory of rental tools and provide service to our customers from locations in Louisiana, Texas, Oklahoma, Wyoming, North Dakota and West Virginia.

During 2012, our largest market for rental tools was land drilling, a cyclical market driven primarily by commodity prices and our customers' access to project financing. The increase in unconventional lateral drilling, often used in shale formations, added to the market demand for rental tools, keeping our U.S. market focus in the regions of primary shale plays. Based on industry information on rig use, we believe that our U.S. rental tools were used primarily in drilling for oil and liquids-rich natural gas in 2012.

Our principal customers are major and independent oil and natural gas E&P companies operating in the U.S. energy producing markets on land and in the GOM. Generally, rental tools are used for only a portion of a customer's well drilling program and are requested when they are required. As a result, rental tools are usually rented on a daily or monthly basis, requiring us to keep a broad inventory in stock. We also have a growing portion of our business that supplies tubular goods and other equipment to international and offshore GOM customers. For 2012, approximately 18% of revenues from our U.S. rental tools business was derived from equipment used in offshore and coastal water operations in the GOM. In addition, from our locations within the United States, we have provided rental tools to customers operating internationally.

International Rental Tools

On April 22, 2013, we acquired ITS, a provider of rental drilling equipment and pressure control systems, casing running systems, fishing services, and machine shop support for E&P companies, drilling contractors and service companies from 21 operating facilities primarily located in the Middle East, Latin America, the U.K., Europe and the Asia-Pacific region.

Our U.S. Barge Drilling Business

Our U.S. GOM barge rig fleet is the largest marketed barge fleet in the GOM region, with rigs ranging from 1,000 to 3,000 horsepower with drilling depth capabilities ranging from 13,000 to over 30,000 feet. Our rigs drill for oil, natural gas, and a combination of oil and natural gas in the shallow waters in and along the inland waterways and coasts of Louisiana, Alabama and Texas. The barge drilling market in the GOM is characterized by cyclical activity where utilization and dayrates are typically driven by commodity prices and our customers' access to project financing. Contract terms tend to be well-to-well or multi-well programs, most commonly ranging from 45 to 150 days. During periods of strong market demand, contract drilling terms may extend up to twelve months or longer.

We continually make investments in our barge drilling fleet to increase its efficiency and safety performance. Our rigs are all equipped for zero-discharge operations and are suitable for a variety of drilling programs in coastal waters, particularly for deep shelf drilling.

Our U.S. Drilling Business

Our U.S. Drilling business primarily consists of two new-design Arctic class drilling rigs in Alaska intended to address the challenges presented by the remote location, harsh climate and sensitive environment that characterize the Alaskan North Slope. The rigs deliver improved drilling efficiency, operating consistency and safety in this very demanding setting. In early December 2012 we commenced drilling operations with the first rig. The second rig completed client acceptance testing and began drilling in February 2013. The Alaskan North Slope drilling market is a focus of global and regional E&P companies with active programs to develop the area's hydrocarbon resources. In this market, drilling activity, and therefore production, is constrained by the existing limits of the infrastructure in place and the capabilities of existing aged technology. We believe our new-design rigs contribute to expanded drilling capabilities in this market for our customers.

Additionally, in February 2013, we began providing O&M work in support of ExxonMobil's Santa Ynez Unit offshore platform operations located in the Channel Islands region of California.

Our International Drilling Business

Our international drilling business includes operations related to Parker-owned and operated rigs as well as customer-owned rigs. We strive to deploy our fleet of Parker-owned rigs in markets where we expect to have opportunities to keep the rigs regularly at work. In addition, we have ongoing O&M and project management activities in Sakhalin Island, Russia; Papua New Guinea and Kuwait.

The international drilling markets in which we operate have one or more of the following characteristics:

- customers that typically are major, independent or national oil and natural gas companies or integrated service providers;
- drilling programs in remote locations with little infrastructure requiring a large inventory of spare parts, other ancillary equipment and self-supported service capabilities;
- complex wells and/or harsh environments such as high pressure, deep depths, hazardous or geologically challenging conditions, requiring specialized equipment and considerable experience to drill;

- drilling contracts that generally cover periods of one year or more; and
- O&M contracts that are typically in support of multi-year drilling programs.

Our Technical Services Business

We provide engineering and related project services during the FEED, pre-FEED and concept development phases of customer-owned drilling facility projects. During the EPCI phase, we focus primarily on the drilling systems engineering, procurement, commissioning and installation and we typically provide customer support during construction. Currently, we provide these services on the Berkut platform project for ENL. Additionally, we have a FEED engagement for an onshore arctic drilling facility project. Because these projects are customer-owned and customer-funded, the Technical Services business does not require significant capital and we believe such business helps position us for future expansion in the drilling O&M business.

Our Technical Services business is also our engineering expertise center and provides our drilling businesses with services similar to those provided to our external customers, including engineering design, retrofitting of existing rigs, modification, upgrades and other technology-related improvements.

Our Strategy

Our strategy is to achieve and maintain market leadership in selected global markets as a provider of innovative, efficient and reliable drilling and drilling-related services; to grow our business through select investments in our core businesses as well as new assets and lines of business; to achieve consistent excellence in execution; and to exercise financial discipline. We are committed to achieving peak performance for our customers in routine or more conventional settings, as well as extreme and highly challenging environments through:

- innovative, fit-for-purpose products and services that deliver reliable results and measurable value;
- safe, efficient and innovative drilling and rental tool performance; and
- highly competent teams, processes and technology that are unmatched for delivering solutions to difficult challenges.

Key elements of our strategy include:

- *Achieving and Maintaining Market Leadership*. We believe we achieve and sustain the preference for our services by the quality, efficiency and dependability of our performance and its value to the customer. We achieve this by:
  - providing premium rental tools with dependable customer service;
  - building, upgrading and maintaining a fleet of barge and land rigs that are preferred by operators because of the value they provide;
  - supplying trained and experienced operating crews, rig leadership teams and an array of support services; and
  - offering engineering and other technical services that have a record of delivering innovative solutions to drilling challenges in difficult, hazardous or environmentally sensitive areas.
- *Growing Through Selective Investment*. We believe we can improve our competitive position and financial performance through investments in our core businesses and in new assets or lines of business that complement and expand our capabilities. We are focused on:
  - growing our rental tools operation by locating new service facilities in markets with growing demand from new and existing customers;

- upgrading and adding new equipment to our drilling rig fleet thereby improving the services we offer to operators;
- entering new markets that we believe present long-term oil and natural gas development opportunities; and
- expanding and broadening our technical services and O&M activities by leveraging our experience and existing relationships.

- *Striving for Execution Excellence and Maintaining Financial Discipline.* We believe we significantly enhance our operating and financial performance potential by how well we plan, execute and manage. Our operating culture is to align resources, responsibility and accountability with achievable objectives. Our management team has extensive experience in the industry and we work diligently to continue to attract new talent that can improve our management and operational performance and provide leadership excellence in the future. We maintain strong financial controls and disciplines in all aspects of our business to ensure we adhere to solid financial principles and provide attentive stewardship of our capital. We intend these principles to lead to consistency in operational performance, stronger-than-peer financial performance and value to our shareholders.

We focus on specific goals that align with these strategies. These are intended to improve our safety performance; manage the geopolitical risks associated with our asset deployment; improve financial returns from operations; improve the predictability and reliability of operational, planning and project management processes; and strengthen our enterprise talent.

Our Competitive Strengths

We differentiate ourselves from other providers of similar services by focusing on our core competencies and delivering premier and measurable results to our customers. We seek to provide our customers safe, reliable and efficient operations, and innovation in our products and services through these key focus areas:

- *Safety:* We believe industry-leading safety performance is a crucial factor in our status as a preferred drilling contractor and rental tools supplier. We utilize a portfolio of metrics and processes to reinforce and drive continuous improvement in safety and environmental performance. Our TRIR has been below the industry average for more than ten years. Over 70% of our facilities reported zero recordable injuries in each of 2012 and 2013. We believe our safety record, along with our integrated HSE program, have contributed to our success in obtaining drilling contracts, as well as contracts to manage and provide labor resources for drilling rigs owned by third parties.
- *Personnel Development and Training:* The challenges of our business are magnified by the technological requirements of our work and our customers. We have invested significant resources to provide a full curriculum of standardized training to promote working safely and operating efficiently. Our training centers in Louisiana and Alaska provide safety and technical training curricula in four different languages and we provide regulatory compliance training throughout the world. We also provide structured training programs and on-site instruction to our customers in the use of equipment we furnish as rental tools. We are committed to ongoing training and to developing best-in-class processes for quickly and effectively developing and deploying the most qualified and highly trained industry workers.
- *Technology:* Applying new technology to create greater efficiencies in the drilling process lies at the heart of our competitive strengths. We have a nearly 80-year legacy of applying new technologies for drilling in challenging environments and a demonstrated history of technological leadership within the drilling industry. Our previous contributions to the industry include the patented heli-hoist rig design, winterized rigs on wheels for arctic drilling, and an Arctic class barge rig to explore the Caspian Sea. We have established extended reach drilling depth records on several occasions. Our two new-design Arctic class drilling rigs, designed for drilling on the Alaskan North Slope are intended to increase

drilling efficiency, consistency and safety in the extreme climate and harsh conditions of the arctic. Our rental tools business focuses on premium equipment, maintained to high standards, that complements advanced drilling technologies like those developed to exploit oil and natural gas deposits in shale.

- *Performance:* Our primary aim is to provide services that benefit both our customers and our company. We strive to achieve this by planning, executing and measuring our performance against our goals and our customers' expectations. We utilize performance metrics in our business and regularly share them with our customers. Our supply chain management and our planned maintenance programs, including preventive maintenance to facilitate dependable operating efficiency and minimize down time, help to establish us as a contractor of choice. Our management team has extensive experience in the energy services and oil and natural gas drilling industries and utilizes this experience to set performance standards and assess the performance of our operations and individual employees.

Customers

Our customer base consists of major, independent and national oil and natural gas companies and integrated service providers. We depend on a limited number of significant customers. In 2012, our two largest customers, ENL and Schlumberger, accounted for approximately 11.8% and 10.4%, respectively, of our total revenues.

Competition

We operate in highly competitive businesses characterized by high capital requirements, continuously rigorous technological challenges, evolving regulatory requirements and challenges in securing and retaining qualified field personnel.

In international land markets, we compete with a number of international drilling contractors as well as local contractors. Most contracts are awarded on a competitive bidding basis and operators often consider technical expertise and quality of equipment in addition to price. Although local drilling contractors typically have lower labor and mobilization costs, we are generally able to distinguish ourselves from these companies based on our technical expertise, safety performance, quality of service, planned maintenance and experience. In international markets, our experience in operating in challenging environments has been a significant factor in securing contracts. We believe the market for drilling contracts will continue to be highly competitive with continued focus on efficiency and quality.

In the GOM barge drilling markets, we are awarded most contracts through a competitive bidding process. We have achieved some success in differentiating ourselves from competitors through our drilling performance, upgraded fleet, planned maintenance programs, well-trained and experienced crews and safety record. This strategy has resulted in safer and more efficient operations and we believe these are important factors in contract awards.

In the U.S. rental tools market we compete with suppliers both larger and smaller than our own business, some of which are parts of larger enterprises. We believe our rental tools business is one of the leading rental tools companies in the U.S. oil and natural gas drilling markets. Our rental tools business, competes against other rentals tool companies based on its breadth of inventory, the availability and price of its product and its quality of service.

Contracts

Most drilling contracts are awarded based on competitive bidding. The rates specified in drilling contracts vary depending upon the type of rig employed, equipment and services supplied, geographic location, term of the contract, competitive conditions and other variables. Our contracts generally provide for an operating dayrate during drilling operations, with lower rates for periods of equipment downtime, customer stoppage, adverse

weather or other conditions, and no payment when certain conditions continue beyond contractually established parameters. When a rig mobilizes to or demobilizes from an operating area, the contract typically provides for a different dayrate or specified fixed payments during the mobilization or demobilization. The terms of most of our contracts are based on either a specified period of time or the time required to drill a specified number of wells. The contract term in some instances may be extended by the customer exercising options for an additional time period or for the drilling of additional wells, or by exercising a right of first refusal. Most of our contracts allow termination by the customer prior to the end of the term without penalty under certain circumstances, such as the loss of or major damage to the drilling unit or other events that cause the suspension of drilling operations beyond a specified period of time. Certain of our contracts require the customer to pay an early termination fee if the customer terminates a contract before the end of the term without cause, but in the remainder of the contracts the customer has the discretion to terminate the contract without cause prior to the end of the term without penalty.

Rental tools contracts are typically on a dayrate basis with rates based on type of equipment, investment and competitive conditions. Rental rates generally apply from the time the equipment leaves our facility until it is returned. Rental contracts generally require the customer to pay for lost, lost-in-hole or damaged equipment.

Technical Services contracts include engineering, consulting, and project management scopes of work and are typically on a time and materials basis.

Seasonality

Our rigs in the GOM are subject to severe weather during certain periods of the year, particularly during hurricane season from June through November, which could halt operations for prolonged periods or limit contract opportunities during that period. In addition, mobilization, demobilization, or well-to-well movements of rigs in arctic regions can be affected by seasonal changes in weather or weather so severe the conditions are deemed unsafe to operate in.

Insurance and Indemnification

Our operations are subject to hazards inherent in the drilling industry, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, craterings, fires, explosions, pollution, and damage or loss during transportation. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment and pollution damage, which could lead to claims by third parties or customers, suspension of operations and contract terminations. Some of our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations.

Our contracts provide for varying levels of indemnification between ourselves and our customers, including with respect to well control and subsurface risks. We also maintain insurance for personal injuries, damage to or loss of equipment and other insurance coverage for various business risks. Our insurance policies are typically 12-month policy periods.

Our insurance program provides coverage, to the extent not otherwise paid by the customer under the indemnification provisions of the drilling contract, for liability due to control-of-well events and liability arising from third-party claims, including wrongful death and other personal injury claims by our personnel as well as claims brought on behalf of individuals who are not our employees. Generally, our program provides liability coverage up to $200 million, with a retention of $1 million or less.

Control-of-well events generally include an unintended flow from the well that cannot be contained by using equipment on site (e.g., a BOP), by increasing the weight of drilling fluid or by diverting the fluids safely into production. Our insurance program provides coverage for third-party liability claims relating to pollution from a

control-of-well event up to $200 million per occurrence. A separate limit of $10 million exists to cover the costs of re-drilling of the well and control-of-well costs under a Contingent Operators Extra Expense policy. Remediation plans are in place to prevent the spread of pollutants and our insurance program provides coverage for removal, response and remedial actions. Our insurance program also provides coverage for liability resulting from pollution events originating from our rigs up to $200 million per occurrence. We retain the risk for liability not indemnified by the customer below the retention and in excess of our insurance coverage. In addition, our insurance program covers only sudden and accidental pollution.

Based upon a Company risk assessment and due to the high cost, high self-insured retention and limited coverage insurance for windstorms in the GOM, we do not purchase windstorm insurance for our barge rigs in the GOM. We elected not to purchase such insurance. Although, we have retained the risk for physical loss or damage for these rigs arising from a named windstorm we have procured insurance coverage for removal of a wreck caused by a windstorm.

Our contracts provide for varying levels of indemnification from our customers and may require us to indemnify our customers. Under our contracts liability with respect to personnel and property is customarily assigned on a “knock-for-knock” basis, which means that we and our customers customarily assume liability for our respective personnel and property regardless of fault. However, in certain contracts we may assume liability for damage to our customer’s property and other third-party property on the rig resulting from our negligence, subject to negotiated caps per occurrence, and in other contracts we are not indemnified by our customers for damage to their property and, accordingly, could be liable for any such damage under applicable law. In addition, our customers typically indemnify us for damage to our equipment down-hole, and in some cases our subsea equipment, generally based on replacement cost minus some level of depreciation.

Our customers typically assume responsibility for and indemnify us from any loss or liability resulting from pollution, including clean-up and removal and third-party damages, arising from operations under the contract and originating below the surface of the land or water, including as a result of blow-outs or cratering of the well. In some contracts, however, we may have liability for damages resulting from such pollution or contamination caused by our gross negligence, or, in some cases, ordinary negligence.

We generally indemnify the customer for legal and financial consequences of spills of industrial waste, lubricants, solvents and other contaminants (other than drilling fluid) on the surface of the land or water originating from our rigs or equipment. We typically require our customers to retain liability for spills of drilling fluid (sometimes called “mud”) which circulates down-hole to the drill bit, lubricates the bit and washes debris back to the surface. Drilling fluid often contains a mixture of synthetics, the exact composition of which is prescribed by the customer based on the particular geology of the well being drilled.

The above description of our insurance program and the indemnification provisions typically found in our contracts is only a summary as of the date hereof and is general in nature. Our insurance program and the terms of our contracts may change in the future. In addition, the indemnification provisions of our contracts may be subject to differing interpretations, and enforcement of those provisions may be limited by public policy and other considerations.

If any of the aforementioned operating hazards results in substantial liability and our insurance and contractual indemnification provisions are unavailable or insufficient, our financial condition, operating results or cash flows may be materially adversely affected.

Employees

The following table sets forth the composition of our employee base as of the dates indicated:

	December 31,	
	2012	2011
Rental Tools	279	253
U.S. Barge Drilling	387	387
U.S. Drilling	144	153
International Drilling	1,019	1,301
Technical Services, Construction Contract and Corporate	256	223
Total employees	2,085	2,317

Environmental Considerations

Our operations are subject to numerous federal, state, local and foreign laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous foreign and domestic governmental agencies, such as the EPA, issue regulations to implement and enforce such laws, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences; restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities; limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, ecologically sensitive and other protected areas; require remedial action to clean up pollution from former operations; and impose substantial liabilities for pollution resulting from our operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance could adversely affect our operations and financial position, as well as those of similarly situated entities operating in the same markets. While our management believes that we comply with current applicable environmental laws and regulations, there is no assurance that compliance can be maintained in the future.

As an owner or operator of both onshore and offshore facilities, including mobile offshore drilling rigs in or near waters of the United States, we may be liable for the costs of clean up and damages arising out of a pollution incident to the extent set forth in the Federal Water Pollution Control Act (commonly known as the Clean Water Act (“CWA”), as amended by the Oil Pollution Act of 1990 (“OPA”); the CAA; the Outer Continental Shelf Lands Act (“OCSLA”); the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”); the Resource Conservation and Recovery Act (“RCRA”); Emergency Planning and Community Right to Know Act (“EPCRA”); Hazardous Materials Transportation Act (“HMTA”) and comparable state laws, each as may be amended from time to time. In addition, we may also be subject to applicable state law and other civil claims arising out of any such incident.

The OPA and regulations promulgated pursuant thereto impose a variety of regulations on “responsible parties” related to the prevention of spills of oil or other hazardous substances and liability for damages resulting from such spills. “Responsible parties” include the owner or operator of a vessel, pipeline or onshore facility, or the lessee or permittee of the area in which an offshore facility is located. The OPA assigns liability of oil removal costs and a variety of public and private damages to each responsible party.

The OPA liability for a mobile offshore drilling rig is determined by whether the unit is functioning as a vessel or is in place and functioning as an offshore facility. If operating as a vessel, liability limits of $1,000 per gross ton or $854,400, whichever is greater, apply. If functioning as an offshore facility, the mobile offshore drilling rig is considered a “tank vessel” for spills of oil or hazardous substances on or above the water surface, with liability limits of $3,200 per gross ton or $23.5 million, whichever is greater. To the extent damages and removal costs exceed this amount, the mobile offshore drilling rig will be treated as an offshore facility and the

offshore lessee will be responsible up to higher liability limits for all removal costs plus $75.0 million. The party must reimburse all removal costs actually incurred by a governmental entity for actual or threatened oil or hazardous substance discharges associated with any Outer Continental Shelf facilities, without regard to the limits described above. A party also cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of a federal safety, construction or operating regulation. If the party fails to report a spill or to cooperate fully in the cleanup, liability limits likewise do not apply.

Few defenses exist to the liability imposed by the OPA. The OPA also imposes ongoing requirements on a responsible party, including proof of financial responsibility, for offshore facilities and vessels in excess of 300 gross tons (to cover at least some costs in a potential spill) and preparation of an oil spill contingency plan for offshore facilities and vessels. The OPA requires owners and operators of offshore facilities that have a worst case oil or hazardous substance spill potential of more than 1,000 barrels to demonstrate financial responsibility in amounts ranging from $10.0 million in specified state waters to $35.0 million in federal Outer Continental Shelf waters, with higher amounts, up to $150.0 million, in certain limited circumstances where the Bureau of Ocean Energy Management ("BOEM") believes such a level is justified by the risks posed by the quantity or quality of oil or hazardous substance that is handled by the facility. For tank vessels, as our offshore drilling rigs are typically classified, the OPA requires owners and operators to demonstrate financial responsibility in the amount of their largest vessel's liability limit, as those limits are described in the preceding paragraph. Failure to comply with ongoing requirements or inadequate cooperation in a spill may subject a responsible party to civil or criminal enforcement actions.

The OCSLA authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the Outer Continental Shelf. Specific design and operational standards may apply to Outer Continental Shelf vessels, rigs, platforms, vehicles and structures. Violations of environmentally related lease conditions or regulations issued pursuant to the OCSLA can result in substantial civil and criminal penalties as well as potential court injunctions curtailing operations and the cancellation of leases. Such enforcement liabilities can result from either governmental or citizen prosecution.

Our operating U.S. barge drilling rigs are designed to achieve zero-discharge as required by law, such as CWA. In addition, in recognition of environmental concerns regarding dredging of inland waters and permitting requirements, we conduct negligible dredging operations, with approximately two-thirds of our offshore drilling contracts involving directional drilling, which minimizes the need for dredging. However, the existence of such laws and regulations (e.g., Section 404 of the CWA, Section 10 of the Rivers and Harbors Act, etc.) has had and will continue to have a restrictive effect on us and our customers.

Our operations are also governed by laws and regulations related to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require us to obtain certain miscellaneous permits, licenses and certificates with respect to our operations. The kinds of permits, licenses and certificates required by our operations depend upon a number of factors. We believe we have the necessary permits, licenses and certificates that are material to the conduct of our existing business.

CERCLA (also known as "Superfund") and comparable state laws impose liability without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a "hazardous substance" into the environment. While CERCLA exempts crude oil from the definition of hazardous substances for purposes of the statute, our operations may involve the use or handling of other materials that may be classified as hazardous substances. CERCLA assigns strict liability to a broad class of potentially responsible parties for all response and remediation costs, as well as natural resource damages. In addition, persons responsible for release of hazardous substances under CERCLA may be subject to joint and several liability for the cost of cleaning up the hazardous substances released into the environment and for damages to natural resources. Few defenses exist to the liability imposed by CERCLA.

RCRA and comparable state laws regulate the management of wastes. Current RCRA regulations specifically exclude from the definition of hazardous waste “drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal energy.” However, these wastes may be regulated by EPA or state agencies as solid waste. Moreover, ordinary industrial wastes, such as paint wastes, spent solvents, laboratory wastes, and used oils, may be regulated as hazardous waste. Although the costs of managing solid and hazardous wastes may be significant, we do not expect to experience more burdensome costs than similarly situated companies involved in drilling operations in the Gulf Coast market.

The CAA, comparable state laws, and implementing regulations restrict the emission of air pollutants from various sources, and may require us to obtain permits for the construction, modification, or operation of certain projects or facilities and utilize specific equipment or technologies to control emissions. For example, the EPA has adopted regulations known as “RICE MACT” that require the use of “maximum achievable control technology” to reduce formaldehyde and other emissions from certain stationary reciprocating internal combustion engines, which can include portable engines used to power drilling rigs.

Recent scientific studies have suggested that emissions of certain GHGs and which include carbon dioxide and methane, may be contributing to the warming of the atmosphere resulting in climate change. In response to such studies, the issue of climate change and the effect of GHG emissions, in particular emissions from fossil fuels, are attracting increasing attention worldwide. Legislative and regulatory measures to address concerns that emissions of GHGs are contributing to climate change are in various phases of discussions or implementation at international, national, regional and state levels.

In 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which establishes a binding set of emission targets for GHGs, became binding on all those countries that had ratified it. International discussions are currently underway to develop a treaty to replace the Kyoto Protocol after its expiration in 2020. In the United States, federal legislation imposing restrictions on GHGs is under consideration. Proposed legislation has been introduced that would establish an economy-wide cap on emissions of GHGs and would require most sources of GHG emissions to obtain GHG emission “allowances” corresponding to their annual emissions. Legislation has also been considered that would establish taxes tied to GHG emissions. In addition, the EPA is taking steps to regulate GHGs as pollutants under the CAA. To-date, the EPA has issued (i) a “Mandatory Reporting of Greenhouse Gases” final rule, which establishes a new comprehensive scheme requiring operators of stationary sources (including certain oil and natural gas production systems) in the United States emitting more than established annual thresholds of carbon dioxide-equivalent GHGs to inventory and report their GHG emissions annually; (ii) an “Endangerment Finding” final rule, effective January 14, 2010 which states that current and projected concentrations of six key GHGs in the atmosphere, as well as emissions from new motor vehicles and new motor vehicle engines, threaten public health and welfare, which allowed the EPA to finalize motor vehicle GHG standards (the effect of which could reduce demand for motor fuels refined from crude oil); and (iii) a final rule, effective August 2, 2010, to address permitting of GHG emissions from stationary sources under the CAA’s PSD and Title V programs. This final rule “tailors” the PSD and Title V programs to apply to certain stationary sources of GHG emissions in a multi-step process, with the largest sources first subject to permitting.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business. In addition to potential impacts on our business directly or indirectly resulting from climate-change legislation or regulations, our business also could be negatively affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our rigs, impact our ability to conduct our operations and result in a disruption of our customers’ operations.

Table of Contents

PROPERTIES

We lease corporate headquarters office space in Houston, Texas and own our U.S. Rental Tools headquarters office in New Iberia, Louisiana. Additionally, we own and/or lease office space and operating facilities in various locations including facilities where we hold an inventory of rental tools and locations with close proximity to where we provide service to our customers. Additionally, we own and/or lease facilities for administrative and operational support functions.

Land and Barge Rigs

The following table shows, as of December 31, 2012, the locations and drilling depth ratings of our rigs available for service:

Name	Type(4)	Year entered into service/ upgraded	Drilling depth rating (in feet)	Location
International				
Eastern Hemisphere(1)				
Rig 231	L	1981/1997	13,000	Indonesia
Rig 253	L	1982/1996	15,000	Indonesia
Rig 188	L	1979/2003	18,000	New Zealand
Rig 246	L	1981/1998	18,000	New Zealand
Rig 226	HH	1989/2010	18,000	Papua New Guinea
Rig 264(3)	L	2007	20,000	Algeria
Rig 265(3)	L	2007	20,000	Algeria
Rig 107	L	1983/2009	15,000	Kazakhstan
Rig 216	L	2001/2009	25,000	Kazakhstan
Rig 247	L	1981/2008	18,000	Kazakhstan
Rig 249	L	2000/2009	25,000	Kazakhstan
Rig 257	B	1999/2010	30,000	Kazakhstan
Rig 258	L	2001/2009	25,000	Kazakhstan
Rig 269	L	2008	21,000	Kazakhstan
Latin America				
Rig 268	L	1978/2009	30,000	Colombia
Rig 271	L	1982/2009	30,000	Colombia
Rig 121	L	1980/2007	18,000	Colombia
Rig 53	B	1978/2007	25,000	Mexico
Rig 122	L	1980/2008	18,000	Mexico
Rig 165	L	1978/2007	30,000	Mexico
Rig 221	L	1982/2007	30,000	Mexico
Rig 256	L	1978/2007	25,000	Mexico
Rig 266	L	2008	20,000	Mexico
Rig 267	L	2008	20,000	Mexico
U.S. Land and Barge Drilling(1)(2)				
Rig 8	B	1978/2007	14,000	GOM
Rig 20	B	1981/2007	13,000	GOM
Rig 21	B	1979/2012	14,000	GOM
Rig 12	B	1979/2006	18,000	GOM
Rig 15	B	1978/2007	15,000	GOM
Rig 50	B	1981/2006	20,000	GOM
Rig 51	B	1981/2008	20,000	GOM
Rig 54	B	1980/2006	25,000	GOM
Rig 55(5)	B	1981/2001	25,000	GOM
Rig 72	B	1982/2005	30,000	GOM
Rig 76	B	1977/2009	30,000	GOM

Table of Contents

Name	Type(4)	Year entered into service/ upgraded	Drilling depth rating (in feet)	Location
Rig 77	B	2006/2006	30,000	GOM
Rig 270	L	2011	21,000	Louisiana
Rig 273	L	2012	18,000	Alaska

(1) Excludes five rigs classified for accounting purposes as assets held for sale located in the Eastern Hemisphere as of December 31, 2012, and one rig previously located in GOM, sold in December 2012.
(2) Excludes Land Rig 272 in Alaska which began drilling in late February.
(3) These rigs were re-positioned from Algeria to Tunisia at the end of 2012.
(4) Type is defined as: L — land rig; B — barge rig; HH — heli-hoist land rig.
(5) This rig requires additional investment to make it available for service.

The following table presents our utilization rates and rigs available for service for the years ended December 31, 2012 and 2011:

	December 31,	
U.S. Land & Barge Rigs(4)	2012	2011
U.S. Barge Drilling Rigs		
Rigs available for service(1)	13.0	13.0
Utilization rate of rigs available for service(2)	78%	72%
U.S. Drilling Rigs		
Rigs available for service(1)	1.1	1.0
Utilization rate of rigs available for service(2)	5%	0%
International Land & Barge Rigs		
Eastern Hemisphere Region		
Rigs available for service(1)(3)	15.5	16.0
Utilization rate of rigs available for service(2)	37%	35%
Latin America Region		
Rigs available for service(1)	10.0	10.0
Utilization rate of rigs available for service(2)	67%	70%
Total International Land & Barge Rigs		
Rigs available for service(1)	25.5	26.0
Utilization rate of rigs available for service(2)	49%	48%

(1) The number of rigs available for service is determined by calculating the number of days each rig was in our fleet and was under contract or available for contract. For example, a rig under contract or available for contract for six months of a year is 0.5 rigs available for service during such year. Our method of computation of rigs available for service may not be comparable to other similarly titled measures of other companies.
(2) Rig utilization rates are based on a weighted average basis assuming 365 days availability for all rigs available for service. Rigs acquired or disposed of are treated as added to or removed from the rig fleet as of the date of acquisition or disposal. Rigs that are in operation or fully or partially staffed and on a revenue-producing standby status are considered to be utilized. Rigs under contract that generate revenues during moves between locations or during mobilization or demobilization are also considered to be utilized. Our method of computation of rig utilization may not be comparable to other similarly titled measures of other companies.
(3) As of December 31, 2012 five rigs are excluded from the marketable rig count and classified as assets held for sale.
(4) As of December 31, 2012, we had one-new build rig undergoing commissioning and construction completion in Alaska. The rig completed client acceptance testing and began drilling in February 2013. This rig is not included in rigs available for service in the table above.

Table of Contents

LEGAL PROCEEDINGS

For information on legal proceedings, see Note 13, Commitments and Contingencies, in the notes to the financial statements included elsewhere in this prospectus, which information is incorporated herein by reference.

Table of Contents

SELECTED FINANCIAL DATA

The following table presents selected historical consolidated financial data derived from our audited financial statements for each of the five years in the period ended December 31, 2012 as well as historical consolidated financial data derived from our unaudited financial statements for the nine months ended September 30, 2013 and 2012. The summary pro forma financial data set forth below is derived from our unaudited pro forma financial information included in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 filed with the SEC on November 7, 2013, and gives effect to the ITS Acquisition. The following financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes appearing elsewhere in this prospectus.

	Historical							Pro Forma	
	Nine Months Ended September 30,		Year Ended December 31,					Nine Months Ended September 30,	Year Ended December 31,
	2013	2012	2012	2011(1)	2010	2009	2008(2)	2013	2012
	(Dollars in Thousands, Except Per Share Amounts)								
Income Statement Data									
Total revenues	$ 630,918	$ 520,795	$ 677,982	$ 686,646	$ 659,475	$ 752,910	$ 829,842	$ 671,738	$ 794,861
Total operating income (loss)	72,218	115,140	106,823	(42,639)	45,107	39,322	59,180	95,084	69,644
Equity in loss of unconsolidated joint venture, net of tax	—	—	—	—	—	—	(1,105)	—	—
Other expense, net	(36,313)	(26,720)	(35,846)	(22,773)	(33,602)	(29,495)	(28,405)	(39,321)	(44,402)
Income tax expense (benefit)	18,841	31,155	33,879	(14,767)	26,213	560	6,943	22,826	38,483
Income (loss) from continuing operations	17,064	57,265	37,098	(50,645)	(14,708)	9,267	22,728	32,937	(13,241)
Income (loss) attributable to controlling interest	16,843	57,411	37,313	(50,451)	(14,461)	9,267	22,728	32,629	(14,737)
Basic earnings per share:									
Income (loss) from continuing operations	$ 0.14	$ 0.49	$ 0.32	$ (0.43)	$ (0.13)	$ 0.08	$ 0.20	$ 0.28	$ (0.11)
Income (loss) attributable to controlling interest	$ 0.14	$ 0.49	$ 0.32	$ (0.43)	$ (0.13)	$ 0.08	$ 0.20	$ 0.27	$ (0.13)
Diluted earnings per share:									
Income (loss) from continuing operations	$ 0.14	$ 0.48	$ 0.31	$ (0.43)	$ (0.13)	$ 0.08	$ 0.20	$ 0.27	$ (0.11)
Income (loss) attributable to controlling interest	$ 0.14	$ 0.48	$ 0.31	$ (0.43)	$ (0.13)	$ 0.08	$ 0.20	$ 0.27	$ (0.13)
Balance Sheet Data (as of period end)									
Cash and cash equivalents	$ 162,457	$ 114,127	$ 87,886	$ 97,869	$ 51,431	$ 108,803	$ 172,298		
Property, plant and equipment, net(3)	858,672	776,209	789,123	722,774	819,112	716,798	675,548		
Total assets	1,535,380	1,256,889	1,255,733	1,216,246	1,274,555	1,243,086	1,205,720		
Total long-term debt including current portion	653,968	472,462	479,205	482,723	472,862	423,831	441,394		
Stockholders’ equity	619,790	608,625	590,633	544,050	588,066	595,899	582,172		

(1) The 2011 results reflect a $170.0 million ($109.1 million, net of taxes of $60.9 million) non-cash pretax impairment charge related to our two Arctic class drilling rigs located in Alaska.

(2) The 2008 results reflect a $100.3 million non-cash pretax charge for impairment of goodwill.

(3) The historical balances for the years ended December 31, 2012, 2011, and 2010 and the nine-months ended September 30, 2012 have been adjusted to reflect the reclassification to property, plant & equipment of certain assets previously classified as assets held for sale. During the 2013 second quarter, for three rigs that had previously been reclassified to assets held for sale as of December 31, 2010, management concluded the facts and circumstances at the time indicated that it was no longer probable that a sale would be consummated within a reasonable time period. As a result, at June 30, 2013, we reclassified these assets back to assets held and used in accordance with generally accepted accounting principles.

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Outlook

Overview

We are an international provider of contract drilling and drilling-related services and rental tools. We have operated in over 50 foreign countries and the United States since beginning operations in 1934, making us among the most geographically experienced providers of contract drilling services and rental tools in the world. During 2012, we operated in 12 countries, and in 2013, we acquired an international rental tools business with operations in 10 additional countries. We have extensive experience and expertise drilling geologically difficult wells and managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. We are also industry leaders in quality, health, safety and environmental practices.

Our results in 2013 reflect the impact of management actions in executing our business strategy and in response to market trends and competitive conditions. Results of our U.S. rental tools business continue to reflect soft demand and greater price discounts in the U.S. land drilling market. We offset some of the effects of this with the continued expansion of our rental tools business into the growing GOM offshore drilling market. Subsequent to 2012, our U.S. Drilling segment began operations of its two new Arctic class drilling rigs in Alaska and an O&M contract offshore in California. The addition of these activities made an important contribution to the increase in our operating results.

- In the second quarter of 2013, we completed the acquisition of ITS, which adds international presence to our rental tools business and provides additional opportunities for profitable growth.
- By year-end 2012, we had successfully commissioned Rig 273, the first of our two Arctic class drilling rigs developed to safely and efficiently perform in environmentally sensitive, harsh arctic environments. Rig 273 commenced operating in mid-December. Our second rig completed client acceptance testing and began drilling in February 2013. Both Arctic class drilling rigs are projected to generate steady cash flow during the terms of their current contracts, which extend beyond this year. The successful development of the Arctic class drilling rigs marks an important milestone in our history of supporting responsible arctic drilling through innovative technologies and reliable performance. We believe this level of arctic expertise is unique in our industry and are committed to leveraging this knowledge to benefit our clients going forward.
- Actions to achieve sustainable improvement in our international drilling rig fleet utilization continued throughout 2012 and 2013. Of particular focus was the group of nine rigs serving the Kazakhstan market. At one point in 2012, only two of those rigs were under contract. By year-end 2012, three rigs were under contract in Kazakhstan, a contract for a fourth rig to work in Kazakhstan was being negotiated, and several rigs were under consideration for work in other markets. In February, 2013, we contracted two of the rigs in Kazakhstan for work in the Kurdistan Region of Iraq and began preparing them for mobilization. This action to redeploy previously idle rigs helped our international drilling business achieve higher utilization of our available rig fleet in 2013.
- Our efforts to improve overall fleet utilization included consideration of the strategic value of the geographic position of all our rigs. During 2012, we undertook the relocation of our rigs in North Africa, moving our two rigs out of Algeria to Tunisia. In addition, we worked to expand our business opportunities in the Latin America region, a key market we believe can provide long-term profitable growth.

Other achievements in 2012 that contributed to our results and are expected to have an impact on future performance were:

- We continued to hold the lead position in the U.S. GOM barge drilling market, measured by barge drilling rigs working. According to industry compiled information, over 62% of all wells drilled by barge rigs in the inland waters of the GOM during 2012 were drilled by our rigs.

- We continued our involvement in the development of the ENL Berkut platform, providing construction oversight of the drilling package during the platform's shipyard construction phase, after which the rig will move to Sakhalin Island, Russia for operations.

Outlook

Our markets are highly cyclical, driven by, among other things, our customers' responses to price trends in oil and natural gas, the level of energy exploration and resource development spending (E&P spending) in the domestic and international markets in which we operate and technological advancements in energy E&P. Recent industry surveys continue to project worldwide E&P spending to rise, though with significant differences among regions. There remains some uncertainty as to the direction and pace of U.S. land drilling activity. Our outlook is based on current activity, recent market trends and forecasters' projections.

We expect our rental tools business to benefit from rising demand in the international markets we serve and growing activity in the GOM offshore drilling market, while the current soft demand in the U.S. land market is expected to continue to impact our U.S. rental tools business. The current pace of activity in the U.S. GOM barge drilling market has been influenced by operators' typical caution during the GOM storm season. We expect drilling demand in the GOM's inland waters to remain around current levels and support solid results from our barge drilling business.

Our two Arctic class drilling rigs located on the North Slope of Alaska and one O&M contract for offshore platform operations located in California are projected to generate steady cash flow during the terms of their current contracts, which extend beyond this year.

We continue our efforts to put more of our international rigs to work in growing regions with opportunities to gain operating scale and have achieved increased utilization over the past several quarters. We believe there are opportunities to further strengthen our international drilling rig fleet utilization. While we have a large number of rig contracts coming to term through the early part of the coming year, we expect an ample level of tender activity and contract renewals during that period. Our success in securing continued work will determine our ability to sustain and build on the contribution from this business.

Our Technical Services segment continues to be engaged in engineering and development projects that apply our drilling knowledge, expertise and experience to meet the increasing demand for innovative solutions to address our customers' most complex drilling challenges. Recently, we were awarded an engineering FEED contract, which includes procurement services for long-lead drilling equipment. This contract is an extension of a pre-FEED contract that commenced in late 2012 for a new customer-owned land drilling rig fit for extended reach drilling operations in arctic conditions. The awarded work may lead to a more expansive engagement if the sponsor elects to further develop the project.

Results of Operations

Nine Months Ended September 30, 2013 Compared with Nine Months Ended September 30, 2012

Revenues increased $110.1 million, or 21.1%, to $630.9 million for the nine months ended September 30, 2013, compared with revenues of $520.8 million for the comparable 2012 period. Operating gross margin decreased $15.6 million, or 11.6%, to $118.9 million for the nine months ended September 30, 2013, compared with operating gross margin of $134.5 million for the comparable 2012 period. We recorded net income attributable to controlling interest of $16.8 million for the nine months ended September 30, 2013, as compared with $57.4 million for the nine months ended September 30, 2012.

Table of Contents

The following is an analysis of our operating results for the comparable periods:

	Nine Months Ended September 30,			
	2013		2012	
	(Dollars in Thousands)			
Revenues:				
Rental Tools	$228,718	36%	$191,233	37%
U.S. Barge Drilling	102,085	16%	94,269	18%
U.S. Drilling	48,238	8%	—	— %
International Drilling	236,394	38%	224,176	43%
Technical Services	15,483	2%	11,117	2%
Total revenues	630,918	100%	520,795	100%
Operating gross margin excluding depreciation and amortization:				
Rental Tools gross margin	111,429	49%	125,172	65%
U.S Barge Drilling gross margin	48,241	47%	41,081	44%
U.S. Drilling gross margin	7,874	16%	(3,639)	n/a
International Drilling gross margin	48,371	20%	57,329	26%
Technical Services gross margin	667	4%	(90)	n/a
Total operating gross margin excluding depreciation and amortization	216,582	34%	219,853	42%
Depreciation and amortization	(97,674)		(85,357)	
Total operating gross margin	118,908		134,496	
General and administrative expense	(49,449)		(21,822)	
Gain on disposition of assets, net	2,759		2,466	
Total operating income	$ 72,218		$115,140	

Segment gross margins, excluding depreciation and amortization, are computed as revenues less direct operating expenses, and less depreciation and amortization expense, where applicable; segment operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin amounts and operating gross margin percentages should not be used as a substitute for those amounts reported under generally accepted accounting principles in the U.S. ("U.S. GAAP"). However, we monitor our business segments based on several criteria, including operating gross margin. Management believes that this information is useful to our investors because it more accurately reflects cash generated by segment. Such operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

	Rental Tools	U.S. Barge Drilling	U.S. Drilling	International Drilling	Technical Services
	(Dollars in Thousands)				
Nine Months Ended September 30, 2013					
Operating gross margin(1)	$ 72,470	$ 37,657	$ (4,618)	$ 12,815	$ 584
Depreciation and amortization	38,959	10,584	12,492	35,556	83
Segment operating gross margin excluding depreciation and amortization	$111,429	$ 48,241	$ 7,874	$ 48,371	$ 667
Nine Months Ended September 30, 2012					
Operating gross margin(1)	$ 91,885	$ 29,215	$ (7,881)	$ 21,395	$ (118)
Depreciation and amortization	33,287	11,866	4,242	35,934	28
Segment operating gross margin excluding depreciation and amortization	$125,172	$ 41,081	$ (3,639)	$ 57,329	$ (90)

(1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.

Operations

Rental Tools

Rental Tools segment revenues increased $37.5 million, or 19.6%, to $228.7 million during the nine months ended September 30, 2013 compared with $191.2 million for the nine months ended September 30, 2012. The increase was due to the contribution by the ITS Acquisition that contributed $58.5 million of revenues as well as an increase in repair revenues and tools sales in our U.S. rental tools business. These increases in revenue were partially offset by the impact of the continuing competitive conditions in the U.S. land drilling market that has resulted in a decline in rental tool utilization and higher average discounts in certain key locations.

Rental Tools segment operating gross margin, excluding depreciation and amortization, decreased $13.7 million, or 11.0%, to $111.4 million during the nine months ended September 30, 2013, compared with $125.2 million for the nine months ended September 30, 2012. Gross margin, excluding depreciation and amortization, for ITS was $13.1 million. Gross margin, excluding depreciation and amortization, for our U.S. rental tools business was $98.3 million for the nine months ended September 30, 2013 compared with $125.2 million for the nine months ended September 30, 2012. The decline in U.S. Rental Tools margins was primarily due to the increase in competitive conditions which led to higher discounts for rental tools and related activities and a decline in rental tool utilization.

U.S. Barge Drilling

U.S. Barge Drilling segment revenues increased $7.8 million, or 8.3%, to $102.1 million for the nine months ended September 30, 2013, compared with $94.3 million for the nine months ended September 30, 2012. The increase in revenues was primarily due to higher average dayrates and increased utilization for the U.S. barge rig fleet. U.S. Barge Drilling segment operating gross margin, excluding depreciation and amortization, increased $7.2 million, or 17.4%, to $48.2 million for the nine months ended September 30, 2013, compared with $41.1 million for the nine months ended September 30, 2012, primarily driven by the increase in average dayrates for the U.S barge rig fleet as described above.

U.S. Drilling

U.S. Drilling segment revenues were $48.2 million for the nine months ended September 30, 2013, compared with no revenue for the 2012 comparable period. The increase in revenue is due to the commencement of operations by our two Arctic class drilling rigs beginning in the fourth quarter of 2012 and the commencement in February, 2013 of an O&M contract supporting three platform operations located offshore California.

U.S. Drilling segment operating gross margin, excluding depreciation and amortization, increased $11.5 million to $7.9 million for the nine months ended September 30, 2013, compared with a loss of $3.6 million for the nine months ended September 30, 2012, primarily due to both Arctic class drilling rigs being fully operational by the end of the first quarter of 2013 and the California O&M contract described above. The loss in the 2012 third quarter resulted from expenditures associated with re-entering the Alaska market.

International Drilling

International Drilling segment revenues increased $12.2 million, or 5.5%, to $236.4 million for the nine months ended September 30, 2013 compared with $224.2 million for the nine months ended September 30, 2012. The higher revenues are primarily due to increased revenues from O&M contracts partially offset by lower revenues generated from the operation of rigs that we own.

O&M revenues increased $17.9 million, or 23.7%, to $93.5 million for the nine months ended September 30, 2013, compared with $75.6 million for the nine months ended September 30, 2012. The increase in revenues from our O&M contracts was primarily due to higher reimbursable revenues associated with our

service contracts in Sakhalin. Of the total O&M revenues, approximately $31.5 million and $19.4 million were attributable to reimbursable costs for the nine months ended September 30, 2013 and 2012, respectively, which added to revenues but had minimal impact on margins.

Revenues related to Parker-owned rigs decreased $5.7 million, or 3.8%, to $142.9 million for the nine months ended September 30, 2013 compared with $148.6 million for the nine months ended September 30, 2012, primarily due to a decrease in utilization in the Eastern Hemisphere region and a decline in average revenue per day due to more rig move days versus operating days in our Latin America region. The decrease was partially offset by the contribution of drilling contract revenues from a previously idle rig that has been added to our Sakhalin Island operations and two previously idle rigs added to our Kazakhstan operations.

International Drilling operating gross margin, excluding depreciation and amortization, decreased $9.0 million, or 15.6%, to $48.4 million during the nine months ended September 30, 2013, compared with $57.3 million for the nine months ended September 30, 2012. The decrease in operating gross margin for the nine months ended September 30, 2013 was primarily due to a decline in margins for Parker-owned rigs resulting primarily from increased costs in our Latin America region partially offset by the contribution of revenues from previously idle rigs described above. Additionally, we experienced a decline in O&M margins due to lower rates associated with our service contracts in Sakhalin Island as we transitioned to cost-plus type contracts beginning in the third quarter of 2012.

Technical Services

Technical Services segment revenues increased $4.4 million, or 39.3%, to $15.5 million for the nine months ended September 30, 2013, compared with $11.1 million for the nine months ended September 30, 2012. The increase in revenues was primarily due to increased activity under two projects that more than offset the mid-2012 completion of two other projects.

Operating gross margin for this segment was $0.7 million for the nine months ended September 30, 2013, compared with a loss of $0.1 million for the nine months ended September 30, 2012. The increase is primarily the result of change in the number and scope of projects noted above.

Other Financial Data

Gain on asset dispositions for the nine months ended September 30, 2013 and 2012 was $2.8 million and $2.5 million, respectively, and was primarily the result of asset sales during each period. We periodically sell equipment deemed to be excess or not currently required for operations.

Interest expense increased $8.7 million for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012. This increase was due to a $7.9 million increase in debt-related interest expense primarily due to interest on the additional $125 million of 9.125% Notes issued in the second quarter of 2012, interest expense related to the $125 million term loan fully funded by Goldman Sachs Bank USA as Sole Lead Arranger and Administrative Agent (the “Goldman Term Loan” and, together with the Term Loan, the “Term Loans”), entered into in connection with the ITS Acquisition in April 2013, and interest expense related to the $225 million 7.50% Notes issued in July 2013. Additionally, we experienced a $6.1 million decrease in interest capitalized on major projects resulting from the completion of the two new rigs in Alaska which increased overall interest expense. The increase in interest expense was partially offset by a decrease due to the repayment of the 2.125% Convertible Senior Notes due 2012 (the “2.125% Notes”) and a decrease in amortization of debt issuance costs. Interest income during the nine months ended September 30, 2013 was $2.4 million primarily related to interest earned on an Internal Revenue Service (“IRS”) refund received during the 2013 second quarter.

We incurred a loss on extinguishment of debt of $5.2 million and $1.8 million, respectively during the nine months ended September 30, 2013 and 2012. The loss on extinguishment of debt for 2013 is related to the write-

off of debt issuance costs resulting from the repayment of the $125 million Goldman Term Loan in July 2013. The loss on extinguishment of debt for 2012 resulted from the repurchase of $122.9 million of the 2.125% Notes pursuant to a tender offer on May 9, 2012.

General and administration expense increased $27.6 million for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012 due primarily to $19.2 million of costs related to the April 2013 ITS Acquisition. Additionally, we had higher incentive compensation costs and increased costs related to training and implementation of our new enterprise resource planning system. Income tax expense was $18.8 million for the nine months ended September 30, 2013, as compared to $31.2 million for the nine months ended September 30, 2012. The decrease in 2013 period tax expense is driven primarily by the decrease in pre-tax income to $35.9 million for the nine months ended September 30, 2013 from $88.4 million for the nine months ended September 30, 2012.

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

Revenues of $678.0 million for the year ended December 31, 2012 decreased $8.7 million, or 1.3%, from the comparable 2011 period. The years ended December 31, 2012 and 2011 included construction contract revenues of zero and $9.6 million, respectively, for the Liberty rig construction project that was suspended by BP in November 2010. Excluding that individual project, revenues from ongoing operations for the year ended December 31, 2012 would have been approximately the same as in 2011. Operating gross margin, including depreciation and amortization decreased 3.5% to $150.9 million for the year ended December 31, 2012 as compared to $156.4 million for the year ended December 31, 2011.

The following is an analysis of our operating results for the comparable periods:

	Year Ended December 31,			
	2012		2011	
	(Dollars in Thousands)			
Revenues:				
Rental Tools	$ 246,900	36%	$ 237,068	35%
U.S. Barge Drilling	123,672	18%	93,763	14%
U.S. Drilling	1,387	1%	—	0%
International Drilling	291,772	43%	318,482	46%
Technical Services	14,251	2%	27,695	4%
Construction Contract	—	0%	9,638	1%
Total revenues	677,982	100%	686,646	100%
Operating gross margin:				
Rental Tools gross margin excluding depreciation and amortization	158,016	64%	162,577	69%
U.S Barge Drilling gross margin excluding depreciation and amortization	54,267	44%	28,620	31%
U.S. Drilling gross margin excluding depreciation and amortization	(8,151)	n/a	(1,692)	n/a
International Drilling gross margin excluding depreciation and amortization	59,995	21%	72,891	23%
Technical Services gross margin	(209)	n/a	5,335	19%
Construction Contract gross margin	—	n/a	771	8%
Total operating gross margin excluding depreciation and amortization	263,918	39%	268,502	39%
Depreciation and amortization	(113,017)		(112,136)	
Total operating gross margin	150,901		156,366	
General and administrative expense	(46,052)		(31,314)	
Impairment and other charges	—		(170,000)	
Provision for reduction in carrying value of certain assets	—		(1,350)	
Gain on disposition of assets, net	1,974		3,659	
Total operating income	$ 106,823		$ (42,639)	

Operating gross margins, excluding depreciation and amortization, are computed as revenues less direct operating expenses, excluding depreciation and amortization expense, where applicable; operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin amounts and operating gross margin percentages should not be used as a substitute for those amounts reported under U.S. GAAP. However, we monitor our business segments based on several criteria, including operating gross margin. Management believes that this information is useful to our investors because it more accurately reflects cash generated by segment. Such operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

	Rental Tools	U.S. Barge Drilling	U.S. Drilling	International Drilling	Technical Services	Construction Contract(2)
			(Dollars in Thousands)			
Year Ended December 31, 2012						
Operating gross margin(1)	$113,899	$ 39,774	$(15,168)	$ 12,642	$ (246)	$ —
Depreciation and amortization	44,117	14,493	7,017	47,353	37	—
Operating gross margin excluding depreciation and amortization	$158,016	$ 54,267	$ (8,151)	$ 59,995	$ (209)	$ —
Year Ended December 31, 2011						
Operating gross margin(1)	$120,822	$ 11,116	$ (3,915)	$ 22,237	$ 5,335	$ 771
Depreciation and amortization	41,755	17,504	2,223	50,654	—	—
Operating gross margin excluding depreciation and amortization	$162,577	$ 28,620	$ (1,692)	$ 72,891	$ 5,335	$ 771

(1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
(2) The Construction Contract segment does not incur depreciation and amortization.

Operations

Rental Tools

Rental Tools segment revenues increased $9.8 million, or 4.1%, to $246.9 million for the year ended December 31, 2012 compared to revenues for the year ended December 31, 2011. The increase is primarily due to an increase in rentals to offshore GOM customers and greater tool sales and repair revenues. This was partially offset by the impact of soft U.S. natural gas prices that led to reduced demand from the U.S. land drilling market and lower rental tools utilization in key operating areas.

Rental Tools segment operating gross margin, excluding depreciation and amortization, decreased by $4.6 million, or 2.8%, for the year ended December 31, 2012 compared with operating gross margin, excluding depreciation and amortization, for the year ended December 31, 2011, primarily due to increased price competition in key U.S. land drilling markets, and the impact of an increase in lower-margin tools sales and repair revenues.

U.S. Barge Drilling

U.S. Barge Drilling segment revenues increased $29.9 million, or 31.9%, to $123.7 million for the year ended December 31, 2012, compared with revenues for the year ended December 31, 2011. The increase in revenues was primarily due to an increase in rig fleet utilization and overall higher average dayrates for 2012. Both of these factors reflect a general increase in overall drilling activity in the U.S. GOM shallow water drilling market. Additionally, our dayrates benefit from our ability to renegotiate day rates during multi-well contracts based on our ability to deliver higher levels of performance.

U.S. Barge Drilling segment operating gross margin, excluding depreciation and amortization, increased $25.6 million or 89.6% to $54.3 million for the year ended December 31, 2012, compared with segment operating gross margin, excluding depreciation and amortization, for the year ended December 31, 2011. This increase is primarily a result of overall improved rig fleet utilization and average dayrates and the continued control of operating costs.

U.S. Drilling

The U.S. Drilling segment began generating revenue in early December 2012 as the first of the two Arctic class drilling rigs commenced drilling operations. The second rig completed client acceptance testing and began drilling in February 2013. Revenues were $1.4 million and zero for the years ended December 31, 2012 and 2011, respectively. The introduction of these rigs to the Alaskan North Slope is expected to improve drilling efficiency, operating consistency and safety in this remote and challenging environment.

U.S. Drilling segment operating gross margin, excluding depreciation and amortization, was a loss of $8.2 million and $1.7 million for the years ended December 31, 2012 and 2011, respectively. Operating expenses include start-up costs associated with re-entering the Alaskan market, such as salaries and employee hiring-related expenditures, training and rental of facilities in Alaska to support our operations. Additionally, early in the third quarter of 2012 we began incurring depreciation expense and ceased capitalizing interest costs related to one of the rigs when it was presented to the customer to begin the acceptance testing process.

International Drilling

International Drilling segment revenues decreased $26.7 million, or 8.4%, to $291.8 million for the year ended December 31, 2012, compared with the year ended December 31, 2011. The lower revenues are primarily due to a decrease in revenue generated by our O&M contracts and a decline in our drilling revenues generated through the operation of rigs that we own.

O&M revenues decreased to $108.3 million, or 14.7% for the year ended December 31, 2012 compared to $127.0 million for the year ended December 31, 2011. The decrease in revenues was primarily due to the completion in 2011 of a drilling rig relocation project in Sakhalin Island, Russia and lower rates associated with our services contracts in Sakhalin Island. This was partially offset by increased operating and reimbursable revenues associated with the Orlan platform contract as it moved from warm-stack mode to fully-operational mode during 2012, the benefits of a new one-rig service contract in China, and the operation during much of 2012 of a customer-owned rig in Papua New Guinea. O&M projects included $31.3 million and $51.9 million of reimbursable costs for the years ended December 31, 2012 and 2011. Reimbursable costs add to revenues but have little direct impact on operating margins.

Revenues related to Parker-owned rigs decreased to $183.5 million or 4.2% for the year ended December 31, 2012 compared with $191.5 million for the year ended December 31, 2011. Revenues declined in the Eastern Hemisphere region primarily due to lower utilization of our Arctic class barge rig in the Caspian Sea and reduced dayrates on our rig in Papua New Guinea. The decrease was partially offset by increased revenues in Algeria as a result of the mobilization and start-up of two rigs during 2012 and a contribution from demobilization fees in the Latin America region as two rigs completed work during the year.

International Drilling operating gross margin, excluding depreciation and amortization, decreased $12.9 million, or 17.7%, to $60.0 million for the year ended December 31, 2012, compared with $72.9 million for the year ended December 31, 2011. The decrease in operating gross margin for the year ended December 31, 2012 was due to decreased margins for both our O&M operations and our Parker-owned rig operations. Operating margins generated by our O&M operations were $20.7 million and $25.3 million for the years ended December 31, 2012 and 2011, respectively. The decrease is primarily due to a decrease in handling fees associated with lower reimbursable costs charged back to customers and lower project management fees related

to the drilling rig relocation project in Sakhalin Island, Russia that was completed prior to December 31, 2011 and lower rates associated with our service contracts in Sakhalin Island as we transitioned from higher value operating contracts to cost-plus contracts during 2012. This was partially offset by the gross margins associated with the Orlan platform contract as it moved from warm-stack mode to fully-operational mode during 2012 and the benefits of a new one-rig service contract in China.

Our margins related to Parker-owned rigs were $39.2 million and $47.6 million for the years ended December 31, 2012 and 2011, respectively. The decrease in operating gross margins was primarily the result of lower rig utilization related to our Arctic class barge rig in the Caspian Sea and a non-cash charge to reserve certain value-added tax assets resulting from a strategic decision to move two rigs out of the Kazakhstan market. Partially offsetting this decrease were increased operating gross margins resulting from the start-up of two rigs in Algeria during 2012 and increased utilization and demobilization revenues with minimal demobilization costs in Latin America. In addition, results for 2011 included $1.9 million of expense related to equity tax assessments in Latin America.

Technical Services

Technical Services segment revenues decreased $13.4 million, or 48.5%, to $14.3 million for the year ended December 31, 2012, compared with $27.7 million for the year ended December 31, 2011. This decrease was primarily due to expiration of the “pre-operations” phase of the Liberty project at the end of the second quarter of 2011 and the transition of the Berkut platform project from its engineering phase to a less revenue-intensive construction oversight and assistance phase. Also contributing to the decrease was the completion of a pre-FEED project at the end of the second quarter of 2012.

Operating gross margin for this segment decreased by $5.5 million to a loss of $0.2 million for the year ended December 31, 2012, compared with the year ended December 31, 2011. The decrease in operating gross margin was primarily due to the completion of a pre-FEED project at the end of the second quarter of 2012, the transition of the Berkut platform project into a less revenue-intensive construction oversight and assistance phase, and the costs to retain technical capabilities as we transition between projects. The Technical Services segment incurs minimal depreciation and amortization primarily related to office furniture and fixtures.

Construction Contract

This segment includes only the Liberty extended-reach drilling rig construction project. Construction Contract segment revenues were zero for the year ended December 31, 2012 compared with $9.6 million for the year ended December 31, 2011. This segment reported zero and $0.8 million operating gross margin for the years ended December 31, 2012 and December 31, 2011, respectively. The operating gross margin generated during the year ended December 31, 2011 resulted from the preliminary close-out of the Liberty project and recognition of final percentage of completion revenues. The Construction Contract segment does not incur depreciation and amortization.

The Liberty rig construction contract was a fixed fee and reimbursable contract that we accounted for on a percentage of completion basis. As of December 31, 2011, we had recognized $335.5 million in project-to-date revenues. Over the life of the contract, we recognized $11.7 million of margin on the contract.

Other Financial Data

During the fourth quarter of 2011 we recorded a non-cash pre-tax impairment charge of $170.0 million ($109.1 million, net of taxes of $60.9 million) to adjust our Arctic class drilling rigs to their fair value from the existing net book value. In 2011, we recognized a $1.4 million reduction in carrying value of assets related to a final settlement of a customer bankruptcy matter as it was deemed that our rights to mineral reserves no longer supported the outstanding receivable.

Gain on asset dispositions for the year ended December 31, 2012 and 2011 was $2.0 million and $3.7 million, respectively. We periodically sell equipment deemed to be excess, obsolete, or not currently required for operations.

Interest expense increased $10.9 million for the year ended December 31, 2012 compared with the year ended December 31, 2011. The increase primarily resulted from a $5.2 million increase in interest on the additional $125.0 million of 9.125% Notes, which have a higher interest rate than our 2.125% Notes that were repaid during 2012, and a $9.0 million decrease in interest capitalized on major projects, resulting from a reduction in the value of the Arctic class drilling rigs following the impairment charge recorded during the fourth quarter of 2011 and the placement of one of the Arctic class drilling rigs into service during the third quarter of 2012. The net increase was partially offset by a decrease in amortization of the debt discount on the 2.125% Notes as they were tendered or matured during 2012 and amortization of the debt premium related to the additional $125.0 million of 9.125% Notes. Interest income was $0.2 million and $0.3 million for the years ended December 31, 2012 and 2011, respectively.

Loss on extinguishment of debt of $2.1 million resulted from the repurchase prior to maturity of $122.9 million of the 2.125% Notes pursuant to a tender offer on May 9, 2012 and the write-off of debt issuance costs related to refinancing our credit facility in December 2012. The loss included a $0.4 million premium paid to repurchase the 2.125% Notes prior to maturity, $1.4 million accelerated amortization of the related debt discount and debt issuance costs of the 2.125% Notes, and $0.3 million accelerated amortization of the debt issuance costs related to our credit facility.

General and administration expense increased $14.7 million for the year ended December 31, 2012, compared with general and administrative expense for the year ended December 31, 2011. The general and administrative cost increase was due primarily to a proposed settlement with the DOJ and SEC recorded during the fourth quarter of 2012, offset by a decrease in legal fees associated with the related SEC and DOJ investigations.

Income tax expense was $33.9 million for the year ended December 31, 2012, compared with an income tax benefit of $14.8 million for the year ended December 31, 2011. The 2012 tax expense was primarily due to the mix of our domestic and international pretax earnings and losses, the mix of international tax jurisdictions in which we operate, and adjustments related to the settlement of our examination with the U.S. Internal Revenue Service for tax periods through 2010 including carryover adjustments impacting the 2011 period. The 2011 period tax benefit is driven primarily by the $170.0 million non-cash pretax charge for our Arctic class drilling rigs in Alaska resulting in a $60.9 million federal and state tax benefit, offset by operating income (excluding the impairment), differences in the mix of our domestic and international pretax earnings and losses, as well as the mix of international tax jurisdictions in which we operate. Included in tax expense for the year ended December 31, 2012 is an expense of $1.5 million related to an uncertain tax position and a benefit of $7.0 million related to the effective settlement of uncertain tax positions.

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Revenues of $686.6 million for the year ended December 31, 2011 increased $27.2 million, or 4.1%, from the comparable 2010 period. The years ended December 31, 2011 and 2010 included construction contract revenues of $9.6 million and $91.1 million, respectively, for the Liberty rig construction project. Excluding that individual project, revenues for the year ended December 31, 2011 would have been $108.6 million or 19.1%, higher than 2010 from ongoing operations. Operating gross margin including depreciation and amortization increased 113.7% to $156.4 million for the year ended December 31, 2011 as compared to $73.2 million for the year ended December 31, 2010. We recorded a net loss attributable to controlling interest of $50.5 million for the year ended December 31, 2011, as compared to a net loss of $14.5 million for the year ended December 31, 2010. During the fourth quarter of 2011 we recorded a non-cash pre-tax impairment charge of $170.0 million

Table of Contents

($109.1 million, net of taxes of $60.9 million) to adjust our Arctic class drilling rigs to their fair value from the existing net book value. Excluding this non-cash charge, net income attributable to controlling interest for the year ended December 31, 2011 would have been $58.7 million.

The following is an analysis of our operating results for the comparable periods:

	Year Ended December 31,			
	2011		2010	
	(Dollars in Thousands)			
Revenues:				
Rental Tools	$ 237,068	35%	$ 172,598	26%
U.S. Barge Drilling	93,763	14%	64,543	10%
U.S. Drilling	—	0%	—	0%
International Drilling	318,482	46%	294,821	45%
Technical Services	27,695	4%	36,423	5%
Construction Contract	9,638	1%	91,090	14%
Total revenues	686,646	100%	659,475	100%
Operating gross margin:				
Rental Tools gross margin excluding depreciation and amortization	162,577	69%	112,562	65%
U.S Barge Drilling gross margin excluding depreciation and amortization	28,620	31%	11,209	17%
U.S. Drilling gross margin excluding depreciation and amortization	(1,692)	n/a	(217)	n/a
International Drilling gross margin excluding depreciation and amortization	72,891	23%	59,389	20%
Technical Services gross margin	5,335	19%	5,052	14%
Construction Contract gross margin	771	8%	202	0%
Total operating gross margin excluding depreciation and amortization	268,502	39%	188,197	29%
Depreciation and amortization	(112,136)		(115,030)	
Total operating gross margin	156,366		73,167	
General and administrative expense	(31,314)		(30,728)	
Impairments and other charges	(170,000)		—	
Provision for reduction in carrying value of certain assets	(1,350)		(1,952)	
Gain on disposition of assets, net	3,659		4,620	
Total operating income	$ (42,639)		$ 45,107	

Segment gross margins, excluding depreciation and amortization, are computed as revenues less direct operating expenses, and less depreciation and amortization expense, where applicable; segment operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin amounts and operating gross margin percentages should not be used as a substitute for those amounts reported under U.S. GAAP. However, we monitor our business segments based on several criteria, including operating gross margin. Management believes that this information is useful to our investors because it more accurately reflects cash generated by segment. Such operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

	Rental Tools	U.S. Barge Drilling	U.S. Drilling	International Drilling	Technical Services	Construction Contract(2)
			(Dollars in Thousands)			
Year Ended December 31, 2011						
Operating gross margin(1)	$120,822	$ 11,116	$(3,915)	$ 22,237	$ 5,335	$ 771
Depreciation and amortization	41,755	17,504	2,223	50,654	—	—
Operating gross margin excluding depreciation and amortization	$162,577	$ 28,620	$(1,692)	$ 72,891	$ 5,335	$ 771
Year Ended December 31, 2010						
Operating gross margin(1)	$ 74,541	$(11,503)	$ (217)	$ 5,092	$ 5,052	$ 202
Depreciation and amortization	38,021	22,712	—	54,297	—	—
Operating gross margin excluding depreciation and amortization	$112,562	$ 11,209	$ (217)	$ 59,389	$ 5,052	$ 202

(1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
(2) The Technical Services segment and the Construction Contract segment do not incur depreciation and amortization.

Operations

Rental Tools

Rental Tools segment revenues increased $64.5 million, or 37.4%, to $237.1 million for the year ended December 31, 2011 compared to revenues for the year ended December 31, 2010. The increase was primarily due to the growth in demand for rental tools, higher utilization of our rental tools inventory and better pricing. The growing use of lateral drilling and longer well-bores to exploit both shale deposits and conventional oil and natural gas reservoirs continued to lead to greater demand for rental tools. Our 2011 investments in rental tools inventory of approximately $61.5 million expanded our ability to serve this growing demand.

Rental Tools segment operating gross margin, excluding depreciation and amortization, increased by $50.0 million, or 44.4%, for the year ended December 31, 2011 compared with operating gross margin, excluding depreciation and amortization, for the year ended December 31, 2010, primarily due to higher revenues and the ability to leverage costs across the increased revenue stream.

U.S. Barge Drilling

U.S. Barge Drilling segment revenues increased $29.2 million, or 45.3%, to $93.8 million for the year ended December 31, 2011, compared with revenues for the year ended December 31, 2010. The increase in revenues was primarily due to higher rig fleet utilization and a higher average dayrate for 2011. The market's continued shift to more oil-focused drilling supported the demand for drilling throughout the year.

U.S. Barge Drilling segment operating gross margin, excluding depreciation and amortization, increased $17.4 million or 155.3% to $28.6 million for the year ended December 31, 2011, compared with segment operating gross margin, excluding depreciation and amortization, for the year ended December 31, 2010. The increase reflects the impact of improved utilization and the continued control of operating costs.

U.S. Drilling

As of December 31, 2011, the U.S. Drilling segment had not begun generating revenue. We re-entered the Alaska drilling market in late 2012 with two new-design land rigs intended to deliver improved drilling efficiency, operating consistency and safety to address the challenges presented by the remote location, harsh climate and sensitive environment that characterize the Alaskan North Slope. Operating gross margin, excluding depreciation and amortization, was a loss of $1.7 million and $0.2 million for the years ended December 31, 2011 and 2010, respectively, and includes expenditures associated with re-entering the Alaskan market. The start-up costs include salaries and employee hiring-related expenditures, training and rental of facilities in Alaska to support our operations.

International Drilling

International Drilling segment revenues increased $23.7 million, or 8.0%, to $318.5 million for the year ended December 31, 2011, compared with the year ended December 31, 2010. The higher revenues were primarily due to an increase in revenue generated by our O&M contracts offset by a decline in our drilling revenues generated through the operation of rigs that we own.

O&M revenues increased to $127.0 million, or 70.5% for the year ended December 31, 2011 compared to $74.5 million for the year ended December 31, 2010. The increase in revenues generated through our O&M contracts was primarily due to a drilling rig relocation project which began during the fourth quarter of 2010 and a shipyard refurbishment and operations project which began during the first quarter of 2011. The projects included approximately $50.3 million of reimbursable costs for the year ended December 31, 2011, which added to revenues but have little direct impact on operating margins. The increase in O&M revenues was partially offset by a lower average dayrate associated with our services on the Orlan Platform in Sakhalin Island, Russia as the rig was in warm stack mode in 2011 compared with workover mode in 2010.

Revenues related to Parker-owned rigs decreased to $191.5 million or 13.1% for the year ended December 31, 2011 compared to $220.4 million for the year ended December 31, 2010. Revenues declined in the Eastern Hemisphere operations due to reduced average utilization and lower reimbursable revenues, partially offset by a higher average dayrate for our rigs in this region. The decrease in revenues in the Latin America operations was primarily due to reduced average utilization and lower reimbursables partially offset by higher average dayrates for rigs in certain locations in this region.

International Drilling operating gross margin, excluding depreciation and amortization, increased $13.5 million, or 22.7%, to $72.9 million for the year ended December 31, 2011, compared with $59.4 million for the year ended December 31, 2010. The increase in operating gross margin for the year ended December 31, 2011 was due to increased margins for our O&M operations in addition to increased margins for our Parker-owned rig operations. Operating margins generated by our O&M operations were $25.3 million and $16.6 million for the years ended December 31, 2011 and 2010, respectively. The increase was primarily due to the Yastreb drilling rig move and the Coral Sea refurbishment program. Our margins related to Parker-owned rigs were $47.6 million and $42.8 million for the years ended December 31, 2011 and 2010, respectively. The increase was due to the inclusion in 2010 of $6.4 million of expense related to a non-cash charge to write-off certain value added tax (“VAT”) assets and expense for property tax assessments and other tax matters. In addition to the impacts from lower utilization and higher average dayrates in both the Eastern Hemisphere and Latin American regions, we achieved benefits from lower labor costs in our operations in the Eastern Hemisphere region. The increase in

operating margins was partially offset by a $2.3 million non-cash charge to write-off certain VAT assets and the recording of expenses related to the estimated salvage cost of a barge rig that was stranded in Nigeria. We have no ongoing operations in Nigeria.

Technical Services

Technical Services segment revenues decreased $8.7 million, or 24.0%, to $27.7 million for the year ended December 31, 2011, compared with $36.4 million for the year ended December 31, 2010. This decrease was primarily due to the transition of the Berkut platform project from its engineering phase to a less revenue-intensive construction oversight phase and the expiration at the end of the second quarter of 2011 of the “pre-operations” phase of the Liberty rig contract. This was partially offset by revenues related to two front-end engineering projects that are in the early development stages.

Operating gross margin for this segment increased by $0.3 million, or 5.6%, to $5.3 million for the year ended December 31, 2011, compared with the year ended December 31, 2010. The increase in operating gross margin was primarily due to revenues related to two front-end engineering projects that are in the early development stages and an increase in operating margin on the Liberty project resulting from increased margin for resources contracted to BP to support and maintain the Liberty rig. This was partially offset by a decrease due to the transition in the work content of the Berkut platform project. The Technical Services segment does not incur depreciation and amortization.

Construction Contract

This segment includes only the Liberty extended-reach drilling rig construction project for use in the Alaskan Beaufort Sea. Construction Contract segment revenues were $9.6 million for the year ended December 31, 2011 compared with $91.1 million for the year ended December 31, 2010. This segment reported $0.8 million operating gross margin for the year ended December 31, 2011 resulting from preliminary close-out of the Liberty project and recognition of final percentage of completion revenues. The segment reported a $0.2 million operating gross margin for the year ended December 31, 2010 due to an increase in total estimated construction costs and a longer construction period. The Construction Contract segment does not incur depreciation and amortization.

The Liberty rig construction contract was a fixed fee and reimbursable contract that we accounted for on a percentage of completion basis. As of December 31, 2011 and 2010, we had recognized $335.5 million and $325.9 million in project-to-date revenues, respectively. Over the life of the contract we recognized $11.7 million margin on the contract.

Other Financial Data

During 2011 we recorded a provision for reduction in the carrying value of assets of $1.4 million related to a final settlement of a customer bankruptcy proceeding. In 2010, we recognized a $2.0 million provision for reduction in carrying value related to this same bankruptcy matter as it was deemed that our rights to mineral reserves no longer supported the outstanding receivable.

Gain on asset dispositions for the year ended December 31, 2011 and 2010 was $3.7 million and $4.6 million, respectively, and resulted from the sale of equipment deemed to be excess or not currently required for operations.

Interest expense decreased $4.2 million for the year ended December 31, 2011 compared with the year ended December 31, 2010, due to a $5.8 million increase in capitalized interest on major projects (primarily the

two rigs being built in Alaska) which reduced overall interest expense This was partially offset by a $0.9 million increase in debt-related interest expense and $0.7 million increase in debt amortization costs. Interest income was $0.3 million for each of the years ended December 31, 2011 and 2010.

General and administration expense increased $0.6 million for the year ended December 31, 2011, compared with general and administrative expense for the year ended December 31, 2010. The general and administrative cost increase was due primarily to an increase in legal expenses and salaries and wages, partially offset by a decrease in professional and consulting fees and other corporate administrative expenses.

Income tax benefit was $14.8 million for the year ended December 31, 2011, compared with income tax expense of $26.2 million for the year ended December 31, 2010. The 2011 period tax benefit was driven primarily by the $170.0 million non-cash pretax charge for our Arctic class drilling rigs in Alaska resulting in a $60.9 million federal and state tax benefit, offset by operating income (excluding the impairment), differences in the mix of our domestic and international pretax earnings and losses, as well as the mix of international tax jurisdictions in which we operate. Included in tax benefit for the year ended December 31, 2011 was an expense of $0.8 million related to an uncertain tax position and a benefit of $0.8 million related to the effective settlement of an uncertain tax position.

Liquidity and Capital Resources

We periodically evaluate our liability requirements, capital needs and availability of resources in view of inventory levels, expansion plans, debt service requirements and other operational cash needs. To meet our short and long term liquidity requirements, including payment of operating expenses and repaying debt, we rely primarily on cash from operations. However, we have recently, as well as in the past sought, and may in the future seek, to raise additional capital. We expect that for the foreseeable future, cash generated from operations will be sufficient to provide us the ability to fund our operations, provide the working capital necessary to support our strategy, and fund planned capital expenditures.

As of September 30, 2013, we had cash and cash equivalents of $162.5 million, an increase of $74.6 million from December 31, 2012. The primary uses of cash for the nine months ended September 30, 2013 were $118.0 million, net of cash acquired for the ITS Acquisition, $102.9 million for capital expenditures, $125.0 million for repayment of the Goldman Term Loan, and $50.0 million for the repayment of the Term Loan under our credit agreement. The primary sources of cash for the nine month period ended September 30, 2013 were $225.0 million of proceeds from issuance of the private notes, $125.0 million of proceeds from issuance of the Goldman Term Loan and $125.3 million from operating activities.

As of December 31, 2012, we had cash and cash equivalents of $87.9 million, a decrease of $10.0 million from December 31, 2011. The following table provides a summary for the last three years:

	2012	2011	2010
		(Dollars in thousands)	
Operating Activities	$ 189,699	$ 225,885	$ 123,550
Investing Activities	(187,606)	(184,614)	(212,709)
Financing Activities	(12,076)	5,167	31,787
Net change in cash and cash equivalents	$ (9,983)	$ 46,438	$ (57,372)

Operating Activities

Cash flows from operating activities were $189.7 million in 2012, compared with $225.9 million in 2011. Before changes in operating assets and liabilities, cash from operating activities was impacted primarily by net income of $37.1 million plus non-cash charges of $151.6 million. Non-cash charges primarily consisted of $113.0 million of depreciation expense and deferred tax benefit of $15.8 million. Net changes in operating assets and liabilities provided $1.0 million and $32.2 million of cash in 2012 and 2011 respectively.

Cash flows from operating activities were $225.9 million in 2011, compared with $123.6 million in 2010. Before changes in operating assets and liabilities, cash from operating activities was impacted primarily by a net loss of $50.6 million plus non-cash charges of $244.3 million. Non-cash charges primarily consisted of the impairment charge of $170.0 million and $112.1 million of depreciation expense, partially offset by deferred tax expense of $48.4 million. Net changes in operating assets and liabilities provided $32.2 million of cash in 2011, compared to $5.2 million provided in 2010.

Investing Activities

Cash flows used in investing activities were $187.6 million for 2012. Our primary use of cash was $191.5 million for capital expenditures. Major capital expenditures for the period included $86.0 million, including capitalized interest, for the construction of our two Arctic class drilling rigs, $62.0 million for tubular and other products for Rental Tools, and $13.8 million in a new enterprise resource planning system. Capital incurred to support ongoing drilling activities was $29.7 million. Sources of cash included $3.9 million of proceeds from asset sales.

Cash flows used in investing activities were $184.6 million for 2011. Our primary use of cash was $190.4 million for capital expenditures. Major capital expenditures for the period included $77.9 million for the construction of our two Arctic class drilling rigs, including capitalized interest, and $61.5 million for tubular and other products for Rental Tools. Capital expenditures to support ongoing drilling activities was $51.0 million. Sources of cash included $5.5 million of proceeds from asset sales.

Capital expenditures for 2013 are estimated to range from $150.0 million to $175.0 million and will primarily be directed to our Rental Tools inventory and maintenance capital. Any discretionary spending will be evaluated based upon adequate return requirements and available liquidity. We believe that our operating cash flows and borrowings under our senior secured credit facility, will provide us sufficient cash and available liquidity to sustain operation and fund our capital expenditures for 2013, though there can be no assurance that we will continue to generate cash flows at sufficient levels or be able to obtain additional financing if necessary.

Financing Activities

Cash flows used in financing activities were $12.1 million for 2012. Our primary financing activities included the repayment of $125.0 million of our 2.125% Notes and $18.0 million in quarterly payments against our Term Loans. In addition, we received proceeds from the issuance of an additional $125.0 million aggregate principal amount of our 9.125% Notes at a price of 104.0%, resulting in gross proceeds of $130.0 million, less $4.9 million of associated debt issuance costs. We also made a $7.0 million draw on our senior secured credit facility.

Cash flows provided by financing activities were $5.2 million for 2011. Our primary financing activities included a $50.0 million draw on the accordion feature of our credit agreement in the form of a Term Loan, offset by the repayment of the $25.0 million outstanding balance on our senior secured credit facility and $21.0 million in quarterly payments against our Term Loans.

7.50% Senior Notes, due August 2020

On July 30, 2013, we issued $225.0 million aggregate principal amount of the private notes pursuant to an Indenture with The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the private notes offering were primarily used to repay the $125.0 million aggregate principal amount of the Goldman Term Loan, to repay $45.0 million of Term Loan borrowings under our senior secured credit facility and for general corporate purposes.

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued $300.0 million aggregate principal amount of 9.125% Senior Notes ("9.125% Notes") pursuant to an Indenture with The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 9.125% Notes offering were primarily used to redeem the $225.0 million aggregate principal amount of our 9.625% Senior Notes due 2013 and to repay $42.0 million of borrowings under our senior secured revolving credit facility.

On April 25, 2012, we issued an additional $125.0 million aggregate principal amount of 9.125% Notes under the same indenture at a price of 104.0% of par, resulting in gross proceeds of $130.0 million. Net proceeds from the offering were utilized to refinance $125.0 million aggregate principal amount of the 2.125% Notes. We repurchased $122.9 million aggregate principal amount of the 2.125% Notes tendered pursuant to a tender offer on May 9, 2012 and paid off the remaining $2.1 million at their stated maturity on July 15, 2012.

Contractual Obligations

The following table summarizes our future contractual cash obligations as of September 30, 2013:

	Total	Less than 1 Year	Years 1-3	Years 3-5	More than 5 Years
	(Dollars in Thousands)				
Contractual cash obligations:					
Long-term debt — principal(1)	$ 650,000	$ —	$ —	$425,000	$225,000
Long-term debt — interest(1)	312,126	55,750	111,313	111,313	33,750
Operating leases and capital leases(2)	55,172	14,562	17,569	11,046	11,995
Purchase commitments(3)	26,862	26,862	—	—	—
Total contractual obligations	$1,044,160	$ 97,174	$128,882	$547,359	$270,745
Commercial commitments:					
Standby letters of credit(4)	3,766	3,766	—	—	—
Total commercial commitments	$ 3,766	$ 3,766	$ —	$ —	$ —

(1) Long-term debt includes the principal and interest cash obligations of the 9.125% Notes and the private notes. The remaining unamortized premium of $4.0 million on the 9.125% Notes is not included in the contractual cash obligations schedule.
(2) Operating leases consist of agreements in excess of one year for office space, equipment, vehicles and personal property.
(3) Purchase commitments outstanding as of September 30, 2013 are primarily related to rig upgrade projects.
(4) We have an $80.0 million revolving credit facility. As of September 30, 2013, we had no borrowings under the revolving credit facility and $3.8 million of availability has been used to support letters of credit that have been issued, resulting in $76.2 million of availability. In addition, we had $42.5 million of availability on our Term Loan as of September 30, 2013.

Goldman Term Loan

In connection with the ITS Acquisition on April 18, 2013, we entered into a $125 million term loan, fully funded by Goldman Sachs Bank USA as Sole Lead Arranger and Administrative Agent. The Goldman Term Loan was repaid on July 30, 2013 with net proceeds from the issuance of the private notes. In connection with the repayment of the Goldman Term Loan we incurred debt extinguishment costs of $5.2 million.

Amended and Restated Credit Agreement

On December 14, 2012, we entered into an Amended and Restated Credit Agreement ("Credit Agreement") consisting of our $80.0 million senior secured revolving credit facility ("Revolver") and our senior secured

Term Loan of $50.0 million. The Credit Agreement provides that, subject to certain conditions, including the approval of the Administrative Agent and the lenders' acceptance (or additional lenders being joined as new lenders), the amount of the Term Loan or Revolver can be increased by an additional $50.0 million, so long as after giving effect to such increase, the aggregate commitments are not in excess of $180.0 million.

Our loans pursuant to the Credit Agreement, the 9.125% Notes and the private notes are guaranteed by substantially all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which have executed guaranty agreements; and are secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The Credit Agreement contains customary affirmative and negative covenants with which we were in compliance as of September 30, 2013 and December 31, 2012. The Credit Agreement matures on December 14, 2017.

On July 19, 2013, we entered into an amendment to our Credit Agreement which, among other things, permits us or any of our subsidiaries (other than certain immaterial subsidiaries) to incur indebtedness pursuant to additional unsecured senior notes in an aggregate principal amount not to exceed $250.0 million at any one time outstanding; provided that any such notes shall (x) have a scheduled maturity occurring after the maturity date of our senior secured credit facility, (y) contain terms (including covenants and events of default) no more restrictive, taken as a whole, to us and our subsidiaries than those contained in our senior secured credit facility and (z) have no scheduled amortization, no sinking fund requirements and no maintenance financial covenants. In addition, pursuant to the amendment, and subject to the terms and conditions set forth in the Credit Agreement, to the extent we repay the principal amount of term loans outstanding under our senior secured credit facility, until April 30, 2014 we may reborrow, in the form of additional term loans, up to $45.0 million of the principal amount of such outstanding term loans we have repaid, provided that such $45.0 million reborrowing amount will decrease by $2.5 million at the end of each quarter beginning September 30, 2013 and ending March 31, 2014, such that the reborrowing availability on April 30, 2014 would be $37.5 million.

Revolver

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on senior secured credit facility loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the Credit Agreement, the Applicable Rate varies from a rate per annum ranging from 2.50% to 3.00% for LIBOR rate loans and 1.50% to 2.00% for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the Credit Agreement). Revolving loans are available subject to a borrowing base calculation based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at September 30, 2013 and December 31, 2012. Letters of credit outstanding against the senior secured credit facility as of September 30, 2013 and December 31, 2012 totaled $3.8 million and $4.5 million, respectively.

Term Loan

The Term Loan originated at $50.0 million on December 14, 2012 and required quarterly principal payments of $2.5 million, which began March 31, 2013. Interest on the Term Loan accrues at a Base Rate plus 2.00% or LIBOR plus 3.00%. The outstanding balance on the Term Loan at September 30, 2013 and December 31, 2012 was zero and $50.0 million, respectively.

Other Matters

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis,

we evaluate our estimates, including those related to fair value of assets, bad debt, materials and supplies obsolescence, property and equipment, goodwill, income taxes, workers' compensation and health insurance and contingent liabilities for which settlement is deemed to be probable. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While we believe that such estimates are reasonable, actual results could differ from these estimates.

We believe the following are our most critical accounting policies as they are complex and require significant judgments, assumptions and/or estimates in the preparation of our consolidated financial statements.

Fair value measurements. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability.

The fair value measurement and disclosure requirements of FASB Accounting Standards Codification Topic No. 820, *Fair Value Measurement and Disclosures* ("ASC 820") requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows:

- Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 — Direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets;
- Level 3 — Unobservable inputs that require significant judgment for which there is little or no market data.

When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the entire measurement even though we may also have utilized significant inputs that are more readily observable. The amounts reported in our consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value. The carrying amount of our interest rate swap agreements represents the estimated fair value, measured using Level 2 inputs. As of June 30, 2013 the swap agreements had expired and as of December 31, 2012, the carrying amount of our interest rate swap agreements was a liability of less than $0.1 million, recorded in accrued liabilities on our consolidated balance sheets.

Fair value of our debt instruments is determined using Level 2 inputs. Fair values and related carrying values of our debt instruments were as follows for the periods indicated:

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in Thousands)			
Long-term Debt				
7.50% Notes	$225,000	$225,000	$ —	$ —
9.125% Notes	425,000	454,750	425,000	453,688
Total	$650,000	$679,750	$425,000	$453,688

The assets acquired and liabilities assumed in the ITS Acquisition were recorded at fair value in accordance with U.S. GAAP. Acquisition date fair values represent either Level 2 fair value measurements (current assets and liabilities, property, plant and equipment) or Level 3 fair value measurements (intangible assets).

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the nine months ended September 30, 2013.

Impairment of Property, Plant and Equipment. We review the carrying amounts of long-lived assets for potential impairment annually, typically during the fourth quarter, or when events occur or circumstances change that indicate the carrying value of such assets may not be recoverable. For example, evaluations are performed when we experience sustained significant declines in utilization and dayrates and we do not contemplate recovery in the near future, or when we reclassify property and equipment to assets held for sale or as discontinued operations as prescribed by accounting guidance related to accounting for the impairment or disposal of long-lived assets. We determine recoverability by evaluating the undiscounted estimated future net cash flows. When impairment is indicated, we measure the impairment as the amount by which the assets carrying value exceeds its fair value. Management considers a number of factors such as estimated future cash flows, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the concluded current fair value is below the net carrying value.

Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets and reflect management’s assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in materially different carrying values of our assets.

Insurance Reserves. Our operations are subject to many hazards inherent to the drilling industry, including blowouts, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to the property of others. Generally, drilling contracts provide for the division of responsibilities between a drilling company and its customer, and we seek to obtain indemnification from our customers by contract for certain of these risks. To the extent that we are unable to transfer such risks to customers by contract or indemnification agreements, we seek protection through insurance. However, these insurance or indemnification agreements may not adequately protect us against liability from all of the consequences of the hazards described above. Moreover, our insurance coverage generally provides that we assume a portion of the risk in the form of an insurance coverage deductible.

Based on the risks discussed above, we estimate our liability in excess of insurance coverage and record reserves for these amounts in our consolidated financial statements. Reserves related to insurance are based on the facts and circumstances specific to the insurance claims and our past experience with similar claims. The actual outcome of insured claims could differ significantly from the amounts estimated. We accrue actuarially determined amounts in our consolidated balance sheet to cover self-insurance retentions for workers’ compensation, employers’ liability, general liability, automobile liability and health benefits claims. These accruals use historical data based upon actual claim settlements and reported claims to project future losses. These estimates and accruals have historically been reasonable in light of the actual amount of claims paid.

As the determination of our liability for insurance claims could be material and is subject to significant management judgment and in certain instances is based on actuarially estimated and calculated amounts, management believes that accounting estimates related to insurance reserves are critical.

Accounting for Income Taxes. We are a U.S. company and we operate through our various foreign legal entities and their branches and subsidiaries in numerous countries throughout the world. Consequently, our tax provision is based upon the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. The income tax rates imposed and methods of computing taxable income in these jurisdictions vary. Therefore, as a part of the process of preparing the consolidated financial statements, we are required to estimate the income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, amortization and certain accrued liabilities for tax and accounting purposes. Our effective tax rate for financial statement purposes will continue to fluctuate from year to year as our operations are conducted in different taxing jurisdictions. Current income tax expense represents either

liabilities expected to be reflected on our income tax returns for the current year, nonresident withholding taxes or changes in prior year tax estimates which may result from tax audit adjustments. Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities reported on the consolidated balance sheet. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other matters. Changes in these estimates and assumptions, as well as changes in tax laws, could require us to adjust the deferred tax assets and liabilities or valuation allowances, including as discussed below.

Our ability to realize the benefit of our deferred tax assets requires that we achieve certain future earnings levels prior to the expiration of our net operating loss ("NOL") and foreign tax credit ("FTC") carryforwards. In the event that our earnings performance projections do not indicate that we will be able to benefit from our NOL and FTC carryforwards, valuation allowances are established. We periodically evaluate our ability to utilize our NOL and FTC carryforwards and, in accordance with accounting guidance related to accounting for income taxes, will record any resulting adjustments that may be required to deferred income tax expense in the period for which an existing estimate changes.

We do not currently provide for U.S. deferred taxes on unremitted earnings of our foreign subsidiaries as such earnings are deemed to be permanently reinvested. If such earnings were to be distributed, we would be subject to U.S. taxes, which may have a material impact on our results of operations. We periodically review our position and may elect to change our future tax position.

We apply the accounting guidance related to accounting for uncertainty in income taxes. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. At September 30, 2013, we had a liability for unrecognized tax benefits of $10.5 million (which includes $3.8 million of benefits which would favorably impact our effective tax rate upon recognition) primarily related to foreign operations. As of September 30, 2012, we had a liability for unrecognized tax benefits of $12.0 million ($5.2 million of which, if recognized, would favorably impact our effective tax rate). In addition, we recognize interest and penalties that could be applied to uncertain tax positions in periodic income tax expense. As of September 30, 2013 and December 31, 2012, we had approximately $7.7 million and $7.0 million, respectively, of accrued interest and penalties related to uncertain tax positions.

Revenue Recognition. Contract drilling revenues and expenses, comprised of daywork drilling contracts and engineering and related project service contracts, are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract; however, costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met. Revenues from rental activities are recognized ratably over the rental term which is generally less than six months.

Recent Accounting Pronouncements

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on our consolidated financial statements, see Notes to Consolidated Financial Statements — Note 18 — Recent Accounting Pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk

Our international operations expose us to foreign currency exchange rate risk. There are a variety of techniques to minimize the exposure to foreign currency exchange rate risk, including customer contract payment terms and the possible use of foreign currency exchange rate risk derivative instruments. Our primary foreign currency exchange rate risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars, which is our functional currency, and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign currency exchange rate risk needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies typically have not had a material impact on our overall results. In situations where payments of local currency do not equal local currency requirements, foreign currency exchange rate risk derivative instruments, specifically foreign currency exchange rate risk forward contracts, or spot purchases, may be used to mitigate foreign exchange rate currency risk. A foreign currency exchange rate risk forward contract obligates us to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such an exchange. We do not enter into derivative transactions for speculative purposes. At December 31, 2012, we had no open foreign currency exchange rate risk derivative contracts.

Interest Rate Risk

We are exposed to changes in interest rates through our fixed rate long-term debt. Typically, the fair market value of fixed rate long-term debt will increase as prevailing interest rates decrease and will decrease as prevailing interest rates increase. The fair value of our long-term debt is estimated based on quoted market prices where applicable, or based on the present value of expected cash flows relating to the debt discounted at rates currently available to us for long-term borrowings with similar terms and maturities. The estimated fair value of our $425.0 million principal amount of 9.125% Notes, based on quoted market prices, was $453.7 million at December 31, 2012. A hypothetical 100 basis point increase in interest rates relative to market interest rates at December 31, 2012 would decrease the fair market value of our 9.125% Notes by approximately $47.5 million.

During 2011 we entered into two variable-to-fixed interest rate swap agreements as a strategy to manage the floating rate risk on the Term Loan borrowings under the senior secured revolving credit agreement. The two agreements fixed the interest rate on a notional amount of $73.0 million of borrowings at 3.878% for the period beginning June 27, 2011 and terminating May 14, 2013. The notional amount of the swap agreements decreases correspondingly with amortization of the Term Loan borrowings. We did not apply hedge accounting to the agreements and, accordingly, mark-to-market change in the fair value of the interest rate swaps were recognized in earnings. As of December 31, 2012, the fair value of the interest rate swap was a liability of less than $0.1 million and was recorded in accrued liabilities in our consolidated balance sheets. There was no impact to the quarter ended September 30, 2013, as the swap agreement expired during the 2013 second quarter.

Impact of Fluctuating Commodity Prices

We are exposed to fluctuations that arise from economic or political risks that have, and will, impact underlying commodity prices for natural gas, oil and natural gas/oil mixtures. Our business is subject to price fluctuations in commodities, and may be impacted by prolonged pricing reductions. Currently, the price of natural gas has been depressed due in some part to high levels of natural gas inventory. Drilling for natural gas has been negatively impacted; however, drilling activity and our rental tools business has remained active with the focus on oil/liquids-rich shale plays.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers

Officers are elected each year by the board of directors following the annual meeting for a term of one year and until the election and qualification of their successors. The current executive officers of the Company and their ages, positions with the Company and business experience are presented below:

- Robert L. Parker Jr., 65, is the executive chairman of the board of directors. Mr. Parker joined the Company in 1973 as a contract representative, and was appointed manager of U.S. operations and a vice president later in 1973. He was elected executive vice president in 1976, and president and chief operating officer in 1977. In 1991, he was elected chief executive officer, was appointed chairman in 2006, and was appointed executive chairman in 2009 when he stepped down as chief executive officer. In the first quarter of 2012, Mr. Parker resumed the duties of president and chief executive officer until the Company hired Gary Rich as president and chief executive officer, effective October 1, 2012. Mr. Parker retired as Executive Chairman effective December 31, 2013. He continues to serve as Chairman of the board of directors until the annual meeting of stockholders to be held in 2014.
- Gary G. Rich, 54, is the president and chief executive officer, effective October 1, 2012. Mr. Rich also serves as a member of the Company's board of directors. He is an industry veteran with over 30 years of global technical, commercial and operations experience. Mr. Rich came to the Company after a 25-year career with Baker Hughes Incorporated. Most recently, he served as vice president of global sales for Baker Hughes, and prior to this role, he served as president of that company's European operations. Previously, Mr. Rich was president of Hughes Christensen Company, a division of Baker Hughes primarily focused on the production and distribution of drilling bits for the petroleum industry.
- Christopher T. Weber, 41, joined the Company in May 2013 as the senior vice president and chief financial officer. Prior to joining the Company, Mr. Weber served as the vice president and treasurer of Ensco plc., a public offshore drilling company, from 2011 to May 2013. From 2009 to 2011, Mr. Weber served as vice president, operations support of Pride International, Inc., prior to which he served as director, corporate planning and development from 2006.
- Jon-Al Duplantier, 46, is the senior vice president, chief administrative officer, general counsel and secretary. Mr. Duplantier joined the Company in 2009 as vice president and general counsel. From 1995 to 2009, Mr. Duplantier served in several legal and business roles at ConocoPhillips, including senior counsel — Exploration and Production, managing counsel — Indonesia, executive assistant — Exploration and Production, and counsel — Dubai. Prior to joining ConocoPhillips, he served as a patent attorney for DuPont from 1992 to 1995.
- David R. Farmer, 52, is the senior vice president, chief commercial officer and senior vice president, Eastern Hemisphere. Mr. Farmer has over 20 years experience in the upstream oilfield services business working in executive, engineering, operational, marketing, account management, planning, and general management roles in Europe, the Middle East, and North and South America. From 1991 to 2011, Mr. Farmer served in various positions at Schlumberger, including vice president and global account director — Schlumberger Ltd. The Netherlands, vice president and general manager — Schlumberger Oilfield Service Qatar, global marketing manager — Schlumberger Drilling & Measurement Division, Houston, Texas. Most recently, Mr. Farmer was responsible for Demand Planning management and the development of long term tactical resource plans for Schlumberger's Drilling & Measurement division.
- Philip L. Agnew, 45, is the senior vice president and chief technical officer. Mr. Agnew has more than 20 years' experience in design, construction and project management. From 2003 to 2010, Mr. Agnew held the position of President at Aker MH, Inc., a business unit of Aker Solutions AS. From 1998 to 2003, Mr. Agnew served as Project Manager and then vice president — Project Development at Signal International (previously Friede Goldman Offshore; TDI-Halter LP;

Texas Drydock, Inc.). Prior to his career at Signal International, Mr. Agnew served a variety of leadership roles at Schlumberger Sedco Forex International Resources, Interface Consulting International, Inc., and Brown & Root, Inc.

Other Parker Drilling Company Officers

- J. Daniel Chapman, 43, joined the Company in 2009 as chief compliance officer and counsel. Prior to joining the Company, Mr. Chapman was employed by Baker Hughes from 2002 to 2009 where he served in several legal counsel positions including compliance counsel, international trade counsel, division counsel (drilling fluids), and global ethics and compliance director. Prior to 2002, Mr. Chapman was employed as a securities and mergers and acquisitions lawyer with the law firms of Freshfields (London) and King & Spalding (Atlanta and Houston).
- Philip A. Schlom, 49, joined the Company in 2009 as principal accounting officer and corporate controller. From 2008 to 2009, he held the position of vice president and corporate controller for Shared Technologies Inc. From 1997 to 2008, Mr. Schlom held several senior financial positions at Flowserve Corporation, a leading manufacturer of pumps, valves and seals for the energy sector. From 1988 through 1997, Mr. Schlom worked at the public accounting firm PricewaterhouseCoopers.
- David W. Tucker, 58, treasurer, joined the Company in 1978 as a financial analyst and served in various financial and accounting positions before being named chief financial officer of the Company's wholly-owned subsidiary, Hercules Offshore Corporation, in February 1998. Mr. Tucker was named treasurer of the Company in 1999.

Our Board of Directors

In assessing the quality and effectiveness of our board of directors, the Corporate Governance Committee considers the composition of the Board as a whole, as well as the experience, qualifications, attributes and skills brought to the board by each director. As an initial matter, each director should have, among other attributes, personal and professional integrity and high ethical standards, good business judgment, an excellent reputation in the industry in which the nominee or director is or has been primarily employed and a sophisticated understanding of the business of the Company or important aspects of the business. We believe that each of our directors has these attributes. The members of the board (including nominees) continuing in office, and their biographical information, are set forth below.

- Jonathan M. Clarkson, Director since March 2012. Mr. Clarkson, 64, was appointed to the board of directors in March 2012. Since May 2012, Mr. Clarkson has been a consultant to and Chief Financial Officer for Matrix Oil Corporation. Matrix is a privately held company active in oil and gas exploration and production. Mr. Clarkson retired in December 2011 from the Houston Region of Texas Capital Bank, a subsidiary of Texas Capital Bancshares, Inc., where he served as President, Chief Executive Officer and Chairman from 2003 until 2011. From 1999 to 2002, he served as President and Chief Financial Officer for Bargo Energy Company and its successor company Mission Resources Corporation. From 1987 to 1999, Mr. Clarkson served as Executive Vice President and Chief Financial Officer for Ocean Energy Corporation and its predecessor company, United Meridian Corporation. Prior to 1987, Mr. Clarkson held several senior management positions at InterFirst Corporation and its subsidiary First National Bank in Dallas, TX. Mr. Clarkson currently serves on the board of Memorial Production Partners GP LLC, the general partner of Memorial Production Partners LP, a domestic energy firm focused on the acquisition and exploitation of domestic oil and gas properties. From 2006 to 2009, Mr. Clarkson served on the board of Edge Petroleum Corporation where he was Chairman of the Audit Committee and a member of the Compensation Committee. Since 2010, Mr. Clarkson has served on the advisory board of Rivington Capital Advisors, LLC, an investment banking firm specializing in private capital and mergers and acquisition transactions for the small and mid-cap energy sectors. As a former chief financial executive of public companies, Mr. Clarkson brings

significant financial expertise, including an understanding of financial risk management, and experience in preparation and review of financial statements and disclosure documents. As a director of multiple public companies, Mr. Clarkson also brings valuable insights into a wide range of challenges that public companies face.

- George J. Donnelly, Director since October 2005. Mr. Donnelly, 75, was appointed to the board of directors in October 2005. He is a Managing Partner of Lilo Ventures, a venture capital firm, having held this position since 2001. He also serves on the Board of Directors and as Chairman of Global Suppliers, a minority-owned private company that provides equipment to the petroleum and chemical industry. He served as President and Chief Executive Officer of the Houston Hispanic Chamber of Commerce during 2005 and 2006 and as President of the San Jacinto Museum of History from 2000 to 2002. Between 1988 and 2000, Mr. Donnelly served as Vice President of Russell Reynolds Associates and as Vice Chairman of Spencer Stuart Associates, both executive search firms. He began his career at Texaco Inc. in 1962 and served in various roles at Texaco Inc. and Gulf Oil Company until 1998, including Vice President of the Worldwide Energy and Minerals Division, Vice President of the Latin American division and head of the Washington, D.C. office. Mr. Donnelly serves on the Board of Directors of the Greater Houston Partnership (World Trade), the Center for Houston's Future, United Way of Greater Houston, KIPP Charter Schools, the Health Museum of Houston, the San Jacinto Monument and Museum and the Institute of International Education. Mr. Donnelly's experiences as a former executive in the oil and gas industry gives him significant knowledge of and insight into that industry and his experience conducting business in Latin America gives him an understanding of business and cultural practices in that region of the world. In addition, as a former executive in the executive leadership services industry Mr. Donnelly has significant expertise in succession planning and executive and board candidate recruitment that gives us unique insight into such issues.
- Robert W. Goldman, Director since October 2005. Mr. Goldman, 71, was appointed to the board of directors in October 2005. He retired from Conoco Inc. in 2002 after 14 years of service, most recently as Senior Vice President — Finance and Chief Financial Officer. Prior to that time, he was employed for 23 years by E. I. du Pont de Nemours & Co. in a variety of domestic and international finance and operating assignments. Since 2002, he has been self-employed as a financial consultant. From 2003 through 2008, Mr. Goldman served as the elected Vice President-Finance of the World Petroleum Council. He is a member of the Financial Executives Institute and a member of the Advisory Board of Global Infrastructure Partners, a private equity fund investing in the global energy, transportation and water infrastructure sectors. He serves on the Board of Directors of El Paso Corporation, The Babcock & Wilcox Company Inc. and Tesoro Corporation, as well as the Board of Trustees of Kenyon College, Gambier, Ohio. From 2005 until 2010, he also served on the Board of Directors of McDermott International, Inc. Mr. Goldman brings extensive knowledge of the energy industry, international operations, financial risk management and an understanding of capital markets. As a director of several public energy companies, Mr. Goldman also brings experience serving as a director on public company boards, which gives him valuable insights into corporate governance and a wide range of issues that public companies face. Also, as a former chief financial officer of a large, publicly-traded company, Mr. Goldman brings significant financial expertise and experience in preparation and review of financial statements and disclosure documents.
- Gary R. King, Director since September 2008. Mr. King, 55, was appointed to the board of directors in September 2008. He is the Chief Executive Officer of Dutco Natural Resources Investments Limited (DNR), a strategic investment firm focused on the resources sections, including oil and gas, mining, metals and renewable, a role he assumed in April 2012. DNR is a subsidiary of the Dutco Group of companies, a multi-faceted conglomerate with operations in diverse fields from heavy civil engineering to five-star world class hospitality. Mr. King also serves as a Founder and Managing Partner of The Matrix Partnership, a strategic advisory firm based in Dubai, UAE. From June, 2011 to December, 2011, he was President of Natural Resources and Commodities at First Capital Switzerland Investment Bank in Dubai, UAE. From September 2008 through February 2009, Mr. King held the position as the founding Chief Executive Officer of Dubai Natural Resources World. Previously, he

served as the first Chief Executive Officer of the Dubai Mercantile Exchange from 2005 until 2009. From 2001 to 2005, Mr. King served as Senior Vice President in the infrastructure funds and treasury and commodities groups in Macquarie Bank Ltd./Abu Dhabi Commercial Bank, Managing Director at Matrix Commodities DMCC and Regional Head — Energy Group and Specialized Funds Group in Dubai at Standard Bank London Ltd. From 1997 to 2001, he served in senior management roles at Emirates National Oil Company, Dragon Oil PLC and TransCanada International Petroleum. From 1994 to 1997, he served as Vice President — Commodities Trading Group for Morgan Stanley (Singapore). From 1983 to 1994, he served in a variety of roles within exploration and production and oil trading and supply at Neste Oy (national oil and energy company of Finland), after beginning his career as an exploration geologist in 1980. Mr. King is also a member of the Board of Directors of Kulczyk Oil Ventures and WHL Energy Ltd, and a member of TRACE International and the National Association of Corporate Directors. As a former executive of several energy-related businesses in the Middle East, Mr. King brings significant international experience to the Company, with special emphasis in that region of the world. Additionally, as a former executive in a financial institution and other financial and commodities businesses, Mr. King brings important financial expertise that benefits the board in addressing issues related to finance.

- Richard D. Paterson, Director since March 2012. Mr. Paterson, 62, retired from PricewaterhouseCoopers LLP (PwC), an international network of auditors, tax and business consultants, in June 2011 after 37 years of service. Most recently, he served as PwC's Global Leader of its Consumer, Industrial Products and Services Practices (comprising the Automotive, Consumer and Retail, Energy Utilities and Mining, Industrial Products, Pharmaceutical and Health Industries Sectors) and also the Managing Partner of the Houston Office and U.S. Energy Practice. From 2001 to 2010, Mr. Paterson was PwC's Global Leader of its Energy, Utilities and Mining Practice and also was responsible for the audits of ExxonMobil Corporation from 2002 to 2006. From 1997 to 2001, Mr. Paterson lived in Moscow, Russia, and led PwC's Energy Practice for Europe, Middle East and Asia and also was responsible for the audits of OAO Gazprom for those years. Prior to 1997, Mr. Paterson was responsible for the audits of numerous PwC clients, principally in the Energy Sector. He began his career with PwC in Battle Creek, Michigan in 1974, served in 7 PwC offices, including 4 years in the National Office in New York, and was admitted as a partner of PwC in 1987. He has been a frequent speaker at the World Energy Congress and World Petroleum Congress. Mr. Paterson is a member of the National Association of Corporate Directors and serves on the board, and is the chairman of the Audit Committee, of Zaff Capital LLC, a private equity fund investing in emerging markets with a focus on the energy, infrastructure and real estate sectors. Mr. Paterson is a past board member of the U.S./Russia Business Council and the U.S Energy Association. He meets the requirements of a Sarbanes-Oxley audit committee financial expert pursuant to Item 407(d)(5)(ii) of Regulation S-K. Mr. Paterson brings extensive knowledge of the energy industry and energy value chain, and the risks faced by companies operating in the energy industry. In addition, as a long-time audit partner of PwC with significant international experience, he has deep expertise with capital markets, governance and with the preparation and review of financial statements and disclosure documents.
- Roger B. Plank, Director since May 2004. Mr. Plank, 57, was appointed to the board of directors in May 2004. He has served as President and Chief Corporate Officer of Apache Corporation since February 2011, having served as President since 2009. He previously served as Executive Vice President and Chief Financial Officer since 2000 and Vice President and Chief Financial Officer since 1997. Mr. Plank previously served as Vice President of Planning and Corporate Development, Vice President of Corporate Communications and Vice President of External Affairs for Apache. He is also Chairman of Houston's Alley Theatre. As an executive of a public oil and gas exploration and production company, Mr. Plank brings tremendous oil and gas industry experience to the Company. Additionally, as a former financial officer of a public company, Mr. Plank's significant financial expertise and experience in preparation and review of financial statements and disclosure documents is valuable in the preparation of the Company's public disclosure documents. In addition, as a former

corporate communications officer of a public company, Mr. Plank possesses experience which provides the board with helpful insights into internal and external stakeholder communication issues.

- R. Rudolph Reinfrank, Director since March 1993. Mr. Reinfrank, 58, has served since October 2009 as the Managing General Partner of Riverford Partners, LLC, a strategic advisory and investment firm based in Los Angeles, CA ("Riverford"). Riverford acts as an investor, board member and strategic advisor to growth companies and companies in transition. In 2000, Mr. Reinfrank co-founded and served as a Managing General Partner of Clarity Partners, L.P. until 2009. In 2006, he co-founded Clarity China, L.P. In 1997, he co-founded and served as a Managing General Partner of Rader Reinfrank & Co. until 2001. Mr. Reinfrank is a Director of Global Leveraged Capital, LLC. He meets the requirements of a Sarbanes-Oxley audit committee financial expert pursuant to Item 407(d)(5)(ii) of Regulation S-K and he is FINRA licensed for Series 7, 62 and Series 63. Mr. Reinfrank is also a Senior Advisor to Pall Mall Capital, Limited (London) and Transnational Capital Corporation. As a founder and managing general partner of a private equity firm, Mr. Reinfrank brings valuable investment and financing expertise to the Company. In addition, as a strategic advisor to a wide range of companies, Mr. Reinfrank's diverse and extensive business experiences provide an important and unique perspective to our board.

- Peter C. Wallace, Director since October 2013. Mr. Wallace, 59, has served as President and Chief Executive Officer for Robbins & Myers, Inc., an international supplier of equipment and systems to the energy and chemicals sectors, from 2004 to 1023, when the company was acquired by National Oilwell Varco. From 2001 to 2004, Mr. Wallace served as President and Chief Executive Officer for IMI Norgren Group, a world leader in motion and fluid control technologies. As a former chief executive officer of several public companies, Mr. Wallace brings significant business expertise, including extensive knowledge of the energy value chain, the energy industry in general and the risks faced by companies operating in that industry. As a director of multiple public companies, Mr. Wallace also brings valuable insights into a wide range of challenges that public companies face.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

This compensation discussion and analysis ("CD&A") describes our compensation practices and decisions for executive officers focusing specifically on compensation earned during 2012 by persons serving as our chief executive officer ("CEO") or chief financial officer ("CFO"), as well as the other three most highly-compensated executive officers, collectively referred to as our named executive officers ("NEOs"). We also have summarized certain actions that have occurred in fiscal year 2013 for those executives. Generally, our NEOs, as well as other executives, are members of our senior leadership team ("Leadership Team").

The Compensation Committee of our Board (the "Committee") approves and oversees the design and execution of the Company's executive compensation programs as outlined in this CD&A, including the determination of benchmark targets, performance metrics, peer groups and the composition and variability of pay of the Leadership Team. The Committee recommends compensation of the CEO and other executive officers to the independent members of the Board for their approval.

Our compensation philosophy is to provide our executive officers compensation that is competitive, rewards performance based on pre-determined goals that are aligned with the interests of our stockholders, and is appropriate considering all relevant factors and circumstances. We target the market median for each element of pay, but our incentive compensation programs offer both upside and downside potential that may result in actual compensation above or below the median depending upon performance. In years of superior performance where the Company's shareholders have realized significant value addition, our incentive programs are designed to pay out near the top quartile of the market. Conversely, in periods of poor performance compared to the market generally, our incentive programs are designed to pay out near the bottom quartile of the market. Additionally, the Committee has discretion to increase or decrease final awards to account for non-routine items or occurrences.

Our programs are built around three fundamental principles:

Compensation Principle	Description/Rationale
Competitiveness	We provide compensation opportunities that are competitive with our peers in order to attract and retain high-caliber talent.
Pay for Performance	We emphasize performance by linking compensation to the achievement of specific goals and the completion of strategic initiatives that improve our financial performance.
Alignment with Stockholders	We focus on creating long-term value for stockholders by encouraging executives to build and maintain meaningful levels of ownership in the Company through a combination of equity incentive awards and mandatory share ownership requirements.

As you read this CD&A, we believe you will recognize several key attributes of our executive compensation programs:

- our program design provides a balanced mix between cash and equity, and between annual and long-term incentives and performance metrics;
- bonus targets under our annual cash incentive program provide for both upside and downside potential depending upon actual performance with the upside opportunities capped to help mitigate the risk of overemphasizing achievement of annual results at the expense of creating long-term value; and
- our long-term incentive programs (1) utilize three-year vesting periods and three-year rolling performance periods to provide long-term stock-based incentive compensation that rewards sustained performance and (2) is backloaded to ensure that tangible value has been created over a given period.

2012 Highlights

The Company made significant progress in 2012 on several important projects to improve the competitive position of some of its key operations while sustaining operating performance under challenging market conditions. By mid-year 2012, we had achieved significant growth in revenues and earnings, with contributions from the domestic drilling and rental tools operations and international drilling operations. This was primarily driven by the expansion of drilling activity in the U.S. land and GOM markets and steady and uninterrupted work for the portion of our international rig fleet that was under contract. During the latter part of the year, drilling activity in the U.S. land and GOM markets underwent a slow and steady decline. This led to reduced demand and increased competitive conditions for our rental tools and barge drilling businesses. At the same time, international and local operators reduced their drilling programs in several of the international markets we serve, providing fewer opportunities to maintain our rig fleet utilization. As a result, most of the financial gains we made earlier in the year had been negated by year-end.

As we responded to changing market conditions, we also were focused on completing or advancing several projects that are important to our future success. Included among these were:

- The first of two new-build Arctic class drilling rigs went into service for our client in December 2012, and the second Arctic class drilling rig went into service during the first quarter of 2013. These two rigs are expected to bring a new level of operational safety and efficiency to Alaska's environmentally sensitive, harsh arctic environment. Transitioning these rigs from design all the way to operations completed another important chapter in the further development of our arctic environment drilling equipment design and operational capabilities that we believe are unique in our industry.
- We reached an agreement in principle with the DOJ and the SEC with respect to the parallel investigations into alleged violations of U.S. law, including the FCPA.
- Our U.S. Barge Drilling business generated a 32% increase in revenues and a 258% increase in operating gross margin, excluding depreciation and amortization.
- The U.S. Barge Drilling business also maintained its position as the leading drilling contractor in the U.S. GOM barge drilling market, based on the number of barge rigs working.
- We reduced the interest rate on both our term and revolving credit facilities by 25 basis points. We also reduced the quarterly repayment obligation on the term loan from $6 million per quarter to $2.5 million per quarter, and we extended both loans for 5 years (through 12/2017). Under the accordion feature, we have the ability to increase either facility by $50 million if needed.
- Our safety performance for 2012 again placed us as an industry leader in that area, continuing a trend that has persisted for over ten years. Our TRIR was 23% better than the industry average reported by the International Association of Drilling Contractors.

Our results for 2012 included net income of $37.3 million on revenues of $677.9 million, compared with a net loss of $50.5 million on revenues of $686.6 million for 2011.

Below are highlights of some of the compensation-related decisions implemented for 2012:

- The Committee negotiated separation agreements with our former CEO and the Vice President of Administration, made adjustments to the Executive Chairman's compensation in connection with his service as interim CEO, and negotiated the compensation package and employment agreement for our new CEO.
- As part of our normal annual long-term incentive grant cycle, the Committee approved grants to our NEOs totaling 259,477 restricted stock units having a grant date total fair value of $1,271,437 and performance-based awards ("performance-based units") valued at $2,805,302. The grants of performance-based units comprised approximately 69% of the total long-term incentive award and can only be earned based on achievement against pre-established long-term performance measures.

- The Committee approved annual incentive bonuses for the executive officers for the year 2012 at varying percentages of target, reflecting not only overall mixed results for us, but individual performance over the year.
- We eliminated our obligation to make gross-up payments for excise taxes to Mr. Parker Jr.
- Following our 2012 Annual Meeting, the Committee considered the results of the advisory vote on the proposal relating to the compensation of our executive officers and made no changes given that the proposal received the affirmative vote of approximately 80% of the shares voted.

Administration

Role of the Committee

Our executive compensation program is administered by the Committee in accordance with the Committee's charter and other corporate governance requirements of the SEC and the NYSE. In designing our compensation programs and making decisions on individual executive compensation, the Committee periodically reviews and considers the following information and factors:

- Our executive compensation philosophy, policies and objectives, including the rationale underlying each element of executive compensation;
- tally sheets and mockups of executive compensation tables containing the following information with respect to each executive officer:
  - total compensation and the components thereof (base salary, annual incentive bonus, long-term incentive compensation, stock options and other stock grants),
  - future compensation including, without limitation, long-term incentive plans,
  - post-termination compensation,
  - perquisites, and
  - certain elements of past compensation;
- benefit programs;
- the relative pay relationships within the Leadership Team;
- job performance, responsibilities and experience of each executive officer;
- competitive issues relevant to recruiting and retaining executive officers, including the compensation policies and practices of our peers; and
- the potential for behavioral or other risks associated with the incentive plan design or operation.

Based on the above review and analysis, in 2012 the Committee reviewed and recommended changes to the base salary of the CEO in connection with the employment of Mr. Rich. As Mr. Rich began his tenure as CEO, his starting base salary was established at a rate lower than the rate received by his predecessors, Mr. Mannon and Mr. Parker Jr. To ensure the competitiveness of certain executives' compensation, the Committee also recommended changes to the base salaries of the CFO, Vice President of Operations and the General Counsel. Accordingly, the CFO received a 5% salary increase, the VP of Operations received a 15% salary increase, and the General Counsel received a 7% increase.

As further described below, the Committee considered and approved annual incentive bonuses for certain executive officers for the year 2012 and paid in 2013. The Committee also considered and approved awards of restricted stock units for 2012, and the payout of performance units awarded under the 2010 Long Term Incentive Program.

Role of the Independent Compensation Consultant

The Committee engaged Pearl Meyer & Partners ("PM&P") in 2004 as its independent advisor to advise the Committee on certain compensation issues from time to time.

In 2012, the Committee considered PM&P to be independent based on the following factors:

- the Committee had the sole ability to engage and terminate PM&P; and
- except with respect to the limited work for the Company described below, PM&P received all of its assignments with regard to executive compensation matters directly from the Committee (or the Corporate Governance Committee with respect to assignments relating to non-employee director compensation).

Following the promulgation of Regulation S-K Item 407(e)(3)(iv) in 2012, the Committee also took into consideration the following six factors in its ongoing evaluation of PM&P's independence as a compensation consultant and potential conflicts of interest with the Company:

- the provision of other services to the Company by PM&P;
- the amount of fees PM&P receives from the Company, as a percentage of PM&P's total revenue;
- the policies and procedures of PM&P that are designed to prevent conflicts of interest;
- any business or personal relationships between PM&P and members of the Committee;
- any stock of the Company owned by PM&P or its employees; and
- any business or personal relationships between the compensation advisers employed by PM&P or PM&P itself and executive officers of the Company.

Having undertaken this additional review of the relationship with PM&P, the Committee confirmed that PM&P has not provided other services to the Company, that the fees received by PM&P from the Company are less than 1% of PM&P's total revenue, and that PM&P maintains a Conflicts Policy to prevent conflicts of interest from arising. The PM&P Conflicts Policy also prohibits employees involved with a client engagement from buying or selling client stock not held derivatively. Furthermore, none of the PM&P team members assigned to the Company have any business or personal relationships with members of the Committee or with any executive officer of the Company. Accordingly, the Committee continues to believe that its ongoing retention of PM&P does not give rise to conflicts of interest that would jeopardize PM&P's ability to provide independent compensation advice.

During 2012, PM&P provided the following compensation consulting services for the Committee:

- Compiled marketplace compensation data to assist the Committee in establishing executive compensation for our CEOs and our other NEOs;
- Assisted the Company in the performance outcomes and the general assessment of the potential impact on the market competitiveness of our annual Incentive Plan and Long-Term Incentive Plans;
- Reviewed potential cost implications of select NEO employment contract terms; and
- Provided ongoing support and advice to the Committee on other subjects impacting NEO compensation, including the design of the annual incentive program, updates on trends in the marketplace, and the analysis of legislative and regulatory developments.

During 2012, PM&P's services to the Company (as opposed to the Committee) were limited to providing the Company with an industry-wide survey of compensation-related data prepared by PM&P and distributed to survey participants, including the Company. As a survey participant, the Company received compiled information in the same format as other participants, and neither the Company nor its executive officers were

made aware of specific company results. The fees for participation in these surveys were less than $20,000 per year. PM&P routinely reports its survey activities to the Committee and must inform the Committee of any Company requests for services, of which none were made in 2012 outside of the Company.

Roles of Executives in Establishing Compensation

The CEO plays a key role in determining executive compensation for the other executive officers, excluding the Executive Chairman. The CEO attends the meetings of the Committee regarding executive compensation and discusses his recommendations with the Committee, including his evaluation of the performance of executives based on his direct involvement with such executives. Likewise, the Executive Chairman attends the meetings of the Committee regarding executive compensation and discusses his recommendations with the Committee, including his evaluation of the CEO. These recommendations are considered by the Committee, along with other relevant data from PM&P, in determining its recommendations regarding the base salary and other compensation for such executive officers. Neither our Executive Chairman nor our CEO makes recommendations regarding his own compensation. The Committee evaluates such executives' performance and compensation in multiple executive sessions that exclude any individual whose compensation is being discussed.

Benchmarking

In order to analyze the pay practices within our industry, we examine those of a group of companies we consider to be our peers — that is, companies comparable in terms of size, industry and market cycle. We use this peer group for benchmarking as one of several tools in determining appropriate base salaries, annual incentives, long-term incentives and other financial benefits that comprise the total compensation for our executive officers. Compensation data gathered from the SEC filings of our peers is used to benchmark those of our NEOs who have an appropriate match in terms of job function and scope of responsibility. We supplement publicly available proxy data with compensation data from both general and industry-specific surveys. We feel that blending proxy data with survey data provides the Committee with the necessary information to understand the market.

While we believe that competitiveness is a key element in obtaining and retaining quality personnel, there are limitations on comparative pay information in regard to establishing individual executive compensation, including difficulty in comparing equity gains and other compensation. Therefore, the Committee exercises discretion as to the nature and extent of its use of benchmarking data. While we generally target the market median for each element of executive pay, our goal is to use this data as a market guideline rather than a narrow competitive target. This allows us to respond better to changing roles within benchmarked positions and changing business conditions, and to manage compensation more evenly over a career.

Benchmarking data is utilized as a reference point for the Committee's determinations regarding appropriate compensation, considering all the relevant factors and circumstances, including a review of historic increases in compensation, assessing internal pay equity and monitoring how well current executive compensation programs are achieving the goals of the Company's compensation philosophy.

Table of Contents

The Committee, relying on input from senior management and PM&P, periodically reviews the composition of the peer group to ensure it is appropriate for comparative purposes. The following list of peer companies was used by the Committee during 2012 (collectively, the "Peer Group"):

	Peer Company	FY 2012 Revenues ($MM)	Dec 2012 Market Cap ($MM)
NBR	Nabors Industries Ltd.	6,989.57	4,196.05
HP	Helmerich & Payne Inc.	3,263.79	5,921.83
PDS	Precision Drilling Corp.	2,049.35	2,288.14
KEG	Key Energy Services Inc.	1,960.07	1,050.23
TTI	TETRA Technologies Inc.	1,374.88	480.12
BAS	Basic Energy Services Inc.	919.44	450.33
HERO	Hercules Offshore Inc.	880.83	592.64
DRQ	Dril-Quip Inc.	733.03	2,953.78
PES	Pioneer Energy Services Corp.	709.79	978.49
VTG	Vantage Drilling Co.	471.47	538.26
UDRL	Union Drilling Inc.(1)	264.91	138.88
	75th Percentile	721.41	509.19
	MEDIAN	919.44	978.49
	25th Percentile	2,004.71	2,620.96
PKD	PARKER DRILLING COMPANY	677.98	544.05

Source: Standard & Poor's Research Insight Database

(1) Union Drilling was acquired by Sidewinder Drilling in November 2012; above data is effective as of September 2012.

For the reasons that follow, the Committee believes these companies were appropriate peers for the Committee to use for comparative purposes in designing the executive compensation programs:

- Each was a direct competitor for drilling business and/or management personnel.
- Each was considered a peer company by certain industry analysts who specialize in tracking the oil and gas drilling industry. Each was perceived as generally comparable by the stockholder community based on similarities in the nature of the business, customers and business cycles.
- Each faced similar financial challenges and risks.
- Each was within an acceptable range of size in terms of revenue and market capitalization — although revenues are the measure of financial size on which we generally place the greatest emphasis for benchmarking purposes.

In evaluating the data from peer companies, the Committee takes into account differences in the size of individual peer companies by using size-adjusted data provided by PM&P as part of its comparative analysis. The Committee uses the size-adjusted data as a basis to include both smaller and larger companies in the Peer Group, similar to the method used by the investment community in comparing us to other companies. The Committee, in monitoring the peer industry practices, may, over time, make slight modifications to the Peer Group as our size or the size of our peers change, new competitors emerge, or consolidation occurs within the drilling industry. The Committee will continue to monitor the appropriateness of the Peer Group with the primary objective of utilizing a Peer Group that provides the most appropriate reference point for the Company as part of the Committee's competitiveness evaluation.

Tally Sheets/Compensation Tables

The Committee periodically reviews data compiled by the Company and PM&P that provides the Committee with comprehensive information regarding all the elements of actual and potential future compensation that comprise the total compensation package of each executive officer. Such information may be

compiled in tally sheets or in the form of draft mockups of executive compensation tables that are later finalized and incorporated into the executive compensation tables in this Proxy Statement. The tally sheets and draft mockups also show the Committee the total dollar amount of each element of the executive officer's compensation, including cash compensation (base salary and annual incentive compensation), equity awards, benefits and perquisites. Additionally, this draft presentation of the compensation components allows the Committee to see the potential restricted stock unit grants (minimum, target/budget and maximum) from long-term incentive plans, and the potential payouts in post-termination and change-of-control situations pursuant to provisions contained in the employment agreements of the executive officers. The tally sheets or mockups of executive compensation tables provide the Committee with all the relevant information necessary to determine whether the balance between long- and short-term compensation, as well as fixed and variable compensation, is consistent with the overall compensation philosophy of the Company. This information is also used in the Committee's analysis of each element that comprises the total direct compensation to ensure that the total compensation package for each executive officer is appropriate considering all relevant factors and circumstances.

Risk Management

Several elements of our executive compensation program are designed to promote the creation of long-term value and thereby discourage behavior that leads to excessive or unnecessary risk. We have reviewed whether our compensation policies and practices are reasonably likely to have a material adverse effect on the Company, and have determined that there are no such material risks present. This risk review covered our compensation-related programs described below, and included the component parts of the programs and any potential adverse interactions among the programs. Risk mitigation practices include, among other things, the following:

- compensation program designed to provide a balanced mix of cash and equity, and annual and long-term incentives and performance metrics (including return on capital employed and total stockholder return);
- three-year rolling performance periods and long-term stock-based incentive compensation to reward performance over a sustained period of time to prevent excessive risk taking;
- a cap on maximum bonuses paid under our annual cash incentive program at 200% of the target bonus;
- stock ownership guidelines that place our executive officers and directors at risk of losing significant capital if the Company were exposed to inappropriate or unnecessary risks;
- claw-back provisions in employment contracts, whereby the Committee can seek reimbursement of a previously-paid annual bonus in cases where the Committee has determined that an executive engaged in certain misconduct; and
- significant Committee discretion to adjust final awards to allow the Committee to mitigate perceived risks.

Relative Size of Major Compensation Elements

When establishing or recommending executive compensation, the Committee considers total compensation payable to an executive officer, forms in which the compensation will be paid, benchmarking data, risk mitigation considerations, and past compensation. The Committee generally seeks to target a balance between annual cash rewards, including base salary and annual incentive compensation (which is dependent on short-term performance), and long-term incentive compensation designed to retain executives and ensure that a significant portion of the total executive compensation is aligned with stockholder interests. The mix of pay actually provided depends in part on achievement of our performance goals (absolute and relative to our peers) and individual performance goals.

The percentage of compensation that is contingent, or "at risk," typically increases in relation to an executive officer's responsibilities within the Company. Contingent performance-based incentive compensation

for more-senior executive officers constitutes a greater percentage of total compensation than for less-senior executive officers. See “Mix and Allocation of Compensation Components” in the “Compensation Program Components” section below.

Taken as a whole, our executive compensation program is designed so that the individual target compensation level rises as responsibility increases, with the portion of performance-based compensation rising as a percentage of total targeted compensation. One result of this structure is that an executive’s actual total compensation, as a multiple of the total compensation of his or her subordinates, will increase in periods of above-target performance and decrease in times of below-target performance.

Compensation Program Components

Overview

The total compensation package for the executive officers generally consists of a mix of:

- base salary,
- annual incentive compensation,
- long-term incentive compensation,
- employee benefits and perquisites, and
- certain benefits originating from termination.

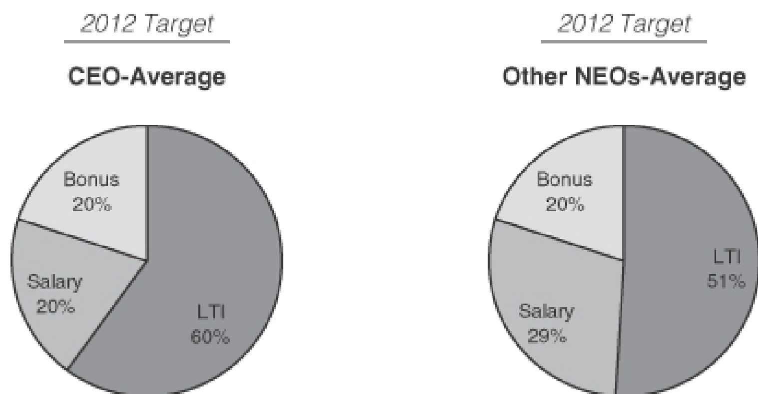
We have chosen these elements, all of which are commonly provided by other companies included in our Peer Group, in order to support our executive compensation philosophy (i.e., to remain competitive in attracting and retaining executive talent, to drive performance against short- and long-term goals, and to promote alignment with stockholders). We pay base salary at a level we believe is sufficient to be competitive, and generally target the market median as reported to the Committee by PM&P. We also provide our executives employee benefits that are provided to our employees generally, such as medical, life, disability and travel accident insurance, as well as participation in our 401(k) plan.

In addition to base salary and benefits, we provide additional compensation, a significant portion of which is performance-based variable compensation. Further information on the relative size of the different elements of compensation is contained in this discussion under “Relative Size of Major Compensation Elements” above. We believe that a mix of fixed and variable compensation will motivate our executives to achieve our business goals and thereby increase stockholder value.

Mix and Allocation of Compensation Components

The targeted mix of total direct compensation (base salary, plus annual incentive compensation, plus the fair value of long-term incentive awards on the date granted) varies by executive, as shown in the charts below. The targeted and actual mix may shift from year to year based on the composition and number of the executives and actual performance, as demonstrated below for the year 2012:

Pay Mix



Base Salary

We review base salaries annually and target base compensation at or near the median base salary of the market, but we may exercise discretion to deviate from market-median practices for individual circumstances as we deem appropriate to achieve our compensation and retention goals. In making our adjustments to base salary, we also consider past compensation paid to each executive as well as their time in position, performance, responsibilities and experience. The 2012 base salaries for our NEOs are reported in the Summary Compensation Table which follows this CD&A.

Annual Incentive Compensation Plan (the "ICP")

The ICP is the short-term incentive compensation element of our compensation program awarded on an annual basis. It is a cash-based performance incentive program designed to motivate and reward our executive officers as well as other employees for their contributions to achieving annual business goals that we believe create stockholder value.

Under the ICP, actual performance is compared against a scorecard of specific performance measures and associated targets approved by the Committee each year. The results of this comparison dictate the ultimate amount of the payout for each individual. The ICP includes a clawback provision that allows the Committee to exclude an executive from participating in the ICP or to seek reimbursement of a previously paid ICP bonus in cases where it was ultimately determined that the executive engaged in certain misconduct, as defined in the ICP.

2012 ICP

In early 2012, the Committee reviewed and approved each performance metric and its related performance measure targets for the 2012 ICP. The performance metrics were developed in alignment with the Company's strategic plans and the 2012 budget (which was reviewed with the Board). The payout of the ICP could range from zero to a maximum payout amount for each executive. Among our NEOs, the maximum potential payout amounts for 2012 are expressed as a percentage of base salary and are as follows: 200% for the Executive Chairman and the CEO, 150% for senior vice presidents and 100% for other vice presidents.

			FY 2012 Opportunity	
Name	**Target Award Opportunity (% of Salary)**	**Maximum Award Opportunity (% of Salary)**	**Target Award Opportunity ($)**	**Maximum Award Opportunity ($)**
Mr. Parker, Executive Chairman(1)	100%	200%	$ 545,031	$1,090,062
Mr. Mannon, CEO*	100%	200%	N/A	N/A
Mr. Rich, CEO**	N/A	N/A	$ 311,750	$ 311,750
Mr. Farmer, SVP — Operations	75%	150%	$ 235,510	$ 471,019
Mr. Brassfield, SVP & CFO	75%	150%	$ 242,996	$ 485,993
Mr. Duplantier, SVP & Gen. Counsel	75%	150%	$ 232,077	$ 464,155
Mr. Agnew, VP — Tech. Services	50%	100%	$ 146,462	$ 292,923
Mr. Hare, VP — Shared Services***	50%	100%	$ 116,971	$ 233,942

* Mr. Mannon left the Company on March 6, 2012. See page 52 for a discussion of payments Mr. Mannon received in connection with his departure from the Company.

** As part of the inducement required to secure Mr. Rich as the Company's new CEO, his Employment Agreement contains a negotiated incentive bonus target for 2012 of $311,750, provided however, that a bonus of not less than $170,000 shall be paid.

*** Mr. Hare left the Company on July 12, 2012. See page 52 for a discussion of payments Mr. Hare received in connection with his departure from the Company.

(1) Mr. Parker's Target Award Opportunity was based upon his blended rate of pay in 2012 in his roles as Executive Chairman and Interim CEO.

The target payout for any performance metric is based on a budgeted factor. The "minimum," "target/budget" and "maximum" payouts for 2012 under the ICP are provided in the table titled: "2012 Grants of Plan-Based Awards Table" found in this prospectus. To align the executives' performance with the interests of our stockholders, each performance metric is weighted relative to its potential impact on the performance of the Company. For each of the NEOs, the ICP payout in 2012 was based on achievement of weighted performance metrics that are closely aligned with our stockholders' interest, individual performance and Committee discretion.

Performance Measure	Percent of Total Bonus Determination (Weight)	Measurement Indicator
EBITDA (Earnings before interest, taxes, depreciation & amortization)	24%	Measures operating cash flow
Net Cash Flow	20%	Shows cash management effectiveness
Controlling General & Administrative Costs	8%	Shows cost management effectiveness
Safety Performance	8%	A measurement important to management, our customers and the families of our employees
Individual Performance	40%	Measures individual accomplishment of performance goals and other contributions to the Company
TOTAL	**100%**	

In addition to the performance metrics described above, two other performance metrics were built into the 2012 ICP (the "Other Performance Metrics"). The Other Performance Metrics were not weighted and include (i) the occurrence of an event that could have resulted in a catastrophic loss to property or people (5% deduction to payouts) and (ii) the failure rate of testing of internal controls pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") in excess of a certain threshold (5% deduction to payouts). These Other Performance Metrics were included not only because they represent management's attention to safety and to the integrity of our financial statements, but also because management and the Board believe there is a direct correlation between our performance and safety and financial integrity. As a result, these metrics have a direct impact on stockholder value. If either of the Other Performance Metrics is triggered, the result would be an automatic decrease in total payout of 5% per triggered metric. Additional reductions could be made at the Committee's discretion.

A performance index, or multiplier, is determined based on the results for each performance metric. For example, a performance index of 1.0 for the executive officers means that the Company achieved the target goal for such performance metric. The performance index is then weighted by multiplying the performance index by the weighting factor assigned to the performance metric in the table below. The weighted performance indices are then added, with the sum representing the overall performance index used to calculate the payment to the individual executive, subject to the Committee applying discretion to adjust the payment based on factors it determines are appropriate. The performance metrics, weighting factors, performance measure targets for the ICP, and the actual results for 2012 are set forth below:

	2012 Performance Metrics			Performance Results		
	Min	Target	Max	2012 Results	Performance Index	Performance Index (weighted)
EBITDA ($MM)						
Drilling Operations	87.3	113.8	142.8	89.3	.54	14%
Rental Tools	150.0	165.2	207.3	145.0	—	10%
Net Cash Flow						
Drilling Operations	39.9	53.2	66.5	40.9	.54	12%
Rental Tools	67.3	89.7	112.1	78.2	.74	8%
Controllable G & A ($)	55.3	50.3	45.3	50.4	.99	8%
Safety (TIRR)	1.00	0.70	0.60	0.68	1.20	8%
SOX Deficiencies					0%	
Potential Catastrophic Incidents					0%	
Final non-individual related performance index					.77	60%

Performance below the minimum threshold results in a zero performance index for that particular element. The final performance index is then multiplied by each executive officer's base salary and by 0.60 to establish that part of the payout that is based on company results. After applying the financial results and other performance results of the Company for 2012 to the scorecard, the Committee determined that the non-individual-related performance index was 0.77.

The Committee also reviewed individual NEO performance for 2012 and the CEO's and Executive Chairman's recommendations regarding individual performance factors, and applied its discretion in determining final ICP payouts. The actual payouts for the NEOs for 2012 are shown in the table below and included in the Summary Compensation Table immediately following this CD&A.

Executive	FY 2012 Target Award Opportunity (% of Salary)	X	FY 2012 Salary ($)	X	Actual Award (% of target(1)	=	Actual Award ($)
Mr. Parker	100%		545,031		.77		$ 419,674
Mr. Mannon*	100%		N/A		N/A		N/A
Mr. Rich**	N/A		141,750		N/A		$ 311,750
Mr. Farmer	75%		358,419		.73		$ 171,922
Mr. Brassfield	75%		324,642		.67		$ 162,807
Mr. Duplantier	75%		325,470		.75		$ 174,058
Mr. Agnew	50%		293,739		.73		$ 106,917
Mr. Hare***	50%		145,403		N/A		N/A

(1) Mr. Farmer and Mr. Agnew's ICP Awards reflect individual performance factors of 0.9; Mr. Duplantier's Award reflects an individual performance factor of 0.95; Mr. Brassfield's Award reflects an individual performance factor of 0.75; and Mr. Parker's Award reflects an individual performance factor of 1.0.

* Mr. Mannon left the Company on March 6, 2012. See page 52 for a discussion of payments Mr. Mannon received in connection with his departure from the Company.

** As part of the inducement required to secure Mr. Rich as the Company's new CEO, his Employment Agreement contains a negotiated incentive bonus target for 2012 of $311,750, provided however, that a bonus of not less than $170,000 shall be paid. The Committee determined that Mr. Rich's performance in 2012 supported payment of the target bonus amount.

*** Mr. Hare left the Company on July 12, 2012. See page 53 for a discussion of payments Mr. Hare received in connection with his departure from the Company.

Given the desire to maintain flexibility in the plan design and the use of discretion where appropriate, the Committee has determined that at this time the flexibility is sufficiently important to not grant awards this year under the performance-based exception provided under the Code, Section 162(m). The Committee will continually monitor the compensation plans and the potential benefits of the additional deductibility in the future. See "Impact of Accounting and Tax Treatments".

2010 Long-Term Incentive Plan

Our 2010 Long-Term Incentive Plan (the "2010 LTIP") approved by the stockholders in May 2010 allows for the granting of long-term incentive awards in the form of cash, stock options, restricted stock and/or stock appreciation rights. The awards can be based on any one or more of a number of performance criteria, including profits; profit-related return ratios; return measures (including, but not limited to, return on assets, capital, equity, investment or sales); cash flow (including, but not limited to, operating cash flow, free cash flow or cash flow return on capital or investments); earnings (including, but not limited to, total stockholder return, earnings per share or earnings before or after taxes); net sales growth; net earnings or income (before or after taxes, interest, depreciation and/or amortization); gross operating or net profit margins; productivity ratios; share price (including, but not limited to, growth measures and total stockholder return); turnover of assets, capital or inventory; expense targets; margins; measures of health, safety or environmental performance; operating efficiency; customer service or satisfaction; market share; and credit quality and working capital targets. All of these performance criteria are referenced in the 2010 LTIP. We choose from among these criteria the specific metrics that are appropriate for Peer Group comparisons and that we judge will result in management of the business over a multi-year period in a manner that increases stockholder value.

The Committee believes that the interests of our stockholders are best served when a significant percentage of our executives' compensation is comprised of equity-based and other long-term incentives that appreciate in

value upon increases in the share price of our common stock and other indicators that reflect improvements in business fundamentals relative to our peers. We also intend for our equity-based incentive awards to act as a retention tool for our executives, especially through the use of time-vesting conditions on some equity awards. Consistent with our compensation philosophy, the Committee seeks to target equity-based and long-term incentive awards which generally reflect the market-median value of annual stock awards.

2012 Long-Term Incentive Program

After due consideration and pursuant to its authorization under the 2010 LTIP, during 2012 the Committee approved the establishment of a three-year incentive award program (“2012 LT Incentive Program”). The 2012 LT Incentive Program is a sub-plan of the 2010 LTIP. PM&P assisted the Committee in the formulation of the 2012 LT Incentive Program, including developing relative performance measure targets to determine ultimate payouts, as well as reviewing and structuring the allocation of payout between time-based restricted stock units and performance-based units. The primary goals of the 2012 LT Incentive Program are to (1) align management’s compensation with stockholders’ interests, (2) incentivize top management to make good long-term decisions and (3) obtain and retain executives.

Under the 2012 LT Incentive Program, the executive officers and certain key personnel may earn awards which are allocated as follows: (i) 1/3 of the total target grant will be in time-based restricted stock unit awards and (ii) 2/3 of the total target grant will be granted in performance-based units tied to performance targets established at the commencement of the performance period (1/2 of which are weighted based on total stockholder return (“TSR”) relative to the Peer Group and the other half is based on Return on Capital Employed (“ROCE”) relative to the Peer Group). The Committee retains the discretion to adjust the final awards up or down by 20% and the discretion to pay out the performance-based units in cash or shares of stock

Parker’s performance will be ranked annually within the Peer Group, and then each annual measure will be weighted, resulting in the application of a single multiplier to the target award value under each performance measure. In order for performance-based units to be earned at the end of a performance period, the minimum performance goals must be met as outlined in the tables that follow. These tables demonstrate that if the performance falls within the pre-established goal ranges, the number of shares or cash value awarded will range from 0.25X to 2.0X of the target award. If the minimum performance goals are not met, no performance-based units will vest.

Under the 2012 LT Incentive Program, the Committee will rank the Company’s performance within the Peer Group as of December 31st of each calendar year within the three-year performance period and apply the appropriate weighting and award multiplier from the following tables:

	Description	**Weighting**	**Ranking**		**Award Multiplier**
12/31/2012	Single Year TSR	20%	1		2.00 Max
12/31/2013	Cumulative TSR (2012-2013)	30%	2		1.83
12/31/2014	Cumulative TSR (2012-2014)	50%	3	75%	1.67
			4		1.50
	Description	**Weighting**	5		1.33
12/31/2012	Single Year ROCE	20%	6		1.17
12/31/2013	Cumulative ROCE (2012-2013)	30%	7	50%	1.00 TARGET
12/31/2014	Cumulative ROCE (2012-2014)	50%	8		0.75
			9		0.50
			10	25%	0.25 ENTRY
			11		0.00
			12		0.00
			13		0.00

If a peer company ceases to be publicly traded, undergoes a business combination or files for bankruptcy, it will be excluded from the matrix above and the multiplier will be adjusted accordingly.

It is the intent of the Committee that long-term compensation programs like the 2012 LT Incentive Program will substantially replace the traditional grants of stock options or restricted stock for executive officers, subject to exceptional circumstances where a unique award is appropriate to attract or retain key personnel. These awards also provide an opportunity for increased equity ownership by the executives to further the link between the creation of stockholder value and long-term incentive compensation and aligning the interests of the two groups.

Similar to the ICP, the 2012 LT Incentive Program is consistent with the Company's philosophy of tying a significant portion of each executive's compensation to performance, thereby strengthening the link between executive compensation and stockholder interests. This plan differs from the ICP in that it also provides long-term retention benefits because the executive officers must remain in the employ of the Company for three years from the grant date of the awards in order to receive the full benefit, subject to certain exceptions.

Generally, performance-based units and time-based restricted stock unit grants will be forfeited if they are not vested prior to the date the executive officer terminates his employment. Subject to the Committee's discretion, grants under the 2012 LT Incentive Program will be forfeited if the executive's employment is terminated prior to the end of the Performance Period, except in the following situations:

- death or disability would result in 100% immediate vesting of all time-based restricted stock units and 100% immediate vesting of all performance-based units at a 1.0 multiplier level;
- retirement would result in a pro-rata vesting of time-based restricted stock units and forfeiture of outstanding performance-based units;
- involuntary termination without cause (other than within 2 years following a change in control) would result in a pro-rata vesting of time-based restricted stock units and forfeiture of outstanding performance-based units; and
- involuntary termination without cause within 2 years following a change in control would result in 100% immediate vesting of all time-based restricted stock and 100% immediate vesting of all performance-based units at a 1.0 multiplier level.

In May 2012, the Committee reviewed and considered recommended awards under the 2012 LT Incentive Program for each of the executive officers and approved long-term incentive awards in the amounts recommended. Two-thirds of the awards were granted as performance-based units with the payout based on the Company's relative TSR and ROCE over the three-year performance period of 2012-2014 and weighted as shown in the tables above. The payout of the performance-based units may be made in cash, stock or a combination of cash and stock at the discretion of the Committee, and as a result, we account for the performance-based units as liability awards under the stock compensation rules of U.S. GAAP. The other 1/3 of the award was granted as time-vested restricted stock units.

2010 Long-Term Incentive Program Award

In July of 2010 the Company granted awards under the 2010 Long-Term Incentive Program ("2010 LT Incentive Program"). Two-thirds of the awards were granted as performance-based units, with the payout based on the Company's relative TSR and ROCE over the three-year performance period of 2010-2012. The other 1/3 of the awards was granted as time-vested restricted stock units which will vest in July of 2013. The performance-based units vested following the closure of the three-year performance period on December 31, 2012 and the Committee's certification of the awards under the 2010 Long-Term Incentive Program. The awards were paid out in cash, at 50% of target, reflecting a relative TSR payout factor of 0.75 and an ROCE payout factor of 0.25 for the three-year performance period.

Stock Ownership Guidelines

Our Board believes that all non-employee directors and certain executive officers should own and hold common stock of the Company to further align their interests and actions with the interests of our stockholders.

As a result, the Board has adopted stock ownership guidelines that require each non-employee director to achieve ownership of a number of qualifying shares (as defined in the stock ownership guidelines) with a market value equal to a multiple of 5 times the director's annual cash retainer.

Ownership requirements have also been established for our executives. Each covered executive is required to achieve ownership of a number of qualifying shares with a market value equal to a multiple of the executive's annual base salary, as follows: (a) executive vice presidents and higher are subject to a multiple of 5 times annual base salary; (b) senior vice presidents are subject to a multiple of 3 times annual base salary; (c) vice presidents are subject to a multiple of 2 times annual base salary; and (iv) all other covered executives are subject to a multiple of 1 times annual base salary. The ownership guidelines are phased in over a five-year period from December 31, 2009 or from the date the director or officer was appointed or elected to the respective position. Once the officer or director achieves the required stock ownership level based on market value, the ownership requirement becomes fixed at the number of shares owned at that time, regardless of subsequent fluctuations in the market price of the Company's stock.

Given that the aim of our stock ownership guidelines is to ensure that our non-employee directors and executives have a direct personal financial stake in our performance, hedging transactions could be contrary to that purposes. Accordingly, our non-employee directors and executives are strictly prohibited from implementing hedging strategies or transactions using puts, calls or other types of derivative securities based upon the value of our common stock.

Perquisites and Other Personal Benefits

Consistent with our compensation philosophy, we provide certain perquisites to our executive officers which we and the Committee believe are reasonable and which better enable us to attract and retain employees for key positions. The Committee periodically reviews the levels of perquisites provided to the NEOs.

Certain of the executive officers are provided with a car allowance, life insurance, club dues and home use of computer equipment. Personal use of corporate aircraft by the Executive Chairman, CEO and other senior managers is permitted, subject to the Company's corporate aircraft policy. Under the policy, personal use of corporate aircraft by persons other than the Executive Chairman and the CEO requires approval of the CEO. Business use of corporate aircraft is given priority over personal use in all instances. Executives using company-owned aircraft for personal matters are imputed taxable income in accordance with the rules of the Internal Revenue Service and the incremental cost to the Company of such usage is reported in our annual proxy statement as required. We do not provide additional payments to cover taxes on income attributed to the individual based on use of corporate aircraft.

Specific information regarding these perquisites and the incremental cost to the Company for providing these perquisites are set forth in the Summary Compensation Table included in this prospectus.

Impact of Accounting and Tax Treatments

Section 162(m) of the Code limits corporate tax deductions for certain executive compensation over $1 million. Certain types of performance-based compensation are excluded from this limitation only if performance criteria for a particular award are specified in detail within specified time periods with respect to each year and stockholders have approved the criteria. While the restricted stock grants to the executives in recent years have a material performance-based component, these awards do not qualify as performance-based under Section 162(m). The Committee remains aware of these provisions and in the future will continue to assess the applicability of these provisions to future grants under the 2010 LTIP.

Post-Termination Benefits

General Policy and Practices — Severance and Change in Control

the Company has entered into employment agreements with its executive officers which provide for the payment of severance and other post-termination benefits upon the occurrence of specified events, including termination of employment (with and without good reason or cause) and a change in control of the Company. Information regarding the specific payments that are applicable to each termination event, as well as the effect on unvested equity awards, is provided under the heading “Potential Payments Upon Termination.”

The terms of the employment agreements for the Executive Chairman and the CEO were based primarily on the key terms contained in the employment agreements of our peer companies. Although peer comparisons were a factor in negotiating employment agreements with our other executive officers, a significant factor in the negotiation of termination of employment provisions included in their employment agreements was the provision of a fixed amount of compensation intended to offset any potential loss of compensation from leaving their prior employers or from choosing our offer of employment over other employment opportunities. As part of the analysis conducted when negotiating, the Committee weighs the aggregate potential obligations of the Company that would result from hiring the executive against the potential value created by adding the executive to our management team.

We and the Committee believe that the terms and conditions of the employment agreements with the executives are reasonable and will help the Company retain the talent needed to achieve the objectives of our strategic plan. In particular, the severance agreements, in the event of a change in control, will allow our executives to focus their attention on the performance of their duty to act in the best interests of the stockholders without being concerned about their job security. We believe this instrumental in promoting continuity of senior management.

Employment Agreements

Each of the NEOs has an employment agreement with the Company. The employment agreements have initial terms with automatic repeating extensions of one year. In general, the employment agreements provide for the following benefits:

- payment of base salary, which may be increased upon review by the CEO (or the Board in the case of Messrs. Parker and Rich) on an annual basis but cannot be reduced except with consent of the executive;
- payment of annual incentive bonuses of 100% of salary for Mr. Rich, and 75% for Messrs. Weber, Duplantier, Agnew [1] and Farmer; and
- eligibility to receive equity awards and to participate in other benefits, including without limitation, paid vacation, 401(k) plan, health insurance and life insurance.

The employment agreements also restrict the executive officers from engaging in business that competes with the Company and from soliciting employees of the Company for one year after their employment with the Company terminates. In addition, the employment agreements provide that any severance payments are subject to forfeiture if the non-competition, non-recruitment or non-solicitation covenants in their employment agreements are violated or if the Company learns of facts that would have resulted in a termination for cause. As of March 5, 2012, none of the employment agreements provides for a gross-up in the event the executive is entitled to benefits which constitute parachute payments subject to an excise tax under the Internal Revenue Code.

1 On May 8, 2013, Mr. Agnew was promoted to Senior Vice President and Chief Technical Officer, and his target annual incentive bonus was raised from 50% to 75%. There was no change in his salary in connection with this promotion.

Post-termination payments payable to our NEOs under certain events are discussed in the table and accompanying narrative in the section titled “Potential Payments Upon Termination”.

Actions in 2012 and 2013

On March 6, 2012 the Company announced that Mr. Mannon, President and Chief Executive Officer, would leave the Company effective March 9, 2012, and that Mr. Parker Jr. would resume the duties of President and Chief Executive Officer of the Company and would continue to serve as executive chairman, while the Company conducted its search for Mr. Mannon’s permanent replacement. Mr. Mannon also resigned on March 9 from his position as a member of the Company’s board of directors.

In connection with Mr. Mannon’s departure, he and the Company entered into a separation agreement pursuant to which Mr. Mannon would receive the following amounts, all of which would have been payable to Mr. Mannon had he resigned from the Company in the 10-day period following the expiration of his employment agreement on April 30, 2012:

- a lump-sum cash severance of $1,260,000;
- his base salary through April 30, 2012; and
- medical insurance coverage for Mr. Mannon and his covered dependents until April 30, 2013, followed by 18 months of COBRA coverage at his expense.

The Company also paid Mr. Mannon for his accrued but unused vacation time in accordance with its customary policy for all employees, made an additional cash payment of $100,000 to Mr. Mannon, and vested only a pro-rata portion of his 2010 and 2011 restricted unit awards that would otherwise not have vested until 2013 and 2014. In total, the amounts provided were less than Mr. Mannon would have been entitled to had he exercised his right to terminate his employment for “good reason”.

Following Mr. Mannon’s departure, the Board determined that it was in the best interests of the Company for Mr. Parker Jr. to immediately resume the role of president and chief executive officer on an interim basis while the Company conducted a search for Mr. Mannon’s permanent replacement. In connection with his appointment as President and Chief Executive Officer, the Company and Mr. Parker Jr. entered into an amendment to his employment agreement, pursuant to which:

- Mr. Parker Jr.’s annual base salary was temporarily restored to $637,300;
- the Company agreed to vest a pro-rata portion of Mr. Parker’s performance-based incentive awards upon any termination of Mr. Parker Jr.’s employment; and
- the Company eliminated its obligation to make payments to Mr. Parker Jr. as a gross-up for excise taxes resulting from an “excess payment” under Section 280G of the Internal Revenue Code.

In addition, in consideration for Mr. Parker Jr.’s decision to resume the duties of president and chief executive officer, the Company agreed to make a cash payment to Mr. Parker Jr. of $100,000.

In March 2012, Mr. Duplantier was promoted to the position of Senior Vice President and General Counsel of the Company, and the Committee approved an increase of Mr. Duplantier’s base salary to $329,365, an increase in the multiplier for determining payments upon a change of control to 3 times his highest base salary and bonus in the last three years, an increase in the multiplier for his long-term incentive plan target award to 1.85 times his base salary and an increase in his incentive compensation plan target award to 75% of his base salary.

In April 2012, the Committee approved an increase in Mr. Brassfield’s base salary to $329,365.

In May 2012, Mr. Farmer was promoted to the position of Senior Vice President Operations of the Company, and the Committee approved an increase in Mr. Farmer's base salary to $375,000, an increase in the multiplier for determining payments upon a change of control to 3 times his highest base salary and bonus in the last three years, an increase in the multiplier for his long-term incentive plan target award to 1.85 times his base salary and an increase in his incentive compensation plan target award to 75% of his base salary.

On July 12, 2012 the Company announced that Mr. Don Hare, Vice President of Administration, had left the Company. Mssrs. Brassfield, Duplantier and Agnew assumed Mr. Hare's duties following his last day with the Company. In connection with Mr. Hare's departure, he received the following amounts, all of which were payable to Mr. Hare under the terms and conditions of his employment agreement:

- A lump-sum cash severance of $604,982;
- His base salary through the July 31, 2012; and
- Medical insurance coverage for Mr. Hare and his covered dependents until July 31, 2014, followed by 18 months of COBRA coverage at his expense

On September 17, 2012, the Committee approved the compensation arrangement and employment agreement for the Company's new CEO, Gary G. Rich. Under the terms of the employment agreement, Mr. Rich is entitled to receive an annual base salary of $567,000, and he also received an initial equity award valued at $1.5 million, which is scheduled to vest as follows:

Vesting Date	% Units Vested
April 30, 2013	50%
April 30, 2014	30%
April 30, 2015	20%

Under the employment agreement, the initial term of Mr. Rich's tenure as CEO continues through April 30, 2015.

In connection with Mr. Rich's appointment as CEO, Mr. Parker was returned to his role as Executive Chairman, and the Committee adjusted his annual base salary accordingly to $425,000 on October 1, 2012. For 2012, Mr. Parker's bonus opportunity was based upon a blended base salary $545,031.

On February 11, 2013, the Company announced that Mr. Brassfield, the CFO, would leave the Company effective April 30, 2013. In connection with Mr. Brassfield's departure, he received the following compensation:

- base salary through April 30, 2013, and accrued but unused vacation time in accordance with the Company's customary policy for all employees;
- a grant of restricted stock units commensurate with the position of the CFO and annual cash bonus with respect to 2012 performance under the Company's incentive compensation plan, in the event the Committee approves such awards for other executive officers;
- a lump-sum cash severance amount equal to the sum of (a) $864,583 plus (b) $163,778 (which equates to 39,752 multiplied by the closing price for the Company's common stock on April 30, 2013);
- pro rata vesting of restricted stock grants as of April 30, 2013; and
- medical insurance coverage for Mr. Brassfield and his covered dependents until April 30, 2015, followed by 18 months of COBRA coverage at his expense.

On May 9, 2013, the Committee approved the compensation arrangement and employment agreement for the Company's new CFO, Christopher T. Weber. Under the terms of the employment agreement, Mr. Weber is entitled to receive an annual base salary of $345,000, and he also received an initial equity award valued at $1.2 million, which is scheduled to vest as follows:

Vesting Date	% Units Vested
May 19, 2014	33 1⁄3%
May 19, 2015	33 1⁄3%
May 19, 2016	33 1⁄3%

Under the employment agreement, the initial term of Mr. Weber's tenure as senior vice president and CFO continues through April 30, 2015.

On November 4, 2013, the Company announced that Mr. Parker Jr., the Executive Director, would retire as an employee of the Company effective December 31, 2013. The Company and Mr. Parker Jr. entered into a retirement and separation agreement pursuant to which Mr. Parker Jr. continues to serve as Chairman of the Company's board of directors until the annual meeting of stockholders to be held in 2014, at which time Mr. Rich, the Company's CEO, will be nominated to serve in that role and Mr. Parker Jr. will stand for reelection to the board for an additional three-year term. To facilitate the transition of Mr. Parker Jr.'s responsibilities to Mr. Rich, the retirement and separation agreement also provides that Mr. Parker Jr. will receive the following compensation:

- base salary through December 31, 2013, and accrued but unused vacation time in accordance with the Company's customary policy for all employees;
- an annual cash bonus with respect to 2013 performance under the Company's incentive compensation plan, in the event the Committee approves such awards for other executive officers;
- a lump-sum cash severance amount equal to the $2,488,023.50;
- pro rata vesting of restricted stock grants as of December 31, 2013;
- medical insurance coverage for Mr. Parker Jr. and his covered dependents until December 31, 2015, followed by 18 months of COBRA coverage at his expense; and

Mr. Parker Jr. will also be paid $250,000 in each of 2015, 2016 and 2017 in exchange for his agreement to provide additional support to the Company when needed in matters where his historical and industry knowledge, client relationships and related expertise could be of particular benefit to the Company's interests. This compensation is in addition to the other compensation and benefits to which he will be entitled as a non-employee director of the Company and will be paid provided that he remains a director of the Company on the dates such payments are due.

Compensation-Related Policies

As noted above, the 2010 LTIP authorizes the granting of traditional awards of stock options and restricted stock in addition to the annual incentive cash compensation and the long-term incentive equity awards described throughout this CD&A. The Committee has adopted a general practice, in line with its competitive markets, that restricted stock unit and performance unit awards are preferred over stock options. Accordingly, since 2002, stock option grants to executive officers generally have been made only in connection with the hiring of executive officers. No stock option grants were made in 2010, 2011 or 2012. Because stock option grants under the 2010 LTIP are used primarily for new hires, the Company has not established a policy regarding the timing of stock option grants. Full value restricted stock and restricted stock units will continue to be a significant component of the equity grants due to the following: 1) the additional amount of share usage required with options, and 2) the wide-spread industry practice of granting full value shares down to key management and employees within the organization.

[Table of Contents]

Summary Compensation Table

The following table summarizes the total compensation paid or earned by the principal executive officer ("PEO"), the Principal Financial Officer ("PFO") and the other three most highly compensated executive officers of the Company, other than the PEO and the PFO, for the year ended December 31, 2012. Collectively, the officers listed in the following table are referred to as the NEOs. A description of the material terms of the employment agreements, or termination agreements for the NEOs is found under "— Employment Agreements" above. Messrs. Mannon and Hare are included below, and the compensation reported below includes the severance amounts received by Messrs. Mannon and Hare. For details regarding their payments upon termination, please refer to the "Compensation Discussion & Analysis — Actions in 2012 and 2013" found above.

Name and Principal Position	Year	Salary ($)	Stock Awards(1) ($)	Non-Equity Incentive Plan Compensation(2) ($)	All Other Compensation(3) ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Mr. Parker, Jr. — Executive Chairman of the Board and Interim CEO	2012	545,031	568,057	419,674	40,848	1,573,610
	2011	469,910	775,407	989,725	93,456	2,328,498
	2010	637,300	1,933,173	369,634	191,679	3,131,786
Mr. Rich — PEO/President and CEO	2012	141,750	1,500,003	311,750	200	1,953,703
Mr. Mannon — prior PEO/President and CEO	2012	208,385	—	—	1,386,999	1,595,384
	2011	630,000	766,525	772,797	27,366	2,196,688
	2010	630,000	1,638,464	365,400	126,611	2,760,475
Mr. Brassfield — PFO/ Senior Vice President and CFO	2012	324,642	184,108	162,807	37,548	709,105
	2011	311,611	234,341	406,369	28,475	980,796
	2010	305,501	593,883	132,892	28,373	1,060,649
Mr. Duplantier — Senior VP and General Counsel	2012	325,470	184,108	174,058	29,248	712,883
	2011	304,629	169,762	211,717	22,817	708,925
	2010	294,000	737,216	85,259	22,773	1,139,248
Mr. Agnew — VP, Technical Services	2012	293,739	125,548	106,917	18,670	544,874
	2011	280,000	161,680	194,600	39,405	675,685
	2010	21,538	319,500	30,000	—	371,038
Mr. Farmer — Senior VP Operations	2012	358,419	209,617	100,000	17,611	685,648
	2011	125,000	817,706	—	—	942,706
Mr. Hare — prior VP Administration	2012	145,403	211,014	47,872	748,083	1,152,372
	2011	141,230	340,668	78,524	16,085	576,507

(1) The amounts in column (d) reflect restricted stock units granted in each year. The amount reflected for each such award is the grant-date fair value calculated in accordance with ASC Topic 718.

(2) For Messrs. Parker, Brassfield and Duplantier, the amounts in column (e) for 2012 reflect both: (i) cash awards earned by the named individuals under the 2012 ICP, which is discussed in further detail under the heading "Compensation Discussion and Analysis — Compensation Program Components — Annual Incentive Compensation Plan" and (ii) payouts in respect of performance-based units granted under the 2010 LTIP and described in further detail under the heading "Compensation Discussion and Analysis — 2010 Long-Term Incentive Program Award." The performance-based units were denominated in dollars and were payable in either cash or common stock or a combination of cash and common stock after the completion of the 3-year performance period. The full value of the performance-based units were paid in

cash on March 11, 2013. The amounts included in the table represent the cash value of the Committee-approved payouts at 50% of target, reflecting the Company's relative total stockholder return and relative ROCE performance versus our peer group over the three-year performance period, 2010-2012. Messrs. Rich, Agnew and Farmer did not participate in the 2010 LT Incentive Program. Consequently, the amounts in column (e) for Messrs. Rich, Agnew and Farmer in all years, for Mr. Duplantier in 2010 and 2011, and for Messrs. Parker, Mannon and Brassfield in 2010, reflect only cash awards earned under the annual ICP.

(3) The amounts in column (f) include for each NEO the following:

a. matching contributions made by the Company to each of the NEOs pursuant to the Stock Bonus Plan (401(k)), which for 2012 were $12,500 for Mr. Parker, $12,500 for Mr. Mannon, $9,140 for Mr. Brassfield, $13,133 for Mr. Duplantier, $13,070 for Mr. Agnew, $8,725 for Mr. Farmer, and $12,455 for Mr. Hare;

b. a car allowance, which for 2012 was $12,000 for each of Messrs. Parker and Brassfield, $11,300 for Mr. Duplantier, and $3,692 for each of Messrs. Mannon and Hare;

c. club dues, which for 2012 were $4,660 for Mr. Parker, $807 for Mr. Mannon, $200 for Mr. Rich, $3,045 for Mr. Brassfield, $2,180 for Mr. Duplantier, $1,670 for Mr. Agnew, and $611 for Mr. Farmer; and

d. the aggregate incremental cost to the Company of the NEO's personal use, if any, of its aircraft, which for 2012 was $5,456.61 for Mr. Parker.

2012 Grants of Plan-Based Awards

The following table provides additional information on stock awards and equity and non-equity incentive plan awards made to our NEOs during 2012.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards
		(c)	(d)	(e)	(f)	(g)	(h)		
Name (a)	ICP or Grant Date (b)	Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	(#)(2) (i)	($)(3) (j)
Mr. Parker, Jr.	ICP	272,516	545,031	1,090,062	—	—	—	—	—
	5/18/2012	626,678	1,253,356	2,506,712				115,930	568,057
Mr. Mannon	N/A							N/A	N/A
Mr. Rich	ICP	170,000	311,750	623,500	—	—	—	—	—
	5/18/2012	—	—	—					
Mr. Brassfield	ICP	121,498	242,996	485,993				37,573	184,108
	5/18/2012	203,108	406,216	812,432					
Mr. Duplantier	ICP	116,039	232,077	464,155	—	—	—	—	—
	5/18/2012	203,108	406,216	812,432				37,573	184,108
Mr. Agnew	ICP	73,231	146,462	292,923	—	—	—	—	—
	5/18/2012	138,507	277,014	554,028				25,622	125,548
Mr. Farmer	ICP	117,755	235,510	471,019	—	—	—	—	—
	5/18/2012	231,250	462,500	925,000				42,779	209,617
Mr. Hare	ICP	58,486	116,971	233,942					
	5/18/2012	118,720	237,440	474,880				21,962	107,614

(1) The amounts shown in columns (c) through (e) reflect potential bonus payouts under the 2012 ICP described in further detail under the heading "Compensation Discussion and Analysis — Compensation Program Components — Annual Incentive Compensation Plan" and potential payouts of performance-based units granted during 2012 under the 2012 LT Incentive Program and described in further detail under the heading

"Compensation Discussion and Analysis — Compensation Program Components — 2012 Long-Term Incentive Program." With respect to potential bonus payouts under the 2012 ICP, the amount in column (c), which is 25% to 50% of base salary, depending on the executive, is the amount that the executive would earn if threshold targets are achieved; the amount in column (d) reflects target bonus amount and is 40% to 100% of base salary, depending on the executive; and the amount in column (e) reflects the maximum possible bonus amount and is 100% to 200% of base salary, depending on the executive. With respect to potential payouts of performance-based units granted in 2012, the amount in column (c), which is 38% to 49% of base salary, depending on the executive, is the amount that the executive would earn if only minimum threshold targets are achieved; the amount in column (d) reflects target bonus amount and is 1.4 to 2.95 times base salary, depending on the executive; and the amount in column (e) reflects the maximum possible bonus amount and is 2.9 to 3.9 times base salary, depending on the executive. The performance-based units are denominated in dollars and are payable in either cash or common stock or a combination of cash and common stock after the completion of the 2012-2014 performance period. The amount realized at that time will be based on the Committee's determination of performance over the applicable 3-year period.

(2) In May 2012, the Committee approved restricted stock unit awards to Messrs. Parker, Brassfield, Duplantier, Agnew and Farmer under the 2012 LT Incentive Program. Mr. Parker received 115,930 restricted stock units having a grant date fair value of $568,056. Mr. Brassfield and Mr. Duplantier each received 37,573 restricted stock units having a grant date fair value of $184,108. Mr. Agnew received 25,622 restricted stock units having a grant date fair value of $125,548. Mr. Farmer received 42,779 restricted stock units having a grant date fair value of $209,617. All restricted stock units granted on May 18, 2012 will vest on May 18, 2015.

(3) The amounts in this column reflect the grant date fair value of the restricted stock units granted on May 18, 2012 under the 2012 LT Incentive Program.

Outstanding Equity Awards at 2012 Fiscal Year-End Table

The following table summarizes the equity awards we have made to our NEOs that were outstanding as of December 31, 2012.

	Option Awards				Stock Awards	
Name and Principal Position	(b) Number of Securities Underlying Unexercised Options (#) Exercisable	(c) Number of Securities Underlying Unexercised Options (#) Unexercisable	(e) Options Exercised Prices ($)	(f) Options Expiration Date	(g) Number of Shares or Units of Stock that Have not Vested (#)(1)(2)	(h) Market Value of Shares of Stock that Have not Vested ($)(3)
Mr. Parker, Jr. — Executive Chairman of the Board	—	—	—	—	464,035	2,134,561
Mr. Rich — PEO/President and CEO	—	—	—	—	349,651	1,608,395
Mr. Mannon — prior PEO/President and CEO	—	—	—	—	—	—
Mr. Brassfield — PFO/Senior Vice President and CFO	—	—	—	—	143,144	658,462
Mr. Duplantier — Senior VP and General Counsel	—	—	—	—	102,841	473,069
Mr. Agnew — VP, Technical Services	—	—	—	—	80,730	371,358
Mr. Farmer — Senior VP Operations	—	—	—	—	129,584	596,086
Mr. Hare — prior VP, Administration	—	—	—	—	—	—

---

(1) Amounts in column (g) were granted as follows:

- Mr. Parker Jr. — 249,930 Restricted Stock Units (“RSUs”) were granted on March 1, 2010; 153,723 RSUs on July 23, 2010; 144,396RSUs on March 11, 2011; and 115,930 RSUs on May 18, 2012.
- Mr. Rich — 349,651 RSUs were granted on October 1, 2012.
- Mr. Brassfield — 77,370 RSUs were granted on March 1, 2010; 46,458 RSUs on July 23, 2010; 43,639 RSUs on March 11, 2011; and 37,573 RSUs on May 18, 2012.
- Mr. Duplantier — 33,655 RSUs were granted on July 23, 2010; 31,613 RSUs on March 11, 2011; and 37,573 RSUs on May 18, 2012.
- Mr. Agnew — 75,000 RSUs were granted on December 7, 2010; 30,108 RSUs on March 11, 2011; and 25,622 RSUs on May 18, 2012.
- Mr. Farmer — 130,208 RSUs were granted on August 15, 2011; and 42,779 RSUs on May 18, 2012.

(2) Amounts in column (g) vest as follows:

- Mr. Parker Jr. — 153,723 will vest on July 23, 2013; 144,396 on March 11, 2014; and 115,930 on May 18, 2015.
- Mr. Rich — 174,825 will vest on April 30, 2013; 104,895 on April 30, 2014; and 69,931 on April 30, 2015.
- Mr. Brassfield — In connection with the Separation Agreement entered into between Mr. Brassfield and the Company on February 8, 2013, Mr. Brassfield will receive pro rata vesting of restricted stock grants as of April 30, 2013. All remaining shares will be forfeited.
- Mr. Duplantier — 33,655 will vest on July 23, 2013; 31,613 on March 11, 2014; and 37,573 on May 18, 2015.
- Mr. Agnew — 25,000 will vest on December 7, 2013; 30,108 on March 11, 2014; and 25,622 on May 18, 2015.
- Mr. Farmer — 43,403 will vest on August 15, 2013; 43,402 on August 15, 2014; and 42,779 on May 18, 2015.

(3) Market value based on closing price of the Company common stock on December 31, 2012 of $4.60 per share.

Table of Contents

2012 Option Exercises and Stock Vested Table

The following table provides additional information about the value realized by our NEOs on vesting of stock awards during 2012.

	Option Awards		Stock Award	
Name and Principal Position	Number of Shares Acquired on Exercise Exercisable	Value Realized on Exercise Unexercisable	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
Mr. Parker, Jr. — Executive Chairman of the Board	—	—	49,986	322,910
Mr. Rich — PEO/President and CEO	—	—	—	—
Mr. Mannon — prior PEO/President and CEO	—	—	176,565	914,391
Mr. Brassfield — PFO/Senior Vice President and CFO	—	—	15,474	99,962
Mr. Duplantier — Senior VP and General Counsel	—	—	58,332	265,494
Mr. Agnew — VP, Technical Services	—	—	25,000	109,000
Mr. Farmer — Senior VP Operations	—	—	43,403	208,334
Mr. Hare — prior VP, Administration	—	—	25,386	116,633

(1) For most awards, the value was based on the closing price of the Company common stock on date of vesting or on the preceding business day if the date of vesting fell on a holiday or weekend. For awards granted on March 1, 2010 to Messrs. Parker, Mannon and Brassfield, the value was based upon an average of the day's opening and high prices for the day on which the grants vested, March 1, 2012.

Potential Payments upon Termination

The tables below reflect the amount of compensation to each of the NEOs in the event of termination of such executive's employment. The amount of compensation payable to each NEO upon voluntary termination, normal retirement, involuntary not-for-cause termination, termination by the executive for good reason, for cause termination, termination within two years following a change in control and in the event of disability or death of the executive is shown below. The amounts shown assume that such termination was effective as of December 31, 2012, and reflect the executive's current base salary and agreement terms. For information regarding the payments upon termination made to Messrs. Mannon and Hare, please refer to "Compensation Discussion & Analysis — Actions in 2012 and 2013."

For each NEO a "change in control" is generally defined to include the acquisition by a person of 50% or more of the Company's voting power, specified changes in a majority of the board of directors, a merger resulting in existing stockholders having less than 50% of the voting power in the surviving company, the sale or liquidation of the Company and such events as the board of directors determines to constitute a change in control.

Table of Contents

The following table describes the potential payments upon termination or change in control of the Company for Gary Rich, the Company's President and Chief Executive Officer.

Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Normal Retirement ($)	Involuntary Not for Cause Termination(2) ($)	For Cause Termination	Involuntary Good Reason Termination(2) ($)	Change in Control(3) ($)	Death on Disability ($)
Compensation							
Cash Severance Compensation(1)	—	—	2,268,000	—	2,268,000	3,402,000	
Pro-rata Annual Incentive Compensation	—	—	141,750	—	141,750	141,750	
Long-term Incentives							
Restricted Stock; unvested and accelerated(4)	—	—	344,656	—	—	1,608,395	1,608,395
Performance Units; unvested and accelerated	—	—	—	—	—	—	—
Benefits and Perquisites:							
Post-termination health care(5)	—	—	24,661	—	24,661	36,991	24,661
Accrued Vacation Pay	65,423	65,423	65,423	65,423	65,423	65,423	65,423
Total:	65,423	65,423	2,844,490	65,423	2,499,834	5,254,559	1,840,229

(1) "Cash Severance Compensation" represents a cash payment calculated by multiplying the factor in footnotes (2) or (3), as applicable, by certain combinations of base salary and annual incentive compensation.

(2) In the event of termination due to any of these reasons, Mr. Rich's employment agreement provides generally that he will receive a payment of 2 times the sum of the highest base salary and the highest annual bonus he was paid during the previous 3 years (unless such sum is less than the sum of his then-current base salary plus his then-current target annual bonus), plus a pro-rata amount of his then-current target annual bonus, 24 months of continued health benefits, accrued vacation pay, and acceleration of all unvested equity grants.

(3) In the event of termination following a change in control, Mr. Rich's employment agreement provides generally that he will receive a payment of 3 times the sum of the highest base salary and the highest annual bonus he was paid during the previous 3 years (unless such sum is less than the sum of his then-current base salary plus his then-current target annual bonus), plus a pro-rata amount of his then-current target annual bonus, 36 months of continued health benefits, accrued vacation pay, and acceleration of all unvested equity grants and Performance Units under the 2010 LTIP.

(4) In the event of an involuntary termination without cause, Mr. Rich's Restricted Stock Unit Incentive Agreements provide that all of the restrictions and any other conditions for outstanding restricted stock units shall be fully satisfied on a pro-rata basis, and thus only that pro-rata portion of the outstanding restricted stock units shall become free of all restrictions and vested, and any remaining unvested units shall be forfeited. In the event that Mr. Rich's employment is terminated involuntarily without cause within two years of a change in control or as a result of death or disability, then all of the outstanding restricted stock units shall become 100% vested and free of all restrictions on such date.

(5) Value based on COBRA rate as determined by the Parker Drilling self-insurance plan.

[Table of Contents](#)

The following table describes the potential payments upon termination or change in control of the Company for Jon-Al Duplantier, the Company's Senior Vice President, General Counsel.

Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Normal Retirement ($)	Involuntary Not for Cause Termination(2) ($)	For Cause Termination	Involuntary Good Reason Termination(2) ($)	Change in Control(3) ($)	Death on Disability ($)
Compensation							
Cash Severance Compensation(1)	—	—	864,583	—	864,583	1,729,166	—
Pro-rata Annual Incentive Compensation	—	—	247,024	—	247,024	247,024	—
Long-term Incentives							
Restricted Stock; unvested and accelerated(4)		256,289	256,289	—	—	473,069	473,069
Performance Units; unvested and accelerated(5)	—	—	—	—	—	955,016	955,016
Benefits and Perquisites:							
Post-termination health care(6)	—	—	35,256	—	35,256	52,884	—
Accrued Vacation Pay	38,004	38,004	38,004	38,004	38,004	38,004	38,004
Total:	38,004	511,072	1,657,935	38,004	1,184,867	3,495,163	1,466,089

(1) "Cash Severance Compensation" represents a cash payment calculated by multiplying the factor in footnotes (2) or (3), as applicable, by certain combinations of base salary and annual incentive compensation.

(2) In the event of termination due to any of these reasons, Mr. Duplantier's employment agreement provides generally that he will receive a payment of 1.5 times the sum of the highest base salary and the highest annual bonus he was paid during the previous 3 years (unless such sum is less than the sum of his then-current base salary plus his then-current target annual bonus), plus a pro-rata amount of his then-current target annual bonus, 24 months of continued health benefits, accrued vacation pay, and acceleration of all unvested equity grants. Under the Company's 2010 LTIP, 33% of the target compensation — "the Restricted Stock Units" — would vest on a pro-rata basis. All Performance Awards under the 2010 LTIP would automatically expire and terminate.

(3) In the event of termination following a change in control, Mr. Duplantier's employment agreement provides generally that he will receive a payment of 3 times the sum of the highest base salary and the highest annual bonus he was paid during the previous 3 years (unless such sum is less than the sum of his then-current base salary plus his then-current target annual bonus), plus a pro-rata amount of his then-current target annual bonus, 36 months of continued health benefits, accrued vacation pay, and acceleration of all unvested equity grants and Performance Units under the 2010 LTIP.

(4) In the event of normal retirement or involuntary termination without cause, Mr. Duplantier's Restricted Stock Unit Incentive Agreements provide that all of the restrictions and any other conditions for outstanding restricted stock units shall be fully satisfied on a pro-rata basis, and thus only that pro-rata portion of the outstanding restricted stock units shall become free of all restrictions and vested, and any remaining unvested units shall be forfeited. In the event that Mr. Duplantier's employment is terminated involuntarily without cause within two years of a change in control or as a result of death or disability, then all of the outstanding restricted stock units shall become 100% vested and free of all restrictions on such date.

(5) In the event that Mr. Duplantier's employment is terminated involuntarily without cause within two years of a change in control or as a result of death or disability, then his Performance Unit Award Incentive Agreements provide that all outstanding performance units become 100% vested on such date.

(6) Value based on COBRA rate as determined by Parker Drilling self-insurance plan.

Table of Contents

The following table describes the potential payments upon termination or change in control of the Company for Philip Agnew, Vice President, Technical Services.

Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Normal Retirement ($)	Involuntary Not for Cause Termination(2) ($)	For Cause Termination	Involuntary Good Reason Termination(2) ($)	Change in Control(3) ($)	Death on Disability ($)
Compensation							
Cash Severance Compensation(1)	—	—	737,100	—	737,100	982,800	—
Pro-rata Annual Incentive Compensation	—	—	148,400	—	148,400	148,400	—
Long-term Incentives							
Restricted Stock; unvested and accelerated(4)	—	120,410	120,410	—	—	371,358	371,358
Performance Units; unvested and accelerated(5)	—	—	—	—	—	538,347	538,347
Benefits and Perquisites:							
Post-termination health care(6)	—	—	35,256	—	35,256	52,884	
Accrued Vacation Pay	34,246	34,246	34,246	34,246	34,246	34,246	34,246
Total:	34,246	154,656	1,075,412	34,246	955,002	2,128,035	943,951

(1) "Cash Severance Compensation" represents a cash payment calculated by multiplying the factor in footnotes (2) or (3), as applicable, by certain combinations of base salary and annual incentive compensation.

(2) In the event of termination due to any of these reasons, Mr. Agnew's employment agreement provides generally that he will receive a payment of 1.5 times the sum of the highest base salary and the highest annual bonus he was paid during the previous 3 years (unless such sum is less than the sum of his then-current base salary plus his then-current target annual bonus), plus a pro-rata amount of his then-current target annual bonus, 24 months of continued health benefits, accrued vacation pay, and acceleration of all unvested equity grants. Under the Company's 2010 LTIP, 33% of the target compensation — the Restricted Stock Units — would vest on a pro-rata basis. All Performance Awards under the 2010 LTIP would automatically expire and terminate.

(3) In the event of termination following a change in control, Mr. Agnew's employment agreement provides generally that he will receive a payment of 2 times the sum of the highest base salary and the highest annual bonus he was paid during the previous 3 years (unless such sum is less than the sum of his then-current base salary plus his then-current target annual bonus), plus a pro-rata amount of his then-current target annual bonus, 36 months of continued health benefits, accrued vacation pay, and acceleration of all unvested equity grants and Performance Units under the 2010 LTIP.

(4) In the event of normal retirement or involuntary termination without cause, Mr. Agnew's Restricted Stock Unit Incentive Agreements provide that all of the restrictions and any other conditions for outstanding restricted stock units shall be fully satisfied on a pro-rata basis, and thus only that pro-rata portion of the outstanding restricted stock units shall become free of all restrictions and vested, and any remaining unvested units shall be forfeited. In the event that Mr. Agnew's employment is terminated involuntarily without cause within two years of a change in control or as a result of death or disability, then all of the outstanding restricted stock units shall become 100% vested and free of all restrictions on such date.

(5) In the event that Mr. Agnew's employment is terminated involuntarily without cause within two years of a change in control or as a result of death or disability, then his Performance Unit Award Incentive Agreements provide that all outstanding performance units become 100% vested on such date.

(6) Value based on COBRA rate as determined by Parker Drilling self-insurance plan.

The following table describes the potential payments upon termination or change in control of the Company for David Farmer, Senior Vice President, Operations.

Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Normal Retirement(2) ($)	Involuntary Not for Cause Termination(2) ($)	For Cause Termination	Involuntary Good Reason Termination(2) ($)	Change in Control(3) ($)	Death on Disability(2) ($)
Compensation							
Cash Severance Compensation(1)	—	—	984,375	—	984,375	1,312,500	—
Pro-rata Annual Incentive Compensation	—	—	187,500	—	187,500	187,500	—
Long-term Incentives							
Restricted Stock; unvested and accelerated(4)	—	126,914	126,914	—	—	596,086	596,086
Performance Units; unvested and accelerated(5)	—	—	—	—	—	462,500	462,500
Benefits and Perquisites:							
Post-termination health care(6)	—	—	35,256	—	35,256	52,884	
Accrued Vacation Pay	34,246	34,246	34,246	34,246	34,246	34,246	34,246
Total:	34,246	161,160	1,368,291	34,246	1,241,377	2,645,717	1,092,833

(1) "Cash Severance Compensation" represents a cash payment calculated by multiplying the factor in footnotes (2) or (3), as applicable, by certain combinations of base salary and annual incentive compensation.

(2) In the event of termination due to any of these reasons, Mr. Farmer's employment agreement provides generally that he will receive a payment of 1.5 times the sum of the highest base salary and the highest annual bonus he was paid during the previous 3 years (unless such sum is less than the sum of his then-current base salary plus his then-current target annual bonus), plus a pro-rata amount of his then-current target annual bonus, 24 months of continued health benefits, accrued vacation pay, and acceleration of all unvested equity grants. Under the Company's 2010 LTIP, 33% of the target compensation — the Restricted Stock Units — would vest on a pro-rata basis. All Performance Awards under the 2010 LTIP would automatically expire and terminate.

(3) In the event of termination following a change in control, Mr. Farmer's employment agreement provides generally that he will receive a payment of 2 times the sum of the highest base salary and the highest annual bonus he was paid during the previous 3 years (unless such sum is less than the sum of his then-current base salary plus his then-current target annual bonus), plus a pro-rata amount of his then-current target annual bonus, 36 months of continued health benefits, accrued vacation pay, and acceleration of all unvested equity grants and Performance Units under the 2010 LTIP.

(4) In the event of normal retirement or involuntary termination without cause, Mr. Farmer's Restricted Stock Unit Incentive Agreements provide that all of the restrictions and any other conditions for outstanding restricted stock units shall be fully satisfied on a pro-rata basis, and thus only that pro-rata portion of the outstanding restricted stock units shall become free of all restrictions and vested, and any remaining unvested units shall be forfeited. In the event that Mr. Farmer's employment is terminated involuntarily without cause within two years of a change in control or as a result of death or disability, then all of the outstanding restricted stock units shall become 100% vested and free of all restrictions on such date.

(5) In the event that Mr. Farmer's employment is terminated involuntarily without cause within two years of a change in control or as a result of death or disability, then his Performance Unit Award Incentive Agreements provide that all outstanding performance units become 100% vested on such date.

(6) Value based on COBRA rate as determined by Parker Drilling self-insurance plan.

Equity Compensation Plan Information

The following table lists the equity compensation plan information for plans approved by stockholders and the equity compensation plans not approved by stockholders as of December 31, 2012:

Plan Category	A Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (#) (1)	B Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($)	C Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column A (#) (2)
Equity compensation plans approved by security holders	—	—	2,177,892
Equity compensation plans approved by security holders	—	—	—
Total	—	—	2,177,892

(1) Excludes 2,368,588 shares that could be issued upon the vesting of restricted stock units granted under the 2010 Plan and outstanding as of December 31, 2012.

(2) As of December 31, 2012, these shares were available for grants of equity-based incentive awards under the 2010 LT Incentive Plan. As of March 15, 2013, there remained 2,052,849 shares available for issuance, and there were no options outstanding. We had 2,297,922 restricted stock units outstanding as of March 15, 2013.

DIRECTOR COMPENSATION

Fees and Benefit Plans for Non-Employee Directors

Annual Cash Retainer Fees. In 2012, non-employee directors of the Company received an annual cash retainer fee of $30,000. The full annual retainer fee is paid to all current directors as of the date of each annual meeting. Directors who are appointed during the period in between annual meetings receive a pro-rated fee for the remainder of the period until the next annual meeting, but directors who leave the Board prior to serving the entire period between annual meetings do not forfeit any of the annual retainer previously received.

Meeting Fees. In 2012, non-employee directors of the Company were paid a fee of $2,500 for each Board meeting and $2,500 for each committee meeting. Meeting fees are paid for each meeting attended in person or in which the director participates by telephone. These meeting fees were paid following each meeting.

Committee Chair Fees. In 2012, each of the chairs of the Audit, Compensation and Corporate Governance

Committees received an additional fee of $12,000 for his service as a committee chair.

Presiding Director Fees. Mr. McKee received an additional fee of $12,000 for his service as the Presiding Director in 2012.

Equity Grants. Non-employee directors of the Company are eligible to participate in the Company’s Long-Term Incentive Plan, which allows for the grant of stock options and restricted stock grants. In March of 2012, after review of a report from PM&P and considering other factors that the Corporate Governance Committee deemed relevant, the Corporate Governance Committee recommended and the Board agreed to award to each of the non-employee directors 16,340 shares of restricted stock, all of which vested on the one-year anniversary date of the award. Upon appointment, new non-employee directors joining the Board are entitled to receive an initial equity grant valued at $30,000. Two such grants were made in 2012 to Messrs. Paterson and Clarkson.

2012 Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Total ($)
R. Rudolph Reinfrank	117,000	104,413	221,413
John W. Gibson Jr.(2)	40,000	0	40,000
Roger B. Plank	112,000	104,413	216,413
Robert E. McKee	126,500	104,413	230,913
George J. Donnelly	85,000	104,413	189,413
Robert W. Goldman	100,000	104,413	204,413
Gary R. King	77,500	104,413	181,913
Jonathan M. Clarkson(3)	70,000	135,736	205,736
Richard D. Paterson(3)	67,500	135,736	203,236
Totals	795,500	897,950	1,693,450

(1) Reported amounts reflect the fair value of the awards as of the grant date in accordance with FASB ASC Topic 718. As of December 31, 2012, each of our non-employee directors had 16,340 restricted stock units, and Messrs. Clarkson and Paterson each had an additional 4,902 restricted stock units, awarded upon the date they became members of the Board.

(2) Mr. Gibson resigned from the Board effective May 31, 2012, and his outstanding restricted stock units were forfeited in accordance with the terms and conditions of the award agreement.

(3) Mr. Clarkson and Mr. Paterson joined the Board on March 1, 2012.

Board members are reimbursed for their travel expenses incurred in connection with attendance at Board and committee meetings and for Board education programs. These amounts are not included in the table above. Employee directors do not receive any compensation for their participation on the Board.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Corporate Governance Committee, or its designee, is charged by its charter with reviewing and approving any transactions between the Company and current or former officers or directors and other parties defined as being "related parties" pursuant to the Related Party Transaction Policy of the Company. See "— Related Party Transaction Policy" below.

Related Party Transaction Policy

Our Related Party Transaction Policy requires the prior approval by the Corporate Governance Committee of any transaction between the Company and any Related Party. For the purposes of the policy, a Related Party is (i) any senior officer (which shall include, at a minimum, each vice president and officer required to disclose transactions in the Company's equity securities under Section 16 of the Exchange Act) or director of the Company, (ii) a stockholder owning in excess of five percent of the Company (or its controlled affiliates), (iii) a person who is an immediate family member of a senior officer or director or (iv) an entity which is owned or controlled by a person or entity listed in (i), (ii) or (iii) above, or an entity in which a person or entity listed in (i), (ii) or (iii) above has a substantial ownership interest or control. A Related Party Transaction under the policy is any transaction between the Company and any Related Party (including any transactions requiring disclosure under Item 404 of Regulation S-K under the Exchange Act), other than (i) transactions available to all employees generally; and (ii) transactions involving less than $5,000 when aggregated with all similar transactions.

Generally, the Corporate Governance Committee reviews Related Party Transactions at its first annual committee meeting, but the committee has special procedures to approve time sensitive Related Party Transactions that arise throughout the year. For example, the Chairman of the Corporate Governance Committee

has the authority to unilaterally approve Related Party Transactions that do not exceed $20,000. Management is responsible for informing the Corporate Governance Committee throughout the year of any material changes to approved Related Party Transactions.

Other Transactions

During 2012, Mr. Plank, one of our directors, served as President and Chief Corporate Officer of Apache Corporation. During 2012, affiliates of Apache paid affiliates of the Company a total of $30.8 million for the performance of drilling services and the provision of rental tools.

The Corporate Governance Committee reviewed the business between the Company and Apache and determined that it is not material to Apache and does not present a conflict of interest or otherwise impair the independence of Mr. Plank or his ability to render independent judgment under the Corporate Governance Listing Standards of the NYSE. This determination was reported to the Board.

Director Independence Determination

In accordance with the NYSE Corporate Governance Listing Standards, the Board conducts an annual review of director independence to determine, based upon an earlier review and analysis by the Corporate Governance Committee, whether or not any non-employee directors had any material relationships or had engaged in material transactions with the Company. The analysis is based on information obtained from the directors in response to a director questionnaire that each director is required to complete and sign each year, including disclosure of any transaction(s) with the Company in which the director, or any member of his or her immediate family, have a direct or indirect material interest and any transaction(s) between the Company and any other company of which a director is an employee, or has a family member who is an executive officer. Transactions reviewed by the Board included those reported under "— Other Transactions" above. The Board then makes a determination regarding whether any identified transactions or relationships are addressed in the specific independence criteria of the NYSE Corporate Governance Listing Standards, and if so, whether the transactions identified exceeded the objective thresholds for independence. The Board further examines all other transactions and relationships to determine if such transaction(s), irrespective of their magnitude in terms of the objective criteria specified by the NYSE, would otherwise adversely affect the independence of any non-employee director who had engaged in any such transaction, individually or through a company with whom the director is employed, or had any relationship with the Company during the year under review. As a result of the last review, the Board affirmatively determined that all of the non-employee directors are independent under the NYSE Corporate Governance Listing Standards. Our independent directors are R. Rudolph Reinfrank, Roger B. Plank, George J. Donnelly, Robert W. Goldman, Gary R. King, Jonathan M. Clarkson, Richard D. Paterson and Peter C. Wallace.

DESCRIPTION OF THE EXCHANGE NOTES

The private notes were, and the exchange notes will be, issued under an indenture among Parker Drilling Company, the Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

On July 30, 2013, Parker Drilling Company issued $225,000,000 in aggregate principal amount of its 7.500% Senior Notes due 2020, which we refer to as the private notes. The exchange notes issued in exchange for the private notes are expected to bear a different CUSIP number and ISIN number from any unexchanged private notes. Holders of the exchange notes and the private notes will vote as one series under the indenture governing the notes.

The following description is a summary of the material provisions of the indenture and the registration rights agreement. It does not restate those agreements in their entirety. We urge you to read the indenture and the registration rights agreement because they, and not this description, define your rights as holders of the notes. Copies of the indenture and the registration rights agreement have been filed with the SEC as exhibits to the registration statement of which this prospectus forms a part and are available to you as set forth under "About This Prospectus." You can find the definitions of certain terms used in this description under "— Certain Definitions." In this description of the exchange notes, the terms "Company," "we," "us" and "our" refer only to Parker Drilling Company and not to any of its subsidiaries or consolidated joint ventures.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture. See "— Book-Entry, Delivery and Form — Depositary Procedures."

Brief Description of the Notes and the Guarantees

The Notes

The notes will be:

- general unsecured obligations of the Company;
- senior in right of payment to all future subordinated Indebtedness of the Company, if any;
- *pari passu* in right of payment with any existing and future senior unsecured Indebtedness of the Company, including our other outstanding series of senior notes;
- effectively junior in right of payment to the Company's existing and future secured Indebtedness, including Indebtedness under the Credit Agreement, to the extent of the value of the collateral securing that Indebtedness;
- unconditionally guaranteed by the Guarantors on a senior basis; and
- structurally junior in right of payment to Indebtedness of the Company's non-Guarantor subsidiaries.

As of September 30, 2013, we had total Indebtedness of approximately $654.0 million, none of which would have been secured Indebtedness under the Credit Agreement and $425.0 million of which would have been *pari passu* with the notes, $42.5 million available for borrowing under our Term Loan and $76.2 million available for borrowing under our senior secured revolving credit facility (which includes an approximate $3.8 million reduction in availability for outstanding letters of credit).

The Guarantees

Initially, the notes will be guaranteed by each of our current Restricted Subsidiaries that guarantee any Indebtedness of the Company under the Credit Agreement and our other outstanding series of senior notes.

Each guarantee of the notes is:

- a general unsecured obligation of the Guarantor;
- senior in right of payment to all future subordinated Indebtedness of that Guarantor, if any;
- *pari passu* in right of payment with any existing and future senior unsecured Indebtedness of that Guarantor, including its guarantees of our other outstanding series of senior notes; and
- effectively junior in right of payment to that Guarantor's existing and future secured Indebtedness, including its guarantee of Indebtedness under the Credit Agreement, to the extent of the value of the collateral securing that Indebtedness.

As of September 30, 2013:

- we had no Indebtedness outstanding at our Guarantor subsidiaries (other than guarantees of our obligations under the notes and our other outstanding series of senior notes);
- the Subsidiary Guarantees were effectively subordinated to no guarantees of secured Indebtedness outstanding under the Credit Agreement; and
- no indebtedness was outstanding at our non-Guarantor subsidiaries.

Not all of our subsidiaries will guarantee the notes. Our non-Guarantor subsidiaries will not have any obligations under the notes, the guarantees or the indenture. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor subsidiaries, the non-Guarantor subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to us. As of September 30, 2013, our non-Guarantor subsidiaries and joint ventures collectively owned approximately 56.2% of our consolidated total assets and held approximately $51.7 million of our consolidated cash and cash equivalents of approximately $162.5 million. For the nine months ended September 30, 2013, our non-guarantor subsidiaries and joint ventures had revenues of approximately $388.9 million and operating income of approximately $18.0 million. In 2011 and 2012, our non-Guarantor subsidiaries and joint ventures had revenues of approximately $426.5 million and $385.3 million, respectively, and operating income of approximately $19.1 million and $8.4 million, respectively. Additionally, we expect the percentage of our revenues and operating income represented by our non-Guarantor subsidiaries and joint ventures to increase in the future as a result of the acquisition of ITS. For further information about the division of the revenues and assets among the Company, the Guarantors and the non-Guarantor subsidiaries, see our financial statements that are included elsewhere in this prospectus.

The indenture will permit us and our subsidiaries to incur additional Indebtedness, including senior secured Indebtedness under our Credit Agreement. The indenture will not impose any limitation on the incurrence by our subsidiaries of liabilities that are not considered Indebtedness.

As of September 30, 2013, substantially all of our subsidiaries were "Restricted Subsidiaries." However, under the circumstances described below under the subheading "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," we are permitted to designate certain of our subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries are not subject to many of the restrictive covenants in the indenture. Our Unrestricted Subsidiaries will not guarantee the notes.

Principal, Maturity and Interest

The Company issued the private notes in an aggregate principal amount of $225.0 million. The Company may issue additional notes under the indenture from time to time after this exchange offer. Any subsequent offering of additional notes is subject to the covenant described below under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock." The notes and any additional notes subsequently

issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for purposes of this "Description of the Exchange Notes" section, reference to the notes includes the private notes, the exchange notes and any additional notes actually issued. The Company will issue exchange notes in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The notes will mature on August 1, 2020.

Interest on the exchange notes will accrue from July 30, 2013 at the rate of 7.500% per annum and will be payable semi-annually in arrears on February 1 and August 1 of each year, beginning on February 1, 2014. The Company will make each interest payment to the holders of record on the immediately preceding July 15 and January 15.

Interest on the notes will accrue from July 30, 2013 or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Methods of Receiving Payments on the Notes

If a holder of record has given wire transfer instructions to the Company, the Company will pay all principal, interest and premium and Additional Interest, if any, on that holder's notes in accordance with those instructions. All other payments on notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless the Company elects to make interest payments by check mailed to the holders at their address set forth in the register of holders. See "— Book-Entry, Delivery and Form — Depositary Procedures."

Paying Agent and Registrar for the Notes

The trustee will initially act as paying agent and registrar. The Company may change the paying agent or registrar without prior notice to the holders of the notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange notes in accordance with the indenture. The indenture requires a holder to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. The Company is not required to transfer or exchange any note selected for redemption. Also, the Company is not required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed. See "— Book Entry, Delivery and Form."

Subsidiary Guarantees

Initially, the notes will be guaranteed by each of the Company's current Restricted Subsidiaries that guarantee any Indebtedness of the Company under the Credit Agreement and our other outstanding series of senior notes. These Subsidiary Guarantees will be joint and several obligations of the Guarantors. The obligations of each Guarantor under its Subsidiary Guarantee will be limited as necessary to prevent that Subsidiary Guarantee from constituting a fraudulent transfer under applicable law. See "Risk Factors — Risks Related to the Exchange Notes — The subsidiary guarantees could be deemed fraudulent transfers under certain circumstances, and a court may try to subordinate or void the subsidiary guarantees."

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Company or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under the indenture, its Subsidiary Guarantee and the registration rights agreement, pursuant to a supplemental indenture reasonably satisfactory to the trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the covenant described under "— Repurchase at the Option of Holders — Asset Sales."

Notwithstanding the foregoing, any Guarantor may merge with another Subsidiary that has no significant assets or liabilities and was incorporated solely for the purpose of reincorporating that Guarantor in another jurisdiction so long as the amount of the Company's Indebtedness and the Indebtedness of the Restricted Subsidiaries is not increased as a result of the merger.

The Subsidiary Guarantee of a Guarantor will be automatically and unconditionally released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) a Subsidiary of the Company, if the sale or other disposition complies with the covenant described under "— Repurchase at the Option of Holders — Asset Sales";

(2) in connection with any sale or other disposition of such amount of Capital Stock as would result in such Guarantor no longer being a Subsidiary to a Person that is not (either before or after giving effect to such transaction) a Subsidiary of the Company, if the sale complies with the covenant described under "— Repurchase at the Option of Holders — Asset Sales";

(3) if the Company designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the provisions described under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries";

(4) at such time as that Guarantor ceases to guarantee any Indebtedness of the Company or any other Guarantor, except by, or as a result of, payment under such guarantee; or

(5) upon Legal Defeasance or Covenant Defeasance as described under "— Legal Defeasance and Covenant Defeasance" or satisfaction and discharge of the indenture as described under "— Satisfaction and Discharge."

Optional Redemption

At any time prior to August 1, 2016, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of notes issued under the indenture at a redemption price of 107.500% of the principal amount, plus accrued and unpaid interest and Additional Interest, if any, to the redemption date, with an amount of cash not to exceed the net cash proceeds of one or more Equity Offerings by the Company; provided that:

(1) at least 65% of the aggregate principal amount of notes issued under the indenture remains outstanding immediately after the occurrence of any such redemption (excluding notes held by the Company and its Subsidiaries); and

(2) the redemption occurs within 120 days of the date of the closing of any such Equity Offering.

At any time prior to August 1, 2016, the Company may on any one or more occasions redeem all or a part of the notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Interest, if any, to the date of redemption, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs, the notes will not be redeemable at the Company's option prior to August 1, 2016.

On and after August 1, 2016, the Company may redeem all or a part of the notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Interest, if any, on the notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on August 1 of the years indicated below:

Year	Percentage
2016	103.750%
2017	101.875%
2018 and thereafter	100.000%

Selection and Notice

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption on a *pro rata* basis (or, in the case of notes issued in global form as discussed under "— Book-Entry, Delivery and Form," based on a method as DTC or its nominee or successor may require or, where such nominee or successor is the trustee, a method that most nearly approximates *pro rata* selection as the trustee deems fair and appropriate unless otherwise required by law) unless otherwise required by law or applicable stock exchange or depositary requirements.

No notes of $2,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail (or sent electronically if DTC is the recipient) at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address, except that redemption notices may be mailed or sent more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture. Notices of redemption may be subject to one or more conditions precedent, including, but not limited to, completion of an Equity Offering. If any such condition precedent has not been satisfied, the Company shall provide written notice to the trustee prior to the close of business two Business Days prior to the redemption date. Upon receipt of such notice, the notice of redemption shall be rescinded and the redemption of the notes shall not occur. Upon receipt, the trustee shall provide such notice to each holder of the notes in the same manner in which the notice of redemption was given.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption, subject to the satisfaction of any conditions to redemption specified in the notice of redemption. On and after the redemption date, interest ceases to accrue on notes or portions of them called for redemption.

Mandatory Redemption; Open Market Purchases

The Company is not required to make mandatory redemption or sinking fund payments with respect to the notes. However, under certain circumstances we are required to offer to purchase the notes as set forth below under "— Repurchase at the Option of Holders." We may at any time and from time to time purchase notes in the open market or otherwise.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of notes will have the right to require the Company to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of that holder's notes pursuant to an offer by the Company (a "Change of Control Offer") on the terms described below. In the Change of

Control Offer, the Company will offer a payment in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest and Additional Interest, if any, for the notes repurchased, to the date of purchase. Within 30 days following any Change of Control, the Company will mail (or send electronically if DTC is the recipient) a notice to each registered holder of notes (with a copy to the trustee) describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or sent (the "Change of Control Payment Date"), pursuant to the procedures described below and in such notice.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such compliance.

On or before the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered and not withdrawn; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officer's certificate stating the aggregate principal amount of notes or portions of notes being purchased by the Company.

The paying agent will promptly mail to each holder of notes properly tendered and not withdrawn the Change of Control Payment for such notes (or, if all the notes are then in global form, make such payment through the facilities of DTC), and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; provided that each new note will be in a principal amount of $2,000 or an integral multiple of $1,000 in excess thereof.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable.

Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the notes to require that the Company repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Company and purchases all notes properly tendered and not withdrawn under the Change of Control Offer or (2) notice of redemption of all outstanding notes has been given pursuant to the indenture as described above under the caption "— Optional Redemption," unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained in the indenture, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its

Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require the Company to repurchase its notes as a result of a sale, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The Change of Control provisions of the indenture may be waived or modified with the consent of the holders of a majority in principal amount of the notes then outstanding prior to the occurrence of a Change of Control.

Asset Sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(2) the fair market value is determined by

(a) an executive officer of the Company if the value is less than $20.0 million and evidenced by an officers' certificate delivered to the trustee; or

(b) the Company's Board of Directors if the value is $20.0 million or more and evidenced by a resolution of such Board of Directors delivered to the trustee; and

(3) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash, or Cash Equivalents, or any combination thereof. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's or such Restricted Subsidiary's most recent balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply those Net Proceeds at its option:

(1) to repay, repurchase, redeem, defease or otherwise acquire or retire Senior Debt of the Company or any Indebtedness of a Restricted Subsidiary;

(2) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, another Permitted Business;

(3) to make a capital expenditure in a Permitted Business; or

(4) to acquire other long-term assets that are used or useful in a Permitted Business.

Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $25.0 million, the Company will make an offer (an "Asset Sale Offer") to all holders of notes and to the extent required, to all holders of other Indebtedness of the Company that is *pari passu* with the notes containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase the maximum principal amount of notes (in integral multiples of $1,000) and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount of notes and other *pari passu* Indebtedness to be purchased or the lesser amount required under agreements governing such other *pari passu* Indebtedness, plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis (or, in the case of notes issued in global form as discussed under "— Book-Entry, Delivery and Form," based on a method as DTC or its nominee or successor may require or, where such nominee or successor is the trustee, a method that most nearly approximates pro rata selection as the trustee deems fair and appropriate unless otherwise required by law). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "Asset Sale Offer Period"). No later than three Business Days after the termination of the Asset Sale Offer Period (the "Asset Sale Payment Date"), the Company will apply all Excess Proceeds to the purchase of notes and the other *pari passu* Indebtedness to be purchased (on a pro rata basis, if applicable) or, if notes and such other *pari passu* Indebtedness in an aggregate principal amount less than the Excess Proceeds has been tendered, all notes and *pari passu* Indebtedness tendered in response to the Asset Sale Offer.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the indenture by virtue of such compliance.

The paying agent will promptly (but in any case not later than three Business Days after termination of the Asset Sale Offer Period) mail to each holder of notes properly tendered the payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a note equal in principal amount to any unpurchased portion of the notes surrendered, if any; provided that each note will be in a principal amount of $2,000 or an integral multiple of $1,000 in excess thereof.

The Asset Sale provisions of the indenture may be waived or modified with the consent of the holders of a majority in principal amount of the notes.

Certain Covenants

Changes in Covenants When Notes Rated Investment Grade

If on any date following the date of the indenture:

(1) the notes are rated Baa3 or better by Moody's Investors Service, Inc. ("Moody's") and BBB- or better or by Standard & Poor's ("S&P") (or, if either such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency); and

(2) no Default or Event of Default shall have occurred and be continuing;

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this prospectus will be suspended:

(1) "— Repurchase at the Option of Holders — Asset Sales";

(2) "— Restricted Payments";

(3) "— Incurrence of Indebtedness and Issuance of Preferred Stock";

(4) "— Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(5) "— Designation of Restricted and Unrestricted Subsidiaries";

(6) "— Transactions with Affiliates";

(7) "— Additional Subsidiary Guarantees";

(8) "— Business Activities"; and

(9) clause (4) of the covenant described below under the caption "— Merger, Consolidation or Sale of Assets."

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption "— Designation of Restricted and Unrestricted Subsidiaries" or the second paragraph of the definition of "Unrestricted Subsidiary." The Company shall provide an officer's certificate to the trustee indicating the occurrence of any covenant suspension or reinstatement date. The trustee shall have no obligation to independently determine or verify if such events have occurred or notify the holders of any covenant suspension or reinstatement date. The trustee may provide a copy of such officer's certificate to any holder of notes upon request.

Notwithstanding the foregoing, if on any subsequent date (the "Reinstatement Date"), the notes cease to maintain ratings of at least Baa3 and BBB- from Moody's and S&P, respectively, the foregoing covenants will be reinstated as of and from the date of such rating decline, it being understood, however, that no actions taken by (or omissions of) the Company or any Restricted Subsidiary during the suspension period shall constitute a Default or Event of Default under the foregoing covenants. Calculations under the reinstated "Restricted Payments" covenant will be made as if the "Restricted Payments" covenant had been in effect since the date of the indenture except that no Default or Event of Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the notes will ever achieve an investment grade rating or that any such rating will be maintained.

Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of any Equity Interests of the Company or any of its Restricted Subsidiaries (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Equity Interests of the Company or any of its Restricted Subsidiaries in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or to the Company or a Restricted Subsidiary of the Company);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company;

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Company or any of the Guarantors that is contractually subordinated to the notes or the Subsidiary Guarantees, except a payment of principal within six months of or at the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "Restricted Payments"), unless, at the time of and immediately after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "— Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries July 30, 2013 (excluding Restricted Payments permitted by clauses (2) through (10) of the next succeeding paragraph), is less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the first day of the fiscal quarter beginning after the date of the indenture to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus

(b) 100% of (A) (i) the aggregate net cash proceeds and (ii) the fair market value of (x) marketable securities (other than marketable securities of the Company) and (y) any Permitted Business or assets used or useful in a Permitted Business to the extent acquired in consideration of Equity Interests (other than Disqualified Stock) of the Company received by the Company since the date of the indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company), plus

(c) to the extent that any Restricted Investment that was made after July 30, 2013 is sold for cash or otherwise cancelled, liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment, including without limitation repayment of principal of any Restricted Investment constituting a loan or advance (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment, plus

(d) to the extent that any Unrestricted Subsidiary of the Company is redesignated as a Restricted Subsidiary after July 30, 2013, the lesser of (i) the fair market value of the Company's Investment in such Subsidiary as of the date of such redesignation or (ii) the aggregate fair market value of the Company's Investment in such Subsidiary as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary and all Investments made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary that were treated as Restricted Payments since such designation, in each case as of the date of such Investment.

The preceding provisions will not prohibit:

(1) the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment or distribution would have complied with the provisions of the indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph and clause (5) of this paragraph;

(3) the defeasance, redemption, repurchase or other acquisition of subordinated Indebtedness or Disqualified Stock of the Company or any Guarantor with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any dividend or distribution by a Restricted Subsidiary of the Company to the holders of its Equity Interests on a pro rata basis or on a basis more favorable to the Company or a Restricted Subsidiary than to the other holders;

(5) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any existing or former officer, director or employee (or their transferees, estates or beneficiaries under their estates) of the Company (or any of its Restricted Subsidiaries) pursuant to any equity subscription agreement, stock option agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed (a) $10.0 million during any calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year but not any subsequent years); plus (b) the amount of any net cash proceeds received by or contributed to the Company from the issuance and sale after the date of the indenture of Equity Interests (other than Disqualified Stock) of the Company or a Restricted Subsidiary to its officers, directors or employees that have not been applied to the payment of Restricted Payments pursuant to this clause (5); *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph and clause (2) of this paragraph; plus (c) the net cash proceeds of any “key-man” life insurance policies that have not been applied to the payment of Restricted Payments pursuant to this clause (5);

(6) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of any Restricted Subsidiary issued in accordance with the terms of the indenture to the extent such dividends are included in the definition of “Fixed Charges”;

(7) (i) the repurchase, redemption, defeasance or other acquisition or retirement for value of Equity Interests in connection with the exercise or conversion of stock options, warrants, rights to acquire Equity Interests or other convertible securities or stock appreciation rights, to the extent such Equity Interests represent a portion of the exercise price therefor and (ii) any repurchase, redemption, defeasance or other acquisition or retirement of Equity Interests in connection with the satisfaction of withholding tax obligations;

(8) the payment of cash in lieu of the issuance of fractional shares of Equity Interests upon the exercise or conversion of securities exercisable or convertible into Equity Interests of the Company;

(9) the purchase, redemption, defeasance or other acquisition or retirement of any Indebtedness that is subordinated in right of payment to the notes or to any Subsidiary Guarantee (a) at a purchase price not greater than 101.0% of the principal amount of such Indebtedness in the event of a Change of Control

in accordance with provisions similar to the covenant described under "— Repurchase at the Option of Holders — Change of Control" or (b) at a purchase price not greater than 100.0% of the principal amount of such Indebtedness in the event of an Asset Sale in accordance with provisions similar to the covenant described under "— Repurchase at the Option of Holders — Asset Sales"; *provided* that, prior to or simultaneously with such purchase, redemption, defeasance or other acquisition or retirement, the Company (or a third party to the extent permitted by the indenture) has made the Change of Control Offer or Asset Sale Offer, as applicable, with respect to the notes as a result of such Change of Control or Asset Sale, as applicable, and has completed the repurchase or redemption of all notes validly tendered for payment and not withdrawn in connection with such Change of Control Offer or Asset Sale Offer, as applicable; and

(10) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount since July 30, 2013 not to exceed the greater of (a) $35.0 million and (b) 3.0% of the Consolidated Net Tangible Assets of the Company determined as of the date of such Restricted Payment.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment (or, in the case of a dividend, on the date of declaration thereof) of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

For purposes of determining compliance with this "Restricted Payments" covenant, if a Restricted Payment meets the criteria of more than one of the categories of Restricted Payments described in the preceding clauses (1) — (10), the Company will be permitted to divide or classify (or later divide, classify or reclassify in whole or in part in its sole discretion) such Restricted Payment in any manner that complies with this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on Restricted Payments denominated in a foreign currency, the U.S. dollar-equivalent amount of such Restricted Payment shall be calculated based on the relevant currency exchange rate in effect on the date that such Restricted Payment was made.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Company and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt and, in the case of a Restricted Subsidiary, the issuance of preferred stock) and the Company may issue Disqualified Stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness or issuances of Disqualified Stock or preferred stock, as applicable (collectively, "Permitted Debt"):

(1) the incurrence by the Company and any Restricted Subsidiary of Indebtedness and letters of credit under one or more Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum

potential liability of the Company and its Subsidiaries thereunder) not to exceed the greater of (a) $250.0 million and (b) 25.0% of the Company's Consolidated Net Tangible Assets, determined at the time of incurrence;

(2) the incurrence by the Company and its Restricted Subsidiaries of Existing Indebtedness;

(3) the incurrence by the Company and the Guarantors of Indebtedness represented by the notes issued on July 30, 2013 and the related Subsidiary Guarantees and the Exchange Notes and the related Subsidiary Guarantees to be issued pursuant to the registration rights agreement;

(4) the incurrence by the Company and any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction, design, installation or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance or replace any Indebtedness incurred pursuant to this clause (4), not to exceed at any time outstanding the greater of (a) $50.0 million and (b) 5.0% of the Company's Consolidated Net Tangible Assets, determined at the time of incurrence on a pro forma basis to give effect to the assets purchased, constructed, installed or improved;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, defease, discharge or replace Indebtedness (other than intercompany Indebtedness) or preferred stock of any Restricted Subsidiary, in each case that was permitted by the indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (4), (5), (13), (14) or (18) of this paragraph;

(6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided that:

(a) if the Company or any Guarantor is the obligor on any such Indebtedness that is owing to a Restricted Subsidiary that is not a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the notes, in the case of the Company, or the Subsidiary Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or a Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(8) the Guarantee by the Company or any of the Guarantors of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness that is being Guaranteed is subordinated in right of payment to the notes or a Subsidiary Guarantee, then the Guarantee of that Indebtedness by the Company or the Guarantor shall be subordinated in right of payment to the notes or the Guarantor's Subsidiary Guarantee, as the case may be;

(9) the incurrence by the Company's Unrestricted Subsidiaries of Non-Recourse Debt; provided that if any such Indebtedness ceases to be Non-Recourse Debt of an Unrestricted Subsidiary, such event will be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary of the Company that was not permitted by this clause (9);

(10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, public liability insurance, unemployment insurance, property, casualty

or liability insurance, self-insurance obligations, bankers' acceptances, or customs, completion, advance payment, performance, bid performance, appeal or surety bonds and other similar obligations in the ordinary course of business, including guarantees or obligations with respect to letters of credit supporting the foregoing;

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five business days of incurrence;

(12) Indebtedness represented by agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn outs or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of the Company or any Restricted Subsidiary; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(13) Indebtedness of a Restricted Subsidiary incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness incurred in connection with, or in contemplation of, such acquisition); provided that at the time such Restricted Subsidiary is acquired by the Company, the Company would have been able to incur $1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (13);

(14) Indebtedness of Foreign Subsidiaries in an aggregate amount at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance or replace any Indebtedness incurred pursuant to this clause (14), not to exceed 15% of the aggregate Consolidated Net Tangible Assets of all Foreign Subsidiaries, determined at the time of incurrence;

(15) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of preferred stock; provided, however, that:

  (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary thereof; and

  (b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary thereof, will be deemed, in each case, to constitute an issuance of such preferred stock (as of the date of such sale or transfer) by such Restricted Subsidiary that was not permitted by this clause (15);

(16) Indebtedness of the Company or any of its Restricted Subsidiaries consisting of (a) the financing of insurance premiums or (b) take-or-pay obligations contained in ordinary course supply arrangements;

(17) Indebtedness of the Company or any of its Restricted Subsidiaries in respect of Treasury Management Arrangements; and

(18) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (18), in an aggregate principal amount not to exceed at any time outstanding the greater of (a) $75.0 million and (b) 5.0% of the Company's Consolidated Net Tangible Assets determined at the time of incurrence.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, if an item of Indebtedness (including Acquired Debt) at any time meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be permitted to classify (and later

reclassify) in whole or in part in its sole discretion such item of Indebtedness in any manner that complies with this covenant. Indebtedness under Credit Facilities outstanding on the date on July 30, 2013 and authenticated under the indenture will initially be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of Permitted Debt.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount thereof is included in Fixed Charges of the Company as accrued. Further, the reclassification of any lease or other liability of the Company or any of its Restricted Subsidiaries as Indebtedness due to a change in accounting principles after the date of the indenture will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in the same foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, the U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of the refinancing Indebtedness does not exceed the principal amount of the Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company may incur pursuant to this covenant will not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness (including Attributable Debt) upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the indenture and the notes are secured on an equal and ratable basis (or on a senior basis to, in the case of obligations subordinated in right of payment to the notes or Subsidiary Guarantee, as the case may be) with the obligations so secured until such time as such obligations are no longer secured by a Lien.

Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; provided that the Company or any Restricted Subsidiary may enter into a sale and leaseback transaction if:

(1) the Company or that Restricted Subsidiary, as applicable, could have

- (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the covenant described above under the caption "— Incurrence of Indebtedness and Issuance of Preferred Stock," and
- (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Liens";

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors and set forth in an officers' certificate delivered to the trustee, of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described above under the caption "— Repurchase at the Option of Holders — Asset Sales."

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and Credit Facilities as in effect on July 30, 2013 and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; provided that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on July 30, 2013, as determined by the Company in its reasonable and good faith judgment;

(2) the indenture, the notes and the Subsidiary Guarantees;

(3) applicable law or any applicable rule, regulation or order of any court or governmental authority;

(4) agreements or instruments with respect to a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition or as may be amended, restated, modified, renewed, extended, supplemented, refunded, replaced or refinanced from time to time (so long as the encumbrances and restrictions in any such amendment, restatement, modification, renewal, extension, supplement, refunding, replacement or refinancing are, in the reasonable and good faith judgment of the Company, not materially more restrictive, taken as a whole, than those in effect on the date of the acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of agreements or instruments governing Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(5) customary non-assignment provisions in any contract, license or lease entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on that property of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that imposes restrictions of the nature described in clauses (1) and/or (3) of the preceding paragraph;

(8) Permitted Refinancing Indebtedness; provided that the encumbrances or restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced as determined by the Company in its reasonable and good faith judgment;

(9) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of the covenant described above under the caption "— Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements entered into (a) in the ordinary course of business or (b) with the approval of the Company's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(11) restrictions on cash or other deposits or net worth imposed by customers, suppliers or landlords under contracts entered into in the ordinary course of business;

(12) any encumbrance or restrictions existing under Hedging Obligations permitted under the indenture;

(13) any agreement or instrument relating to any property or assets acquired after the date of the indenture, so long as such encumbrance or restriction relates only to the property or assets so acquired and is not and was not created in anticipation of such acquisition;

(14) with respect to any Foreign Subsidiary, any encumbrance or restriction contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was incurred pursuant to the covenant described above under the caption "— Incurrence of Indebtedness and Issuance of Preferred Stock" if either (a) the encumbrance or restriction applies only in the event of a payment default or a default with respect to a financial covenant in such Indebtedness or agreement or (b) the Company determines in good faith that any such encumbrance or restriction will not materially affect the Company's ability to make principal or interest payments on the notes; and

(15) secured Indebtedness otherwise permitted to be incurred pursuant to the provisions of the covenant described above under the caption "— Liens" that limit the right of the debtor to dispose of the assets securing the Indebtedness.

Merger, Consolidation or Sale of Assets

The Company may not, directly or indirectly (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation) or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person unless:

(1) either:

(a) the Company is the surviving corporation, or

(b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia (or if such entity is not a corporation existing under the laws of the United States, any state of the United States or the District of Columbia, a co-obligor of the notes is a corporation organized or existing under any such laws);

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Company under the notes, the indenture and the registration rights agreement pursuant to agreements reasonably satisfactory to the trustee;

(3) immediately after such transaction no Default exists;

(4) immediately after such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, either the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "— Incurrence of Indebtedness and Issuance of Preferred Stock" or the Fixed Charge Coverage Ratio of the Company or the surviving Person, as applicable, or of the Person to which such sale, assignment, transfer, conveyance or other disposition has been made, would not be less than the Fixed Charge Coverage Ratio of the Company immediately prior to the transaction; and

(5) the Company shall deliver, or cause to be delivered, to the trustee an officers' certificate and an opinion of counsel, each to the effect that such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition complies with the requirements of the Indenture, and an opinion of counsel stating that the notes, the indenture and Subsidiary Guarantees, as applicable, constitute valid and binding obligations of the Company and the Guarantors, subject to customary exceptions.

In addition, the Company may not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person.

Notwithstanding the preceding clause (4), (i) any Restricted Subsidiary of the Company may consolidate with, merge into or sell, assign, transfer or convey all or part of its properties and assets to the Company and (ii) the Company may merge with an Affiliate that has no significant assets or liabilities and was formed solely for the purpose of changing the jurisdiction of organization of the Company to another state of the United States so long as the amount of the Company's Indebtedness and the Indebtedness of the Restricted Subsidiaries is not increased thereby.

Transactions with Affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction") involving aggregate payments or consideration in excess of $5.0 million, unless:

(1) the Affiliate Transaction is on terms that, taken as a whole, are no less favorable to the Company or the relevant Restricted Subsidiary than those that could reasonably be expected to have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person or, if in the good faith judgment of the Company's Board of Directors, no comparable transaction is available to compare to such Affiliate Transaction, such Affiliate Transaction is nonetheless fair to the Company or the relevant Restricted Subsidiary from a financial point of view; and

(2) the Company delivers to the trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $15.0 million but no greater than $30.0 million, an officers' certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $30.0 million, the Company must obtain a resolution of the Board of Directors of the Company set forth in an officers' certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant and that such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Company's Board of Directors.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(2) transactions between or among the Company and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns an Equity Interest in, or controls, such Person;

(4) payment of customary compensation to, and the provision of customary indemnity and other benefits on behalf of, officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;

(5) sales of Equity Interests (other than Disqualified Stock) to Affiliates of the Company;

(6) Restricted Payments that are permitted by the covenant described above under the caption "— Restricted Payments";

(7) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements or stock option or stock ownership plans approved by the Board of Directors;

(8) loans or advances to employees in the ordinary course of business, but in any event not to exceed $2.0 million in the aggregate outstanding at any one time;

(9) indemnification agreements with, and payments made, to officers, directors and employees of the Company or any of its Restricted Subsidiaries pursuant to charter, bylaw, statutory or contractual provisions;

(10) the performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any agreement to which the Company or any of its Restricted Subsidiaries is a party as of or on July 30, 2013 and any amendments, modifications, supplements, extensions or renewals of those agreements; provided that the amendments, modifications, supplements, extensions or renewals are no more disadvantageous, taken as a whole, to the holders of the notes than the terms of the agreements in effect on July 30, 2013; and

(11) transactions in which the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the trustee a letter from an independent financial advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary properly designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the first or second paragraph of the covenant described above under the caption "— Restricted Payments" or Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

Additional Subsidiary Guarantees

If, after the date of the indenture, any Restricted Subsidiary of the Company that is not already a Guarantor guarantees, assumes or otherwise becomes an obligor with respect to any Indebtedness of the Company or any Guarantor, then that Restricted Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the trustee within 10 Business Days of the date on which it so became liable with respect to such Indebtedness; provided that the foregoing shall not apply to any Subsidiary that has properly been designated as an Unrestricted Subsidiary in accordance with the provisions described under "—Designation of Restricted and Unrestricted Subsidiaries" for so long as it continues to constitute an Unrestricted Subsidiary. Upon the release, termination or satisfaction of that Restricted Subsidiary's guarantee or assumption of such Indebtedness, that Restricted Subsidiary's Subsidiary Guarantee shall automatically be released and terminated.

Notwithstanding anything to the contrary contained herein, no Restricted Subsidiary shall be required to provide any Subsidiary Guarantee to the extent that, in the reasonable judgment of the Company, the provision of such Subsidiary Guarantee would subject the Company or any Restricted Subsidiary to any adverse tax consequence due to the application of Section 956 of the Internal Revenue Code of 1986, as amended, or any successor thereto.

Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Subsidiaries taken as a whole.

Payments for Consent

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless such consideration is offered to be paid and is paid to all holders of the notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Reports

Whether or not the Company is subject to the periodic reporting requirements of the Exchange Act, so long as any notes are outstanding, the Company will furnish to the trustee and the registered holders of notes, within the time periods specified in the SEC's rules and regulations that are then applicable to the Company (or, if the Company is not subject to such reporting requirements of the Exchange Act, then within those time periods for filing as are applicable to a filer that is not an "accelerated filer" as defined in such rules and regulations), taking into account any extension of time, deemed filing date or safe harbor contemplated or provided for by Rule 12b-25, Rule 13a-11(c) or Rule 15d-11(c) under the Exchange Act or successor provisions:

(1) all quarterly and annual financial information that would be required to be filed with the SEC on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Company's independent registered public accounting firm; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if the Company were required to file such reports.

The Company will be deemed to have furnished such information and reports to the trustee and the registered holders of notes if it has filed such information and reports with the SEC using the EDGAR filing

system (or any successor system) and such information and reports are publicly available or, if the SEC will not accept the Company's filings reason, if the Company posts such information and reports on its website within the time periods specified above.

In addition, following the consummation of the exchange offer contemplated by the registration rights agreement, whether or not the Company is then subject to the periodic reporting requirements of the Exchange Act, the Company will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified above (unless the SEC will not accept such a filing). To the extent the Company is no longer subject to the periodic reporting requirements of the SEC, the Company and the Guarantors have also agreed that, for so long as any notes remain outstanding, the Company and the Guarantors will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Notwithstanding anything herein to the contrary, no Reporting Default in respect of a failure to deliver a current report described under clause (2) above shall be deemed to have occurred until 45 days after the date such report is required to be provided under this covenant, and any Reporting Default shall be automatically cured when the Company provides the required information and reports to the trustee and the registered holders of notes or files the required information and reports with the SEC, as applicable.

Events of Default and Remedies

Each of the following is an Event of Default:

(1) default for 30 days in the payment when due of interest on, or Additional Interest with respect to, the notes;

(2) default in payment when due of the principal of, or premium, if any, on the notes;

(3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions described under the captions "— Repurchase at the Option of Holders — Change of Control," or "— Certain Covenants — Merger, Consolidation or Sale of Assets";

(4) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions described under the captions "— Certain Covenants — Restricted Payments," "— Repurchase at the Option of Holders — Asset Sales," or "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock" and continuance of this failure for 30 days after written notice of such failure is given by the trustee or by holders representing 25% or more of the aggregate principal amount of notes then outstanding to the Company and the trustee;

(5) (a) except with respect to the provisions described under the caption "— Certain Covenants —Reports," failure by the Company or any of its Restricted Subsidiaries to comply with any of the other agreements in the indenture and continuance of this failure for 60 days after written notice of such failure is given by the trustee or by holders representing 25% or more of the aggregate principal amount of notes then outstanding to the Company and the trustee; and

(b) failure by the Company to comply with the provisions described under the caption "— Certain Covenants — Reports," for 120 days after written notice of such failure is given by the trustee or holders representing 25% or more of the aggregate principal amount of notes then outstanding to the Company and the trustee;

(6) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after July 30, 2013, if that default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default"); or

(b) results in the acceleration of such Indebtedness prior to its Stated Maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25.0 million or more; *provided*, however, that if, prior to the acceleration of the notes, any such default is cured or waived or any such acceleration is rescinded, or such Indebtedness is repaid, within a period of 60 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration of such other Indebtedness, as the case may be, such Event of Default shall be automatically rescinded and waived without any action by the Company, the trustee or the holders (so long as such rescission and waiver would not conflict with any judgment or decree);

(7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $25.0 million (to the extent not covered by insurance), which judgments are not paid, discharged or stayed for a period of 60 days;

(8) except as permitted by the indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason (other than in accordance with the terms of that guarantee and the indenture) to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee; and

(9) certain events of bankruptcy or insolvency described in the indenture with respect to the Company or any of its Significant Subsidiaries or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary.

In the case of an Event of Default described in clause (9) with respect to the Company, all outstanding notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes may declare all the notes to be due and payable immediately.

Holders of the notes may not enforce the indenture or the notes except as provided in the indenture. Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power. The holders of a majority in aggregate principal amount of the notes then outstanding by notice to the trustee may on behalf of the holders of all of the notes (i) waive any existing Default and its consequences under the indenture except a continuing Default in the payment of principal of, or interest or premium or Additional Interest, if any, on, the notes and (ii) rescind an acceleration and its consequences, if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived and all amounts owing to the trustee have been paid.

The Company is required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default, the Company is required to deliver to the trustee a statement specifying such Default. The trustee may withhold from holders of the notes notice of any continuing Default if it determines that withholding notice is in their interest, except a Default relating to the payment of principal of, or interest or premium or Additional Interest, if any, on, the notes.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the notes, the indenture, the Subsidiary Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding notes and all obligations of the Guarantors discharged with respect to their Subsidiary Guarantees ("Legal Defeasance") except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, or interest or premium and Additional Interest, if any, on such notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and the Company's and the Guarantor's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including its obligations to make Change of Control Offers and Asset Sale Offers) that are described in the indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the notes. If Covenant Defeasance occurs, all events (except non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "— Events of Default and Remedies" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of an independent registered public accounting firm, delivered to the trustee to pay the principal of, or interest and premium and Additional Interest, if any, on the outstanding notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company has delivered to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that:

  (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

  (b) since July 30, 2013, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company has delivered to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any

similar concurrent deposit relating to other Indebtedness and the granting of Liens in connection therewith) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the day of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company must have delivered to the trustee an opinion of counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(7) the Company must have delivered to the trustee an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the holders of notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(8) the Company must have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the trustee for cancellation; or

(b) all notes that have not been delivered to the trustee for cancellation have become due and payable or will become due and payable within one year by reason of the mailing of a notice of redemption or otherwise and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the notes not delivered to the trustee for cancellation for principal, premium and Additional Interest, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar concurrent deposit relating to other Indebtedness and the granting of Liens in connection therewith);

(3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the indenture; and

(4) the Company has delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be.

In addition, the Company must deliver an officers' certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the indenture or the notes may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), and, subject to certain exceptions, any existing Default or Event of Default or compliance with any provision of the indenture or the notes may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

Without the consent of each holder affected, an amendment, supplement or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter any of the provisions with respect to the redemption of the notes (other than provisions relating to the covenants described above under the caption "— Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest on any note;

(4) waive a Default in the payment of principal of, or interest or premium or Additional Interest, if any, on the notes (except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the then outstanding notes and a waiver of the payment default that resulted from such acceleration);

(5) make any note payable in currency other than that stated in the notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of notes to receive payments of principal of, or interest or premium or Additional Interest, if any, on the notes;

(7) waive a redemption or repurchase payment with respect to any note (other than a payment required by one of the covenants described above under the caption "— Repurchase at the Option of Holders");

(8) make any change in the ranking or priority of any note that would adversely affect the note holder;

(9) release any Guarantor from any of its obligations under its Subsidiary Guarantee or the indenture, except in accordance with the terms of the indenture; or

(10) make any change in the preceding amendment, supplement and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of notes, the Company, the Guarantors and the trustee may amend or supplement the indenture or the notes:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of the Company's obligations to holders of notes in the case of a merger or consolidation or sale of all or substantially all of the Company's assets;

(4) to make any change that would provide any additional rights or benefits to the holders of notes or that does not adversely affect the legal rights under the indenture of any such holder;

(5) to provide for the issuance of additional notes in accordance with the provisions set forth in the indenture;

(6) to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

(7) to add any Restricted Subsidiary as an additional Guarantor as provided in the indenture or to evidence the succession of another Person to any Guarantor pursuant to the indenture and the assumption by any such successor of the covenants and agreements of such Guarantor contained in the indenture and in the Subsidiary Guarantee of such Guarantor;

(8) to release a Guarantor from its obligations under the indenture and its Subsidiary Guarantee in accordance with the terms of the indenture; and

(9) to conform the text of the indenture, the notes or the Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be verbatim recitation of a provision in the Indenture or the notes, as certified to the Trustee in an officers' certificate.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment, supplement or waiver.

As permitted by Delaware law, our certificate of incorporation contains a provision pursuant to which application may be made to a court of equitable jurisdiction within the State of Delaware to order a meeting of our creditors or a class of our creditors whenever a compromise or arrangement is proposed between us and our creditors or a class of our creditors. If 75% of our creditors or that class of creditors, as the case may be, agrees to any compromise or arrangement, such compromise or arrangement, if sanctioned by the court, will be binding on all of our creditors or that class of creditors and on us. This provision is also applicable to any compromise or arrangement between us and our shareholders or a class of our shareholders. The certificates of incorporation of certain subsidiary guarantors also contain similar provisions.

Governing Law; Jury Trial Waiver

The indenture is governed by, and construed in accordance with, the laws of the State of New York. The indenture provides that the Company, the Guarantors and the trustee, and each holder of a note by its acceptance thereof, irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture, the Notes or any transaction contemplated thereby.

Concerning the Trustee

If the trustee becomes a creditor of the Company or any Guarantor, the indenture contains provisions in the Trust Indenture Act that limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest as defined in the Trust Indenture Act it must eliminate such conflict within 90 days, apply to the SEC for permission to continue or resign.

The holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provides that if an Event of Default occurs and is continuing, the trustee will be required, in the exercise of the rights and powers vested in it by the Indenture, to use the degree of care of a prudent man in the conduct of his own affairs under the circumstances. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless such holder has offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Additional Information

Anyone who receives this prospectus may obtain a copy of the indenture and registration rights agreement without charge by writing to Parker Drilling Company, 5 Greenway Plaza, Suite 100, Houston, Texas 77046, USA, Attention: Corporate Secretary.

Book-Entry, Delivery and Form

The exchange notes initially will be represented by one or more permanent global notes in registered form without interest coupons.

The global notes will be deposited upon issuance with the trustee as custodian for DTC, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the global notes may be transferred, in whole but not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "— Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time.

Depositary Procedures

The following description of the operations and procedures of DTC, the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the global notes, DTC will credit the accounts of Participants designated by the initial purchasers with portions of the principal amount of the global notes; and

(2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are Participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which are Euroclear

Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such Persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of a Person having beneficial interests in a global note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of beneficial interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium and Additional Interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the Company and the trustee will treat the Persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the trustee nor any agent of the Company or the trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the global notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or the Company. Neither the Company nor the trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the notes, and the Company and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or

Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

DTC has advised the Company that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its Participants. Any notices required to be given to the holders while the Notes are Global Notes will be given to DTC.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Company, the trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form (“certificated notes”) if:

(1) DTC

  (a) notifies us that it is unwilling or unable to continue as depositary for the global notes and the Company fails to appoint a successor depositary, or

  (b) has ceased to be a clearing agency registered under the Exchange Act;

(2) the Company, at its option, notifies the trustee in writing that it elects to cause the issuance of the certificated notes; or

(3) there has occurred and is continuing an Event of Default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the trustee and the Company by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Notice to Investors,” unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated notes may not be exchanged for beneficial interests in any global note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes.

Same-Day Settlement and Payment

The Company will make payments in respect of the notes represented by the global notes (including principal, premium, if any, interest and Additional Interest, if any) by wire transfer of immediately available funds to the accounts specified by the global note holder. The Company will make all payments of principal,

interest and premium and Additional Interest, if any, with respect to certificated notes by wire transfer of immediately available funds to the accounts specified by the holders of the certificated notes or, if no such account is specified, by mailing a check to each such holder's registered address. The notes represented by the global notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. The Company expects that secondary trading in any certificated notes will also be settled in immediately available funds. Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised us that cash received in Euroclear or Clearstream as a result of sales of beneficial interests in a global note by or through a Euroclear or Clearstream participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Certain Definitions

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Applicable Premium*" means, with respect to any note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the note; or

(2) the excess of:

  (a) the present value at such redemption date of (i) the redemption price of the note at August 1, 2016 (such redemption price being set forth in the table appearing above under the caption "— Optional Redemption") plus (ii) all required interest payments due on the note through August 1, 2016 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

  (b) the principal amount of the note.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights, including by means of a merger, consolidation or similar transaction; provided that the sale, conveyance or other disposition of all or

substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption "— Repurchase at the Option of Holders — Change of Control" and/or the provisions described above under the caption "— Certain Covenants — Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sale covenant; and

(2) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries or the sale of Equity Interests in any of its Subsidiaries (other than directors' qualifying shares).

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that involves assets having a fair market value of less than $10.0 million;

(2) a transfer of assets between or among the Company and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(4) the sale or lease of equipment, inventory, accounts receivable, services or other assets in the ordinary course of business or the sale of inventory to any joint venture, in which the Company owns directly or indirectly at least 50% of the Equity Interests, for resale by such joint venture to its customers in the ordinary course of business of its business.

(5) the sale or other disposition of cash or Cash Equivalents;

(6) a Restricted Payment that is permitted by the covenant described above under the caption "— Certain Covenants — Restricted Payments" or a Permitted Investment;

(7) dispositions in connection with Permitted Liens;

(8) the sale of a rig built by the Company or any of its Restricted Subsidiaries for the purpose of sale to a customer where the sale proceeds are recorded in the Company's consolidated financial statements as operating income in accordance with generally accepted accounting principles in the United States;

(9) sales or other dispositions of damaged, worn-out or obsolete equipment or assets that, in the Company's reasonable judgment, are either (A) no longer used or (B) no longer useful in the business of the Company or its Restricted Subsidiaries;

(10) any trade or exchange by the Company or any Restricted Subsidiary of one or more drilling rigs for one or more other drilling rigs owned or held by another Person, provided that (A) the fair market value of the drilling rig or rigs traded or exchanged by the Company or such Restricted Subsidiary (including any cash or Cash Equivalents to be delivered by the Company or such Restricted Subsidiary) is reasonably equivalent to the fair market value of the drilling rig or rigs (together with any cash or Cash Equivalents) to be received by the Company or such Restricted Subsidiary, in each case as determined as provided in the final paragraph of the covenant described above under the caption "— Certain Covenants — Restricted Payments" and (B) such exchange is approved by a majority of the disinterested members of the Board of Directors of the Company;

(11) any transfer by the Company or any Restricted Subsidiary to its customers of drill pipe, tools and associated drilling equipment utilized in connection with a drilling contract for the employment of a drilling rig in the ordinary course of business;

(12) sales or grants of licenses or sublicenses to use the patents, trade secrets, know-how and other intellectual property, and licenses, leases or subleases of other assets, of the Company or any Restricted Subsidiary to the extent not materially interfering with the business of the Company and the Restricted Subsidiaries;

(13) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(14) sales or transfers of Equity Interests of Unrestricted Subsidiaries;

(15) voluntary termination of any Hedging Obligations; and

(16) transfers of property subject to casualty and condemnation proceedings.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" have correlative meanings.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by law to close.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Cash Equivalents*" means:

(1) United States dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;

(3) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any lender party to the Credit Agreement (or any affiliate of such lender

party meeting such requirements) or with any commercial bank organized under the laws of any country that is a member of the Organization for Economic Cooperation and Development (or any affiliate of such commercial bank meeting such requirements), having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of “B” or better;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having the highest rating obtainable from Moody’s or S&P’s Rating Services and in each case maturing within 270 days after the date of acquisition; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

“*Change of Control*” means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to any “person” (as that term is used in Sections 13(d)(3) of the Exchange Act);

(2) the adoption of a plan by the stockholders of the Company relating to the liquidation or dissolution of the Company;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Sections 13(d)(3) of the Exchange Act) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the voting power of the Voting Stock of the Company; or

(4) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

“*Consolidated Cash Flow*” means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; plus

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus

(3) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings), and net of the effect of all payments made or received pursuant to Hedging Obligations incurred with respect to Indebtedness, to the extent that any such expense was deducted in computing such Consolidated Net Income; plus

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (including impairment charges recorded in connection with the application of Accounting Standard Codification Topic 350, “Intangibles — Goodwill and Other,” but excluding any such non-cash expense to the extent that it

represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; plus

(5) all extraordinary, unusual or non-recurring items of loss or expense; minus

(6) all extraordinary, unusual or non-recurring items of gain or revenue; minus

(7) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business, in each case, on a consolidated basis and determined in accordance with GAAP. Notwithstanding the foregoing, amounts in clauses (1), (2), (4), (5) and (6) relating to any Restricted Subsidiary that is not a Guarantor will be added to Consolidated Net Income to compute Consolidated Cash Flow only to the extent (and in the same proportion) that the Net Income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Restricted Subsidiary without any prior governmental approval (that has not been obtained) and by operation of the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary that is not a Guarantor will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders; and

(3) the cumulative effect of a change in accounting principles will be excluded.

"*Consolidated Net Tangible Assets*" means the amount which would be set forth under the caption "Total Assets" on a consolidated balance sheet less all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets, less the aggregate amount of current liabilities on a consolidated balance sheet.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on July 30, 2013; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"*Credit Agreement*" means that certain Amended and Restated Credit Agreement, dated as of December 14, 2012, as amended, among the Company and the lenders and agents parties thereto, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced in whole or in part from time to time.

"*Credit Facility*" or "*Credit Facilities*" means one or more debt facilities (including, without limitation, the Credit Agreement) or commercial paper facilities, in each case with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (and whether or not with the original lender or lenders or another lender or lenders and whether provided under the original Credit Agreement or any other credit or other agreement or indenture).

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions prior to compliance by the Company with the Change of Control offer and Asset Sale offer provisions of the indenture described above under the caption "Repurchase at the Option of Holders" and unless such repurchase or redemption complies with the covenant described above under the caption "— Certain Covenants — Restricted Payments."

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any public or private sale of Capital Stock (other than Disqualified Stock) made for cash on a primary basis by the Company after July 30, 2013.

"*Exchange Notes*" means the notes issued in the Exchange Offer pursuant to the indenture.

"*Exchange Offer*" has the meaning set forth for such term in the registration rights agreement.

"*Existing Indebtedness*" means any Indebtedness of the Company and its Restricted Subsidiaries (other than any other Permitted Debt) in existence on July 30, 2013, until such amounts are repaid.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings), and net of the effect of all payments made or received pursuant to Hedging Obligations incurred with respect to Indebtedness; plus

(2) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(3) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock or preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of Parker Drilling, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

Notwithstanding the foregoing, if any lease or other liability is reclassified as Indebtedness or as a Capital Lease Obligation due to a change in accounting principles after July 30, 3013, the interest component of all payments associated with such lease or other liability shall be excluded from Fixed Charges.

"*Fixed Charge Coverage Ratio*" means, with respect to any specified Person for any four-quarter reference period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. If the specified Person or any of its Subsidiaries incurs, assumes, Guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems any Disqualified Stock or preferred stock subsequent to the commencement of the applicable four-quarter reference period and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made occurs (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of such period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, and including any related financing transactions subsequent to the commencement of the applicable four-quarter reference period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred on the first day of such period including any pro forma expense and cost reductions that have occurred or are reasonably expected to occur, in the reasonable judgment of the chief financial officer of Parker Drilling (regardless of whether those expense and cost reductions could then be reflected in pro forma financial statements in accordance with Regulation S-X promulgated under the Securities Act or any other regulation or policy of the SEC related thereto); *provided* that, at the election of Parker Drilling, pro forma effect need not be given to any acquisition referred to in the foregoing clause (1) involving consideration of $15.0 million or less;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary of the specified Person on the Calculation Date will be deemed to have been a Restricted Subsidiary of the specified Person at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary of the specified Person on the Calculation Date will be deemed not to have been a Restricted Subsidiary of the specified Person at any time during such four-quarter period;

(6) if any Indebtedness to which pro forma effect is being given bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months); and

(7) interest income reasonably anticipated by such Person to be received during the applicable four-quarter period from cash or Cash Equivalents held by such Person or any Restricted Subsidiary of such Person, which cash or Cash Equivalents exist on the Calculation Date or will exist as a result of the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio, will be included.

"*Foreign Subsidiary*" means any Restricted Subsidiary that is organized under the laws of a jurisdiction other than the United States, a State thereof or the District of Columbia.

"*GAAP*" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on July 30, 2013.

"*Guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, of all or any part of any Indebtedness in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof.

"*Guarantors*" means each of:

(1) any Restricted Subsidiary that executes a Subsidiary Guarantee in accordance with the provisions of the indenture; and

(2) their respective successors and assigns;

provided that any Person constituting a Guarantor as described above will cease to constitute a Guarantor when its respective Subsidiary Guarantee is released in accordance with the terms thereof and of the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person incurred under:

(1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(2) foreign exchange contracts and currency protection agreements;

(3) any commodity futures contract, commodity option or other similar agreement or arrangement; and

(4) other similar agreements or arrangements.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments;

(3) representing reimbursement obligations in respect of banker's acceptances or letters of credit or similar instruments;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable; or

(6) representing the net obligations of such Person under any Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of the agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

if and to the extent any of the preceding items (other than Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes (a) all Indebtedness of others to the extent secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) in an amount equal to the lesser of (x) the fair market value of any asset subject to such Lien securing such Indebtedness of others on the date of determination and (y) the amount of the Indebtedness secured and (b) to the extent not otherwise included, the Guarantee by the specified Person of any indebtedness of any other Person. Notwithstanding the foregoing, in no event shall the reclassification of any lease or other liability as indebtedness due to a change in accounting principles after the date of the indenture be deemed to be an incurrence of Indebtedness for purposes of the indenture.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding (x) commission, travel and similar advances to officers and employees made in the ordinary course of business and (y) advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If Parker Drilling or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition in an amount equal to the fair market value of the Equity Interests of and other Investments in such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "— Certain Covenants — Restricted Payments." The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment made by the Company or such Subsidiary in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person on the date of any such acquisition in an amount determined as provided in the final paragraph of the covenant described above under the caption "— Certain Covenants — Restricted Payments."

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in such asset and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (but not loss), other than gains associated with reimbursements for lost or damaged tools in the ordinary course of business, together with any related provision for taxes on such gain (but not

loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries; and

(2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, any amounts required to be applied to the repayment of Senior Debt secured by a Lien on the asset or assets that were the subject of such Asset Sale, and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) is the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the notes) of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its stated maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"*Obligations*" means any principal, premium and Additional Interest, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees, and other liabilities or amounts payable under the documentation governing any Indebtedness or in respect thereof.

"*Permitted Business*" means the lines of business conducted by the Company and its Restricted Subsidiaries on July 30, 2013 (the date of the indenture) and any business incidental or reasonably related thereto or which is a reasonable extension thereof as determined in good faith by the Company's Board of Directors.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(2) any Investment in Cash Equivalents;

(3) any Investment by the Company or any Subsidiary of the Company in a Person, if as a result of such Investment:

    (a) such Person becomes a Restricted Subsidiary of the Company; or

    (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "— Repurchase at the Option of Holders — Asset Sales";

(5) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any Investments received (a) in satisfaction of judgments or in compromise of obligations of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or (b) as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment in default;

(7) guarantees (including Subsidiary Guarantees) of Indebtedness permitted under the covenant described above under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock";

(8) Hedging Obligations permitted to be incurred under the covenant described above under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock";

(9) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(10) loans or advances to employees made in the ordinary course of business of the Company or such Restricted Subsidiary not to exceed $2.0 million at any one time outstanding; and

(11) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (11) that are at the time outstanding, not to exceed the greater of (a) $50.0 million and (b) 5.0% of Consolidated Net Tangible Assets of the Company determined at the time of such Investment.

"*Permitted Liens*" means:

(1) Liens securing Indebtedness and other obligations under any Credit Facility permitted to be incurred under the indenture;

(2) Liens securing the notes and Subsidiary Guarantees;

(3) Liens existing on July 30, 2013;

(4) Liens in favor of the Company or the Guarantors;

(5) Liens to secure Indebtedness of any Restricted Subsidiaries that are not Guarantors; provided that the terms of the indenture permit the Indebtedness to be incurred;

(6) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company or otherwise becomes a Restricted Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation or such Person becoming a Restricted Subsidiary of the Company and do not extend to any assets other than those of such Person;

(7) Liens on property existing at the time of acquisition of the property by the Company or any Restricted Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any assets other than such acquired property;

(8) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with such Indebtedness;

(9) Liens securing Permitted Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured; provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or distributions in respect thereof) that secured or, under the written arrangements under which the original Lien arose, could secure the Indebtedness being refinanced;

(10) Liens on assets of Unrestricted Subsidiaries that secure Non-Recourse Debt of Unrestricted Subsidiaries;

(11) Liens securing Hedging Obligations or Treasury Management Arrangements related to Indebtedness permitted under the indenture;

(12) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(13) Liens in respect of property of the Company or any Restricted Subsidiary imposed by law or contract, which were not incurred or created to secure Indebtedness for borrowed money, such as carrier's, warehousemen's, materialmen's, landlord's, workmen's, suppliers', repairmen's, mechanic's, maritime and salvage Liens and other Liens arising in the ordinary course of business, and which do not in the aggregate materially detract from the value of the property of the Company or its Restricted Subsidiaries, taken as a whole, and do not materially impair the use thereof in the operation of the business of the Company and its Restricted Subsidiaries, taken as a whole;

(14) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the payment or performance of tenders, statutory or regulatory obligations, surety and appeal bonds, bids, government contracts and leases, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(15) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired;

(16) Liens upon specific items of inventory or other goods of any Person securing such Person's obligations in respect of bankers acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(17) Liens securing reimbursement obligations with respect to commercial letters of credit that encumber documents and other property or assets relating to such letters of credit and products and proceeds thereof;

(18) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of the Company or any of its Restricted Subsidiaries, including rights of offset and set-off;

(19) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent for more than 60 days or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(20) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings; and

(21) Liens with respect to obligations that do not exceed $30.0 million at any one time outstanding.

Notwithstanding the foregoing, "Permitted Liens" will not include any Lien described in clause (6), (7) or (8) above to the extent such Lien applies to any Additional Assets acquired directly or indirectly from Net Proceeds pursuant to the covenant described above under the caption "— Repurchase at the Option of Holders — Asset Sales." For purposes of this definition, the term "Indebtedness" will be deemed to include interest on such Indebtedness.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Subsidiaries (other than intercompany Indebtedness); provided that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to, the notes on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) such Permitted Refinancing Indebtedness is incurred either by (i) the Company or a Guarantor or (ii) by the Subsidiary that is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Reporting Default*" means a Default described under clause (5)(b) of "—Events of Default and Remedies."

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"*SEC*" means the Securities and Exchange Commission and any successor thereto.

"*Senior Debt*" means:

(1) all Indebtedness of the Company or any Restricted Subsidiary outstanding under Credit Facilities and all Hedging Obligations with respect thereto;

(2) any other Indebtedness of the Company or any Restricted Subsidiary permitted to be incurred under the terms of the indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is subordinated in right of payment to the notes or any Subsidiary Guarantee; and

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2).

Notwithstanding anything to the contrary in the preceding sentence, Senior Debt will not include:

(1) any liability for federal, state, local or other taxes owed or owing by the Company;

(2) any intercompany Indebtedness of the Company or any of its Subsidiaries to the Company or any of its Affiliates;

(3) any trade payables; or

(4) any Indebtedness that is incurred in violation of the indenture.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof; provided that all Unrestricted Subsidiaries will be excluded from all calculations under Rule 1-02(w) of Regulation S-X.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Subsidiary Guarantee*" means any Guarantee by a Guarantor of the Company's payment Obligations under the indenture and on the notes, executed pursuant to the provisions of the indenture.

"*Treasury Management Arrangement*" means any agreement or other arrangement governing the provision of treasury or cash management services, including deposit accounts, overdraft, credit or debit card, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services and other cash management services.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such Notes are defeased or satisfied and discharged (such earlier date, the "Determination Date"), of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two business days prior to such Determination Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Determination Date to August 1, 2016; *provided, however*, that if the period from the Determination Date to August 1, 2016, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Any such Treasury Rate shall be obtained by the Company.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors of the Company, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described under the caption "— Certain Covenants — Transactions With Affiliates" (other than clause (9) thereof) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the trustee by providing to the trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "— Certain Covenants — Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock," the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period and (2) no Default would be in existence following such designation.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors (or comparable body) of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness or Disqualified Stock or preferred stock of a Guarantor at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness or redemption or similar payment in respect of the Disqualified Stock or preferred stock of a Guarantor by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

EXCHANGE OFFER; REGISTRATION RIGHTS

We and the guarantors have entered into a registration rights agreement with the initial purchasers with respect to the private notes on the original issue date of such notes, pursuant to which we and the guarantors have agreed, for the benefit of the holders of the private notes, that we will, at our own expense, (i) file an exchange offer registration statement with the SEC with respect to an offer to exchange the private notes for new notes (exchange notes), having identical terms in all material respects to the private notes and which will evidence the same continuing indebtedness (except that the exchange notes will not contain terms with respect to transfer restrictions or interest rate increases as described herein) and (ii) use commercially reasonable efforts to cause the exchange offer registration statement to be declared effective by the SEC under the Securities Act. Once the exchange offer registration statement has been declared effective, we will offer the exchange notes in exchange for surrender of the private notes. We will keep the exchange offer open for at least 20 business days (or longer if required by applicable law) after the date that notice of the exchange offer is mailed to holders of the private notes. For each private note surrendered to us pursuant to the exchange offer, the holder who surrendered such private note will receive an exchange note having a principal amount at maturity equal to that of the surrendered private note. Interest on each exchange note will accrue from the last interest payment date on which interest was paid on the note surrendered in exchange therefor or, if no interest has been paid on such note, from the original issue date.

Under existing interpretations of the Securities Act by the staff of the SEC contained in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the exchange notes would generally be freely transferable by holders thereof after the exchange offer without further registration under the Securities Act (subject to certain representations required to be made by each holder of private notes, as set forth below). However, any purchaser of private notes who is an “affiliate” of us or any guarantor and any purchaser of private notes who intends to participate in the exchange offer for the purpose of distributing the exchange notes (i) will not be able to rely on the interpretation of the staff of the SEC, (ii) will not be able to tender its private notes in the exchange offer and (iii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the private notes unless such sale or transfer is made pursuant to an exemption from such requirements.

In addition, in connection with any resales of exchange notes, any broker-dealer, which we refer to as a “Participating Broker-Dealer,” that acquired the private notes for its own account as a result of market making or other trading activities must deliver a prospectus meeting the requirements of the Securities Act. The SEC has taken the position that Participating Broker-Dealers may fulfill their prospectus delivery requirements with respect to the exchange notes (other than a resale of an unsold allotment from this offering) with the prospectus contained in the exchange offer registration statement. We will agree to make available during the period required under the Securities Act a prospectus meeting the requirements of the Securities Act to any Participating Broker-Dealer and any other persons with similar prospectus delivery requirements, for use in connection with any resale of exchange notes. A Participating Broker-Dealer or any other person that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the registration rights agreements (including certain indemnification rights and obligations thereunder).

Each holder of the private notes (other than certain specified holders) who wishes to exchange private notes for exchange notes in the exchange offer will be required to make certain representations, including representations that (i) any exchange notes to be received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement or understanding with any person to participate in a distribution (within the meaning of the Securities Act) of the exchange notes and (iii) it is not an “affiliate” (as defined in Rule 405 under the Securities Act) of ours or, if it is such an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act, to the extent applicable.

In the event that (i) any changes in law or the applicable interpretations of the staff of the SEC do not permit us to effect the exchange offer, (ii) the exchange offer is not completed on or before the 300th day following the

issuance of the private notes, (iii) under certain circumstances, the initial purchasers shall so request or (iv) any holder of private notes (other than the initial purchasers) is not eligible to participate in the exchange offer, we will, at our expense, use commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the notes and to keep that shelf registration statement effective until the earlier of one year following the effective date of such shelf registration statement and such time as all notes covered by the shelf registration statement have been sold. We will, in the event of the filing of the shelf registration statement, provide to each holder of the private notes copies of the prospectus which is a part of the shelf registration statement, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the private notes. A holder of private notes that sells its private notes pursuant to the shelf registration statement generally (i) will be required to be named as a selling securityholder in the related prospectus and to deliver a prospectus to purchasers, (ii) will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and (iii) will be bound by the provisions of the registration rights agreement that are applicable to such a holder (including certain indemnification rights and obligations thereunder). In addition, each holder of the private notes will be required to deliver information to be used in connection with the shelf registration statement and to provide comments on the shelf registration statement within the time periods set forth in the registration rights agreement to have their private notes included in the shelf registration statement and to benefit from the provisions regarding liquidated damages described in the following paragraph.

Subject to certain exceptions, if (A) we do not file the exchange offer registration statement within 210 days after the original issue date of the private notes; (B) the exchange offer registration statement is not declared effective within 260 days after the issue date of the private notes; (C) the exchange offer is not consummated within 300 days after the issue date of the private notes; (D) the shelf registration statement, if required, is not declared effective or does not automatically become effective on or prior to the 90th day after it becomes required or (E) the exchange offer registration statement or the shelf registration statement covering resales of the private notes has been declared effective and such shelf registration statement ceases for more than 30 calendar days to be effective at any time during the shelf registration period, then additional interest shall accrue on the principal amount of the private notes at a rate of 0.25% per annum for the first 90-day period immediately following the occurrence of such a default. Such rate will increase by an additional 0.25% per annum with respect to each subsequent 90 day period up to a maximum additional interest rate of 1.00% per annum. When all registration defaults have been cured, the interest rate on the private notes will revert immediately to the original level. The provisions for additional interest will be the only monetary remedy available to holders of the private notes under the registration rights agreement.

This summary of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by, the complete provisions of the registration rights agreement, a copy of which we will make available to holders of private notes upon request.

PLAN OF DISTRIBUTION

This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of any exchange notes received in exchange for private notes acquired by such broker-dealer as a result of market-making or other trading activities. Each such broker-dealer that receives exchange notes for its own account in exchange for such private notes pursuant to the exchange offer must acknowledge in the letter of transmittal that it will deliver a prospectus in connection with any resale of such exchange notes. We have agreed that for a period of up to 180 days after the registration statement is declared effective, we will use our commercially reasonable efforts to keep the registration statement effective and will make this prospectus, as amended or supplemented, available to any such broker-dealer that requests copies of this prospectus in the letter of transmittal for use in connection with any such resale.

We will not receive any proceeds from any sale of exchange notes by broker-dealers or any other persons. Exchange notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions:

- in the over-the-counter market;
- in negotiated transactions;
- through the writing of options on the exchange notes; or
- a combination of such methods of resale.

The exchange notes may be sold from time to time:

- at market prices prevailing at the time of resale;
- at prices related to such prevailing market prices; or
- at negotiated prices.

Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such exchange notes.

Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer in exchange for private notes acquired by such broker-dealer as a result of market-making or other trading activities and any broker-dealer that participates in a distribution of such exchange notes may be deemed to be an “underwriter” within the meaning of the Securities Act. Any profit on these resales of exchange notes and any commissions or concessions received by any person may be deemed to be underwriting compensation under the Securities Act. Each letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an “underwriter” within the meaning of the Securities Act.

We have agreed to pay all expenses incident to our performance of, or compliance with, the registration rights agreement and will indemnify the holders of the registrable notes, including any broker-dealers, and certain parties related to these holders, against certain liabilities, including liabilities under the Securities Act, as set forth in the registration rights agreement.

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income and estate tax considerations, as of the date of this prospectus, relevant to U.S. Holders and Non-U.S. Holders (both as defined below) relating to the exchange of private notes for exchange notes and the ownership and disposition of the exchange notes. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended, referred to in this prospectus as the "Code," its legislative history, existing and proposed Treasury Regulations promulgated thereunder, rulings, pronouncements, judicial decisions and administrative interpretations of the Internal Revenue Service, or "IRS," all as in effect on the date hereof, and all of which are subject to change, possibly on a retroactive basis, at any time by legislative, judicial or administrative action. We cannot assure you that the IRS will not challenge the conclusions stated below, and no ruling from the IRS has been or will be sought on any of the matters discussed below.

The following summary does not purport to be a complete analysis of all the potential U.S. federal income or estate tax considerations relating to the exchange of private notes for exchange notes or the ownership and disposition of the exchange notes. Without limiting the generality of the foregoing, this summary does not address the effect of any special rules applicable to certain types of holders, including, without limitation, dealers in securities, currencies or commodities, banks, insurance companies, financial institutions, thrifts, regulated investment companies, real estate investment trusts, tax-exempt entities, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar, certain U.S. expatriates or former long-term residents of the United States, persons liable for the alternative minimum tax, persons who hold exchange notes as part of a straddle, hedge, conversion transaction, wash sale, or other risk reduction or integrated investment transaction, investors in securities that elect to use a mark-to-market method of accounting for their securities holdings, individual retirement accounts or qualified pension plans, personal holding companies, persons deemed to sell the exchange notes under any constructive sale provision of the Code, or investors in pass through entities, including partnerships, certain trusts, and Subchapter S corporations. In addition, this summary is limited to holders who acquired their private notes in the initial offering at their "issue price" (i.e., the first price at which a substantial amount of the private notes is sold for cash to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), exchange their private notes for exchange notes, and hold the private notes and exchange notes as "capital assets" within the meaning of Section 1221 of the Code (generally property held for investment purposes). This summary does not address the effect of any U.S. state or local income or other tax laws, or any foreign tax laws.

If a partnership or any entity or arrangement treated as a partnership for U.S. federal tax purposes holds exchange notes, the tax treatment of a partner of such partnership will generally depend on the tax status of the partner and the tax treatment of the partnership. Partnerships holding exchange notes and partners in such partnerships should consult their tax advisors.

Exchange of Notes Pursuant to the Exchange Offer

The exchange of private notes for exchange notes pursuant to the exchange offer will not constitute a taxable event for U.S. federal income tax purposes. As a result, (1) a holder will not recognize a taxable gain or loss as a result of exchanging such holder's private notes for exchange notes, (2) the holding period of the exchange notes will include the holding period of the private notes exchanged therefor, and (3) the adjusted tax basis of the exchange notes will be the same as the adjusted tax basis of the private notes exchanged therefor immediately before such exchange.

Certain Contingent Payments

In certain circumstances described under "Description of the Notes — Optional Redemption" and "Description of the Notes — Repurchase at the Option of Holders" we may be obligated to make payments on the exchange notes in excess of stated interest and principal. We intend to take the position that the possibility

that such additional amounts will be paid does not cause the exchange notes to be treated as contingent payment debt instruments. This position is based in part on our conclusions regarding the likelihood, as of the issue date, that such additional amounts will have to be paid. The remainder of this discussion assumes the exchange notes are not contingent payment debt instruments.

U.S. Holders

The following summarizes the material U.S. federal income considerations to U.S. Holders of the ownership and disposition of the exchange notes. As used herein, the term "U.S. Holder" means a beneficial owner of an exchange note that is for U.S. federal income tax purposes:

- an individual who is a citizen of the United States or who is a resident alien of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, or any subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust, or if the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

Taxation of Interest — A U.S. Holder will be required to recognize as ordinary income all stated interest paid or accrued on the exchange notes in accordance with such U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Sale, Exchange, Redemption, or Retirement of the Exchange Notes — A U.S. Holder will generally recognize gain or loss on a sale, exchange, redemption, retirement, or other taxable disposition of an exchange note measured by the difference, if any, between:

- the sum of the amount of cash and the fair market value of any property received (except to the extent that the cash or other property received in respect of an exchange note is attributable to accrued but unpaid interest, which amount will be taxable as ordinary interest income to the extent not previously included in income); and
- the U.S. Holder's adjusted tax basis in the exchange note.

A U.S. Holder's adjusted tax basis in the exchange notes generally will equal the amount paid for the private notes. A U.S. Holder's gain or loss recognized on the disposition of an exchange note generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of such disposition, such U.S. Holder has a holding period in the exchange note of more than one year. In the case of a non-corporate U.S. Holder, long-term capital gains are currently subject to preferential rates. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

The following summarizes the material U.S. federal income tax considerations to Non-U.S. Holders of the ownership and disposition of the exchange notes. For purposes of this discussion, a "Non-U.S. Holder" is a beneficial owner of an exchange note who is not classified for U.S. federal income tax purposes as a partnership and who is not a U.S. Holder.

Taxation of Interest — Payments of interest on an exchange note to any Non-U.S. Holder will generally not be subject to U.S. federal income or withholding tax provided that:

- the Non-U.S. Holder is not an actual or constructive owner of 10% or more of the total combined voting power of our stock entitled to vote;

- the Non-U.S. Holder is not a controlled foreign corporation related, actually or constructively, to us through stock ownership;
- the Non-U.S. Holder is not a "bank" receiving the interest pursuant to a loan agreement entered into in its ordinary course of business;
- such interest payments are not effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States; and
- the Non-U.S. Holder, as beneficial owner, satisfies the applicable certification requirement described below.

The certification requirement is generally satisfied if the beneficial owner of an exchange note certifies on IRS Form W-8BEN (or a suitable substitute or successor form), under penalties of perjury, that he, she or it is not a United States person and provides his, her or its name and address, and

- such beneficial owner timely provides the withholding agent a properly executed IRS Form W-8BEN; or
- in the case of exchange notes held on behalf of a beneficial owner by a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business, the financial institution certifies to the withholding agent under penalties of perjury that it has received the Form W-8BEN (or a suitable substitute or successor form) from the Non-U.S. Holder or from another financial institution acting on behalf of that Non-U.S. Holder, timely furnishes the withholding agent with a copy thereof and otherwise complies with the applicable certification requirements.

A Non-U.S. Holder that does not qualify for the exemption from U.S. federal withholding tax described above will generally be subject to U.S. federal withholding tax at the rate of 30% on payments of interest on the exchange notes. However, a Non-U.S. Holder will not be subject to the 30% withholding tax if such Non-U.S. Holder provides us, our paying agent, or the person who would otherwise be required to withhold tax with a properly executed (1) IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding tax under the benefit of an applicable income tax treaty, or (2) IRS Form W-8ECI (or other applicable form) stating that the interest paid on the exchange notes is not subject to withholding tax because it is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States.

If the payments of interest on an exchange note are effectively connected with the conduct by a Non-U.S. Holder of a trade or business in the United States (and, in the event that an income tax treaty is applicable, such payments of interest are attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States), such payments will be subject to U.S. federal income tax at regular graduated income tax rates generally in the same manner as if such Non-U.S. Holder were a U.S. Holder, subject to any modification provided under an applicable income tax treaty. In addition, if the Non-U.S. Holder is a foreign corporation for U.S. federal income purposes, such payments of interest may also be subject to a branch profits tax at the rate of 30%, or lower applicable treaty rate.

Non-U.S. Holders should consult their tax advisors regarding any applicable income tax treaties, which may provide for a lower rate of withholding tax, exemption from or reduction of branch profits tax, or other rules different from those described above.

Sale, Exchange, Redemption, or Retirement — Any gain realized by a Non-U.S. Holder on the sale, exchange, redemption, retirement, or other disposition of an exchange note will generally not be subject to U.S. federal income or withholding tax, unless:

- such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, in the event that an income tax treaty is applicable, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States); or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are satisfied.

If a Non-U.S. Holder is an individual deemed to be present in the United States for 183 days or more during the taxable year of the disposition of an exchange note and certain other requirements are met, such Non-U.S. Holder will generally be subject to U.S. federal income tax at a flat rate of 30% (unless a lower applicable income tax treaty rate applies) on any such gain.

If a Non-U.S. Holder is engaged in a trade or business in the United States and gain on an exchange note is effectively connected with the conduct of such trade or business (and, if an income tax treaty applies, such gain is attributable to a “permanent establishment” maintained by the Non-U.S. Holder within the United States), the Non-U.S. Holder will be subject to U.S. federal income tax at regular graduated income tax rates generally in the same manner as if it were a U.S. Holder, subject to any modification provided under an applicable income tax treaty. If the Non-U.S. Holder is a foreign corporation for U.S. federal income purposes, such gain may also be subject to a branch profits tax at the rate of 30%, or lower applicable treaty rate.

Amounts received by a Non-U.S. Holder attributable to accrued but unpaid interest on the exchange notes will be taxable as interest and may be subject to the rules described under “— Non-U.S. Holders — Taxation of Interest.”

Information Reporting and Backup Withholding

Information reporting requirements may apply to certain payments of principal and interest on the exchange notes and to proceeds received from the sale or other disposition of an exchange note.

Information reporting will generally apply to payments to a U.S. Holder of interest on, or the proceeds of the sale or other disposition of, the exchange notes unless such U.S. Holder is an exempt recipient. A U.S. Holder may be subject to U.S. backup withholding on these payments unless the U.S. Holder is an exempt recipient and/or provides a taxpayer identification number and satisfies certain certification requirements.

Payments to a Non-U.S. Holder of interest on the exchange notes, and amounts withheld from such payments, if any, generally will be required to be reported to the IRS and to the Non-U.S. Holder and copies of information returns may be made available under the provisions of a specific tax treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established. A Non-U.S. Holder will generally not be subject to U.S. backup withholding on these payments provided that the Non- U.S. Holder certifies as to its foreign status and the payor does not have actual knowledge or reason to know that such Non-U.S. Holder is a United States person, or such Non-U.S. Holder otherwise establishes an exemption. Payment of the proceeds of a sale of an exchange note effected by the U.S. office of a United States or foreign broker will be subject to information reporting requirements and backup withholding unless the Non-U.S. Holder properly certifies under penalties of perjury as to its foreign status and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of the sale of an exchange note effected outside the U.S. by a foreign office of a broker. However, unless such a broker has documentary evidence in its records of the Non-U.S. Holder’s foreign status and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption, information reporting will apply to a payment of the proceeds of the sale of an exchange note effected outside the U.S. by such a broker if it has certain connections with the United States.

U.S. backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the holder’s U.S. federal income tax liability provided such holder timely furnishes the required information to the IRS.

Holders should consult their own tax advisors regarding the application of backup withholding and information reporting.

Certain U.S. Federal Estate Tax Considerations

Exchange notes beneficially held by an individual who is not a citizen or resident of the United States (as specifically defined for U.S. federal estate tax purposes) at the time of such individual's death will generally not be included in the decedent's gross estate for U.S. federal estate tax purposes if any payment of interest on the exchange notes to the holder would be eligible for the exemption from the 30% U.S. federal withholding tax described in the first paragraph of "Non-U.S. Holders — Taxation of Interest" above (without regard to the certification requirement).

Unearned Income Medicare Contribution Tax

An additional 3.8% Medicare tax will be imposed on certain net investment income of individuals (other than nonresident aliens) with a modified adjusted gross income of over $200,000 ($250,000 in the case of joint filers) and on the undistributed net investment income of certain estates and trusts. For these purposes, "net investment income" generally includes interest, dividends, annuities, royalties, rents, net gain attributable to the disposition of property not held in a trade or business (including net gain from the taxable disposition of an exchange note) and certain other income, as reduced by any deductions properly allocable to such income or gain. A holder that is an individual, estate or trust is urged to consult a tax advisor regarding the applicability of the Medicare tax to income and gains in respect of an investment in the exchange notes.

Foreign Account Tax Compliance

The Hiring Incentives to Restore Employment Act, which contains provisions regarding foreign account tax compliance ("FATCA"), was enacted on March 18, 2010, and would impose a 30% U.S. withholding tax on certain "withholdable payments," which include certain U.S. source payments, including interest and the gross proceeds from a disposition of property (such as the exchange notes) of a type which can produce U.S. source interest, if paid to certain foreign entities on or after certain specified dates. However, under recently promulgated Treasury Regulations and other administrative guidance, because the exchange notes will be issued prior to July 1, 2014, they will be treated as grandfathered, and no FATCA withholding tax will be applicable with respect to interest paid on or gross proceeds from a disposition of the exchange notes unless the exchange notes are materially modified on or after July 1, 2014. Holders of the exchange notes are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on an investment in the exchange notes.

THE PRECEDING SUMMARY IS SOLELY FOR GENERAL INFORMATION ONLY, AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE. THIS SUMMARY DOES NOT ADDRESS ALL THE TAX CONSEQUENCES THAT MAY BE IMPORTANT TO A PARTICULAR HOLDER IN LIGHT OF THE HOLDER'S INVOLVEMENT WITH THE ISSUER OR OTHER CIRCUMSTANCES. ACCORDINGLY, PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS ON THE U.S. FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE EXCHANGE OF PRIVATE NOTES FOR EXCHANGE NOTES, THE OWNERSHIP AND DISPOSITION OF THE EXCHANGE NOTES, OR ANY CHANGES IN APPLICABLE LAW.

LEGAL MATTERS

Baker Botts L.L.P., Houston, Texas, has issued an opinion about the legality of the exchange notes.

EXPERTS

The consolidated financial statements and schedules of the Company as of December 31, 2012 and 2011 and for each of the years in the three-year period ended December 31, 2012, and management’s assessment of the effectiveness of internal controls over financial reporting as of December 31, 2012, have been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of ITS Tubular Services (Holdings) Limited, as of and for the years ended December 31, 2012, 2011 and 2010, included herein, have been audited by Deloitte LLP, independent auditors, as stated in their report also included herein (which report expresses an unqualified opinion on the consolidated financial statements and includes explanatory paragraphs referring to a prior year restatement and going concern), and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

INDEX TO FINANCIAL STATEMENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statement of Operations for the years ended December 31, 2012, 2011 and 2010	F-4
Consolidated Balance Sheet as of December 31, 2012 and 2011	F-5
Consolidated Statement of Cash Flows for the years ended December 31, 2012, 2011 and 2010	F-6
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2012, 2011 and 2010	F-7
Notes to Consolidated Financial Statements	F-8

UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

	Page
Consolidated Condensed Balance Sheets as of September 30, 2013 and December 31, 2012	F-41
Consolidated Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2013 and 2012	F-42
Consolidated Condensed Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2013 and 2012	F-43
Consolidated Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012	F-44
Notes to the Unaudited Consolidated Condensed Financial Statements	F-45

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

	Page
Unaudited Pro Forma Condensed Consolidated Statements of Operations for the Year Ended December 31, 2012	F-72
Unaudited Pro Forma Condensed Consolidated Statements of Operations for the Nine Months Ended September 30, 2013	F-73
Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information	F-74

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ITS TUBULAR SERVICES (HOLDINGS) LIMITED

	Page
Report of Independent Registered Public Accounting Firm	F-79
Consolidated Income Statements for the years ended December 31, 2012, 2011 and 2010	F-81
Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010	F-82
Consolidated Statements of Financial Position for the years ended December 31, 2012, 2011 and 2010	F-83
Consolidated Statement of Changes in Equity/(Deficit) for the years ended December 31, 2012, 2011 and 2010	F-84
Consolidated Statements of Cash Flow for the years ended December 31, 2012, 2011 and 2010	F-85
Notes to the Audited Consolidated Financial Statements of ITS Tubular Services (Holdings) Limited	F-87

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Parker Drilling Company:

We have audited Parker Drilling Company’s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Parker Drilling Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting in Item 9A. Controls and Procedures. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Parker Drilling Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated March 1, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Houston, Texas
March 1, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Parker Drilling Company:

We have audited the accompanying consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II — Valuation and Qualifying Accounts. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the 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. 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 audits provide 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 Parker Drilling Company and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Parker Drilling Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Houston, Texas
March 1, 2013

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)

	Year Ended December 31,		
	2012	2011	2010
Revenues	$ 677,982	$ 686,646	$ 659,475
Expenses:			
Operating expenses	414,064	418,144	471,278
Depreciation and amortization	113,017	112,136	115,030
	527,081	530,280	586,308
Total operating gross margin	150,901	156,366	73,167
General and administration expense	(46,052)	(31,314)	(30,728)
Impairments and other charges	—	(170,000)	—
Provision for reduction in carrying value of certain assets	—	(1,350)	(1,952)
Gain on disposition of assets, net	1,974	3,659	4,620
Total operating income (loss)	106,823	(42,639)	45,107
Other income and (expense):			
Interest expense	(33,542)	(22,594)	(26,805)
Interest income	153	256	257
Loss on extinguishment of debt	(2,130)	—	(7,209)
Change in fair value of derivative positions	55	(110)	—
Other	(382)	(325)	155
Total other expense	(35,846)	(22,773)	(33,602)
Income (loss) before income taxes	70,977	(65,412)	11,505
Income tax expense (benefit):			
Current tax expense	18,042	33,608	27,521
Deferred tax expense (benefit)	15,837	(48,375)	(1,308)
Total income tax expense (benefit)	33,879	(14,767)	26,213
Net income (loss)	37,098	(50,645)	(14,708)
Less: Net (loss) attributable to noncontrolling interest	(215)	(194)	(247)
Net income (loss) attributable to controlling interest	$ 37,313	$ (50,451)	$ (14,461)
Basic earnings per share:	$ 0.32	$ (0.43)	$ (0.13)
Diluted earnings per share:	$ 0.31	$ (0.43)	$ (0.13)
Number of common shares used in computing earnings per share:			
Basic	117,721,135	116,081,590	114,258,965
Diluted	119,093,590	116,081,590	114,258,965

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Dollars in Thousands)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 87,886	$ 97,869
Accounts and notes receivable, net of allowance for bad debts of $8,117 in 2012 and $1,544 in 2011	168,562	183,923
Rig materials and supplies	28,860	29,947
Deferred costs	1,089	3,249
Deferred income taxes	8,742	6,650
Other tax assets	33,524	25,358
Assets held for sale	11,550	5,315
Other current assets	12,821	15,302
Total current assets	353,034	367,613
Property, plant and equipment, at cost:		
Drilling equipment	1,165,924	1,094,366
Rental tools	337,874	310,429
Buildings, land and improvements	38,736	33,817
Other	56,819	57,111
Construction in progress	190,445	194,362
	1,789,798	1,690,085
Less accumulated depreciation and amortization	1,003,640	970,276
Property, plant and equipment, net	786,158	719,809
Other assets:		
Rig materials and supplies	8,980	10,395
Debt issuance costs	8,863	7,025
Deferred income taxes	95,295	108,311
Other assets	3,403	3,093
Total other assets	116,541	128,824
Total assets	$1,255,733	$1,216,246
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 10,000	$ 145,723
Accounts payable	62,090	76,706
Accrued liabilities	75,656	58,544
Accrued income taxes	4,120	4,837
Total current liabilities	151,866	285,810
Long-term debt	469,205	337,000
Other long-term liabilities	23,182	33,452
Long-term deferred tax liability	20,847	15,934
Commitments and contingencies (Note 13)	—	—
Stockholders' equity:		
Preferred stock, $1 par value, 1,942,000 shares authorized, no shares outstanding	—	—
Common stock, $0.16 2/3 par value, authorized 280,000,000 shares, issued and outstanding, 118,968,396 shares (117,061,203 shares in 2011)	19,818	19,508
Capital in excess of par value	646,217	637,042
Accumulated deficit	(74,631)	(111,944)
Total controlling interest stockholders' equity	591,404	544,606
Noncontrolling interest	(771)	(556)
Total equity	590,633	544,050
Total liabilities and stockholders' equity	$1,255,733	$1,216,246

See accompanying notes to the consolidated financial statements.

[Table of Contents](#)

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in Thousands)

	Year Ended December 31,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 37,098	$ (50,645)	$ (14,708)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	113,017	112,136	115,030
Impairment of property, plant and equipment	—	170,000	—
Loss on extinguishment of debt	2,130	—	7,209
Gain on disposition of assets	(1,974)	(3,659)	(4,620)
Deferred tax expense (benefit)	15,837	(48,375)	(1,308)
Provision for reduction in carrying value of certain assets	—	1,350	1,952
Expenses not requiring cash	22,600	12,833	14,829
Change in assets and liabilities:			
Accounts and notes receivable	15,241	(6,841)	20,752
Rig materials and supplies	344	(913)	(856)
Other current assets	(4,313)	63,816	(2,969)
Accounts payable and accrued liabilities	(2,657)	(24,908)	(10,868)
Accrued income taxes	(6,102)	2,141	(4,124)
Other assets	(1,522)	(1,050)	3,231
Net cash provided by operating activities	189,699	225,885	123,550
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(191,543)	(190,399)	(219,184)
Proceeds from the sale of assets	3,937	5,535	6,475
Proceeds from insurance claims	—	250	—
Net cash used in investing activities	(187,606)	(184,614)	(212,709)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	130,000	50,000	300,000
Proceeds from draw on revolver credit facility	7,000	—	25,000
Repayments of senior notes	(125,000)	—	(225,000)
Repayments of term loan	(18,000)	(21,000)	(12,000)
Repayments of revolver	—	(25,000)	(42,000)
Payments of debt issuance costs	(4,859)	(504)	(7,976)
Payments of debt extinguishment costs	(555)	—	(7,466)
Proceeds from stock options exercised	—	183	26
Excess tax benefit (expense) from stock-based compensation	(662)	1,488	1,203
Net cash provided by (used in) financing activities	(12,076)	5,167	31,787
Net increase (decrease) in cash and cash equivalents	(9,983)	46,438	(57,372)
Cash and cash equivalents at beginning of year	97,869	51,431	108,803
Cash and cash equivalents at end of year	$ 87,886	$ 97,869	$ 51,431
Supplemental cash flow information:			
Interest paid	$ 37,405	$ 32,785	$ 30,377
Income taxes paid	$ 40,234	$ 21,742	$ 41,024

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars and Shares in Thousands)

	Shares	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total Controlling Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balances, December 31, 2009	116,239	$ 19,374	$ 623,557	$ (47,032)	$ 595,899	—	$ 595,899
Activity in employees' stock plans	130	23	114	—	137		137
Excess tax benefit from stock based compensation	—	—	1,203	—	1,203		1,203
Amortization of restricted stock plan compensation	—	—	5,535	—	5,535		5,535
Net income (total comprehensive income of $14,708)	—	—	—	(14,461)	(14,461)	(247)	(14,708)
Balances, December 31, 2010	116,369	$ 19,397	$ 630,409	$ (61,493)	$ 588,313	$ (247)	$ 588,066
Activity in employees' stock plans	692	111	(343)	—	(232)		(232)
Excess tax benefit from stock options exercised	—	—	988	—	988		988
Amortization of restricted stock plan compensation	—	—	5,988	—	5,988		5,988
Net income (total comprehensive net loss of $50,645)	—	—	—	(50,451)	(50,451)	(194)	(50,645)
Other, net						(115)	(115)
Balances, December 31, 2011	117,061	$ 19,508	$ 637,042	$ (111,944)	$ 544,606	$ (556)	$ 544,050
Activity in employees' stock plans	1,907	310	2,620	—	2,930		2,930
Excess tax benefit from stock options exercised	—	—	(662)	—	(662)		(662)
Amortization of restricted stock plan compensation	—	—	7,217	—	7,217		7,217
Net income (total comprehensive net income of $37,098)	—	—	—	37,313	37,313	(215)	37,098
Balances, December 31, 2012	118,968	$ 19,818	$ 646,217	$ (74,631)	$ 591,404	$ (771)	$ 590,633

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

Nature of Operations — Parker Drilling, together with its subsidiaries (the Company), is a worldwide provider of contract drilling and drilling-related services and currently we operate in 12 countries. We have operated in over 50 foreign countries and the United States since beginning operations in 1934, making us among the most geographically experienced drilling contractors in the world. We have extensive experience and expertise in drilling geologically difficult wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. We believe our quality, health, safety and environmental practices are leaders in our industry. Our rental tools subsidiary specializes in oil and natural gas drilling rental tools providing high-quality, reliable equipment, such as drill pipe, heavy-weight drill pipe, tubing, high-torque connections, BOPs and drill collars used for drilling, workover and production applications.

Our U.S. barge drilling business operates barge rigs drill for natural gas, oil, and a combination of oil and natural gas in the shallow waters in and along the inland waterways of Louisiana, Alabama, and Texas. Our international drilling business provides extensive experience and expertise in drilling geologically difficult wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. Additionally, our international drilling business includes operations and maintenance and other project management services, such as labor, maintenance, and logistics for operators who own their own drilling rigs, but choose Parker Drilling to operate the rigs for them. At December 31, 2012, our marketable rig fleet consisted of 14 barge drilling rigs and 24 land rigs located in the United States, Latin America and the Eastern Hemisphere regions. Our Technical services business includes engineering and related project services during the concept development, pre-FEED, and FEED (Front End Engineering Design) phases of our customer owned drilling facility projects. As these projects mature, we continue providing the same services during the Engineering, Procurement, Construction and Installation (EPCI) phase.

Consolidation — The consolidated financial statements include the accounts of the Company and subsidiaries in which we exercise control or have a controlling financial interest, including entities, if any, in which the Company is allocated a majority of the entity’s losses or returns, regardless of ownership percentage. If a subsidiary of Parker Drilling has a 50 percent interest in an entity but Parker Drilling’s interest in the subsidiary or the entity does not meet the consolidation criteria described above, then that interest is accounted for under the equity method.

Noncontrolling Interest — We apply the accounting standards related to noncontrolling interests for ownership interests in our subsidiaries held by parties other than Parker Drilling. The entities that comprise the noncontrolling interest include Parker SMNG Drilling Limited Liability Company and Primorsky Drill Rig Services B.V. We report noncontrolling interest as equity on the consolidated balance sheets and report net income (loss) attributable to controlling interest and to noncontrolling interest separately on the consolidated statements of operations.

Reclassifications — Certain reclassifications have been made to prior period amounts to conform with the current period presentation. These reclassifications did not have a material effect on our consolidated statements of operations, consolidated balance sheets or statements of cash flows.

Revenue Recognition — Contract drilling revenues and expenses, comprised of daywork drilling contracts and engineering and related project service contracts, are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract; however, costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For

Table of Contents

contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met. Revenues from rental activities are recognized ratably over the rental term which is generally less than six months. Construction contract revenues and costs are recognized on a percentage of completion basis utilizing the cost-to-cost method.

Reimbursable Costs — The Company recognizes reimbursements received for out-of-pocket expenses incurred as revenues and accounts for out-of-pocket expenses as direct operating costs. Such amounts totaled $44.9 million, $64.2 million, and $40.1 million during the years ended December 31, 2012, 2011, and 2010, respectively.

Use of Estimates — The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, our disclosure of contingent assets and liabilities at the date of the financial statements, and our revenue and expenses during the periods reported. Estimates are typically used when accounting for certain significant items such as legal or contractual liability accruals, mobilization and deferred mobilization, revenue and cost accounting for projects that follow the percentage of completion method, self-insured medical/dental plans, and other items requiring the use of estimates. Estimates are based on a number of variables which may include third party valuations, historical experience, where applicable, and assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ from management estimates.

During the third quarter of 2010, we corrected an accounting error relating to value added taxes (VAT) in our Western Kazakhstan branch (PDKBV). The cumulative effect of the error and related foreign currency translation impact overstated net income and retained earnings by $6.4 million over the period 2007 through 2009. The impact of the error was determined not to be material to our results of operations and financial position for any previously reported periods. Consequently, during the third quarter of 2010, the cumulative effect of this correction was recorded in operating expenses and is reflected in year to date operating expenses for the year ended December 31, 2010.

Cash and Cash Equivalents — For purposes of the consolidated balance sheets and the consolidated statements of cash flows, the Company considers cash equivalents to be highly liquid debt instruments that have a remaining maturity of three months or less at the date of purchase.

Accounts Receivable and Allowance for Doubtful Accounts — Trade accounts receivable are recorded at the invoice amount and generally do not bear interest. The allowance for doubtful accounts is our best estimate for losses that may occur resulting from disputed amounts and the inability of our customers to pay amounts owed. We estimate the allowance based on historical write-off experience and information about specific customers. We review individually, for collectability, all balances over 90 days past due as well as balances due from any customer with respect to which we have information leading us to believe that a risk exist for potential collection.

Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to customers.

	December 31,	
	2012	**2011**
	(Dollars in Thousands)	
Trade	$176,029	$184,817
Notes receivable	650	650
Allowance for doubtful accounts(1)	(8,117)	(1,544)
Total accounts and notes receivable, net of allowance for bad debt	$168,562	$183,923

1) Additional information on the allowance for doubtful accounts for the years ended December 31, 2012, 2011 and 2010 is reported on Schedule II — Valuation and Qualifying Accounts.

Property, Plant and Equipment — We account for depreciation of property, plant and equipment on the straight line method over the estimated useful lives of the assets after provision for salvage value. Depreciation, for tax purposes, utilizes several methods of accelerated depreciation. Depreciable lives for different categories of property, plant and equipment are as follows:

Land drilling equipment	3 to 20 years
Barge drilling equipment	3 to 20 years
Drill pipe, rental tools and other	4 to 7 years
Buildings and improvements	15 to 30 years

Annual Impairment Review — We review the carrying amounts of long-lived assets for potential impairment annually, typically during the fourth quarter, or when events occur or circumstances change that indicate the carrying value of such assets may not be recoverable. We determine recoverability by evaluating the undiscounted estimated future net cash flows. When impairment is indicated, we measure the impairment as the amount by which the assets' carrying value exceeds its fair value. Management considers a number of factors such as estimated future cash flows from the assets, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the final estimate of current fair value is below the net carrying value.

Capitalized Interest — Interest from external borrowings is capitalized on major projects until the assets are ready for their intended use. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets. Capitalized interest costs reduce net interest expense in the consolidated statements of operations. During 2012, 2011 and 2010, we capitalized interest costs related to the construction of rigs of $10.2 million, $19.3 million and $13.5 million, respectively.

Assets held for sale — We classify an asset as held for sale when the facts and circumstances meet the criteria for such classification, including the following: (a) we have committed to a plan to sell the asset, (b) the asset is available for immediate sale, (c) we have initiated actions to complete the sale, including locating a buyer, (d) the sale is expected to be completed within one year, (e) the asset is being actively marketed at a price that is reasonable relative to its fair value, and (f) the plan to sell is unlikely to be subject to significant changes or termination. At December 31, 2012 and 2011, we had net assets held for sale, included in current assets, in the amounts of $11.6 million and $5.3 million, respectively. For further information, see Note 4.

Rig Materials and Supplies — Because our international drilling generally occurs in remote locations, making timely outside delivery of spare parts uncertain, a complement of parts and supplies is maintained either at the drilling site or in warehouses close to the operation. During periods of high rig utilization, these parts are generally consumed and replenished within a one-year period. During a period of lower rig utilization in a particular location, the parts, like the related idle rigs, are generally not transferred to other international locations until new contracts are obtained because of the significant transportation costs, that would result from such transfers. We classify those parts which are not expected to be utilized in the following year as long-term assets. Rig materials and supplies are valued at the lower of cost or market value.

Deferred Costs — We defer costs related to rig mobilization and amortize such costs over the term of the related contract. The costs to be amortized within twelve months are classified as current.

Debt Issuance Costs — We typically defer costs associated with debt financings and refinancing, and amortize those costs over the term of the related debt.

Income Taxes — Income taxes are accounted for under the asset and liability method and have been provided based upon tax laws and rates in effect in the countries in which operations are conducted and income is earned. There is little or no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes as the countries in which we operate have taxation regimes that vary not only

with respect to nominal rate, but also in terms of the availability of deductions, credits, and other benefits. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled and the effect of changes in tax rates is recognized in income in the period in which the change is enacted. Accordingly, the impact of the American Taxpayer Relief Act of 2012, which was enacted January 2, 2013, will be recognized in 2013, not 2012. The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized and changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Earnings (Loss) Per Share (EPS) — Basic earnings (loss) per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. The effects of dilutive securities, stock options, unvested restricted stock and convertible debt are included in the diluted EPS calculation, when applicable.

Concentrations of Credit Risk — Financial instruments, that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and natural gas companies. We generally do not require collateral on our trade receivables.

At December 31, 2012 and 2011, we had deposits in domestic banks in excess of federally insured limits of approximately $12.2 million and $10.2 million, respectively. In addition, we had deposits in foreign banks, which were not insured at December 31, 2012 and 2011 of $34.5 million and $38.4 million, respectively.

Our customer base consists of major, independent and national oil and natural gas companies and integrated service providers. We depend on a limited number of significant customers. Our two largest customers, Exxon Neftegas Limited (ENL) and Schlumberger, constituted 11.8 percent and 10.4 percent, respectively of our revenues for 2012.

Construction Contract — For the periods reported, our construction contract business included only the drilling rig construction project for BP. In November 2010, our customer, BP, informed us that it was suspending construction on the project to review the rig's engineering and design, including its safety systems. The Liberty rig construction contract was a fixed fee and reimbursable contract that we accounted for on a percentage of completion basis. As of December 31, 2011 and 2010, we had recognized $335.5 million and $325.9 million in project-to-date revenues, respectively. We have recognized the entire $11.7 million fixed fee margin on the contract.

The Liberty rig construction contract expired on February 8, 2011 prior to completion of the rig. Before expiration of the construction contract, BP identified several areas of concern relating to design, construction and invoicing for which it asked us to provide explanations and documentation, and we have done so. Although we provided BP with the requested information, we do not know when or how these issues will be resolved with our client.

After expiration of the construction contract, the Company and BP continued activities to preserve and maintain the rig under the "pre-operations" phase of our contract, which was entered into in August 2009 and expired on July 1, 2011. A new consulting services agreement was reached between the Company and BP effective July 1, 2011. Under the consulting services agreement, we assisted BP in a review of the rig's design, the creation of a new statement of requirements for the rig, and the transition of documentation and materials to BP. All work under the consulting agreement has been completed and we are engaged with BP on construction contract close-out resolution. In June 2012, BP publicly announced that it had made the decision to suspend the Liberty project indefinitely. We do not know whether or how that decision may impact our discussions with BP related to contract close-out.

Fair value measurements — For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation technique requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

Derivative Financial Instruments — We use derivative instruments to manage risks associated with interest rate fluctuations in connection with our Credit Agreement (see Note 7). These derivative instruments, which consist of variable-to-fixed interest rate swaps, are not designated as hedges. Accordingly, the change in the fair value of the interest rate swaps is recognized in earnings at each reporting period.

Stock-Based Compensation — Under our long term incentive plans, we grant restricted stock awards (RSA), restricted stock units (RSU) and performance units (PU). For service-based awards and performance-based awards with graded vesting conditions, we recognize compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. For market-based awards that vest at the end of the service period, we recognize compensation expense on a straight-line basis through the end of the service period. Share-based awards generally vest over three years.

Share-based compensation expense is recognized, net of an estimated forfeiture rate, which is based on historical experience and adjusted, if necessary, in subsequent periods based on actual forfeitures. The fair value of nonvested RSA's and RSU's is determined based on the closing trading price of the company's shares on the grant date. Our RSA's and RSU's are settled in stock upon vesting. Our PU awards can be settled in cash or stock at the discretion of the compensation committee of the board of directors and are, therefore, accounted for as liability awards under the stock compensation rules of U.S. GAAP.

We recognize share-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees. Tax deduction benefits for awards in excess of recognized compensation costs are reported as a financing cash flow.

Note 2 — Asset Impairment

During the fourth quarter of 2011, we evaluated the present value of the future cash flows related to our AADU rigs in accordance with the impairment or disposal of long-lived assets subsections of ASC 360-10, Property, Plant and Equipment. The evaluation was performed as a result of the delay in completion of the rigs to allow the Company to modify the rigs to meet their design and functional requirements and an increase in the cost of the rigs. The need for the modifications was determined as a result of comprehensive safety, technical and operational reviews during commissioning activities of these prototype drilling rigs. The modification work extended the commissioning activities and increased the rigs' total costs. At the time of the impairment evaluation, the two rigs' cost at completion was estimated to be $385 million, which included capitalized interest estimates of approximately $50.7 million. This cost exceeded the estimated fair value of the rigs based on their projected cash flows. Based on this evaluation, the Company determined that the long-lived assets with a carrying amount of $339.5 million as of December 31, 2011, were no longer recoverable and were in fact impaired and recorded a charge in the 2011 fourth quarter of $170.0 million ($109.1 million, net of taxes) to reflect their estimated fair value of $169.5 million. Fair value was based on expected future cash flows using Level 3 inputs under the fair value measurement requirements. The cash flows are those expected to be generated

by the market participants, discounted at the 10 percent rate of interest. In December 2012 we commenced drilling operations with the first AADU rig. The second rig completed client acceptance testing and began drilling in February 2013. The AADU rigs are reported as part of the U.S. Drilling segment.

Note 3 — Disposition of Assets

Disposition of Assets — In December 2012, we sold a 33 year old posted barge drilling rig for proceeds of $0.2 million, resulting in a $0.5 million loss. There were no individually significant asset dispositions in 2011 and 2010.

Provision for Reduction in Carrying Value of an Asset — In 2011 and 2010, we recognized a charge of $1.4 million, and $2.0 million respectively related to a final settlement of a bankruptcy proceeding. The 2010 reduction resulted from the conclusion that the Company's rights to mineral reserves no longer supported the outstanding receivable. In 2011, the Company and the bankruptcy trustee settled claims through this final settlement. In 2012, we did not incur any provision for reduction in carrying value of an asset.

Note 4 — Assets Held for Sale

Assets held for sale of $11.6 million as of December 31, 2012 was comprised of the net book value of five land rigs and related inventory. For three rigs comprising $5.3 million of the assets held for sale balance, we have received $1.6 million in down payment and deposits on these assets and associated inventories. The sale of these assets is expected to be finalized in 2013. Prior to being classified as assets held for sale, these assets were included in the International Drilling segment. We expect the carrying amount of the assets, less costs to sell, will be fully recoverable through sale of the assets.

Additionally, during the third quarter of 2012, we determined that two of our rigs located in Kazakhstan met the criteria for classification as assets held for sale. As of September 30, 2012, we reclassified the $6.4 million net book value of these assets and associated inventories to assets held for sale. Prior to being classified as assets held for sale, these assets were included in the International Drilling segment. We expect the carrying amount of the assets, less costs to sell, will be fully recoverable through sale of the assets.

Note 5 — Income Taxes

Income (loss) before income taxes is summarized below:

	Year Ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
United States	$52,422	$(61,434)	$ 1,865
Foreign	18,555	(3,978)	9,640
	$70,977	$(65,412)	$11,505

Table of Contents

Income tax expense (benefit) is summarized as follows:

	Year Ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Current:			
United States:			
Federal	$ 7,791	$ 17,168	$ (273)
State	733	1,264	184
Foreign	9,518	15,176	27,610
Deferred:			
United States:			
Federal	15,612	(46,694)	(3,981)
State	4,296	1,864	1,459
Foreign	(4,071)	(3,545)	1,214
	$33,879	$(14,767)	$26,213

Total income tax expense differs from the amount computed by multiplying income before income taxes by the U.S. federal income tax statutory rate. The reasons for this difference are as follows:

	Year Ended December 31,					
	2012		2011		2010	
	(Dollars in Thousands)					
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed Expected Tax Expense	$24,842	35%	$(22,894)	35%	$ 4,027	35%
Foreign Taxes	13,428	19%	15,644	-24%	18,951	165%
Tax Effect Different From Statutory Rates	(8,080)	-11%	(1,571)	2%	(7,996)	-70%
State Taxes, net of federal benefit	4,757	7%	2,689	-4%	1,579	14%
Foreign Tax Credits	(1,867)	-3%	(14,595)	22%	(15,442)	-134%
Kazakhstan Tax Settlement	—	0%	(536)	1%	13,304	116%
Mexico Tax Settlement	—	0%	—	0%	1,022	9%
Change in Valuation Allowance	(1,662)	-2%	2,542	-4%	506	4%
Uncertain Tax Positions	(6,814)	-10%	1,348	-2%	983	9%
Permanent Differences	5,477	8%	6,356	-10%	6,003	52%
Prior Year Return to Provision Adjustments	2,948	4%	835	-1%	1,775	15%
Other	850	1%	899	-1%	1,501	13%
Unremitted Foreign Earnings-Current Year Adjustment	—	0%	(5,484)	8%	—	0%
Actual Tax Expense	$33,879	48%	$(14,767)	22%	$ 26,213	228%

Table of Contents

The components of the Company's deferred tax assets and liabilities as of December 31, 2012 and 2011 are shown below:

	December 31,	
	2012	2011
	(Dollars in Thousands)	
Deferred tax assets		
Current deferred tax assets:		
Reserves established against realization of certain assets	$ 1,634	$ 3,284
Accruals	6,747	3,065
Other	361	301
Gross current deferred tax assets	8,742	6,650
Valuation allowance	—	—
Current deferred tax assets	8,742	6,650
Non-current deferred tax assets:		
Federal net operating loss carryforwards	—	361
State net operating loss carryforwards	3,095	6,393
Other state deferred tax asset, net	914	656
Foreign Tax Credits	25,977	28,146
Note Hedge Interest	—	1,318
Uncertain tax positions	8,015	8,188
Foreign tax	5,838	9,824
Impairment of long-lived assets	56,190	59,500
Other	71	392
Gross long-term deferred tax assets	100,100	114,778
Valuation Allowance	(4,805)	(6,467)
Non-current deferred tax assets, net of valuation allowance	95,295	108,311
Net deferred tax assets	104,037	114,961
Deferred tax liabilities:		
Non-current deferred tax liabilities:		
Property, Plant and equipment	(19,139)	(8,986)
Accruals	(1,066)	—
Foreign tax	—	(6,379)
Convertible Debt	—	(31)
Deferred compensation	2,001	1,243
Other state deferred tax liability, net	(2,643)	
Other	—	(630)
Gross non-current deferred tax liabilities	(20,847)	(15,934)
Net deferred tax asset	$ 83,190	$ 99,027

As part of the process of preparing the consolidated financial statements, the Company is required to determine its provision for income taxes. This process involves estimating the annual effective tax rate and the nature and measurements of temporary and permanent differences resulting from differing treatment of items for tax and accounting purposes. These differences and the operating loss and tax credit carryforwards result in deferred tax assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of appropriate character in each taxing jurisdiction during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of

available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment. To the extent the Company believes that it does not meet the test that recovery is more likely than not, it establishes a valuation allowance. To the extent that the Company establishes a valuation allowance or changes this allowance in a period, it adjusts the tax provision or tax benefit in the consolidated statement of operations. We use our judgment in determining provisions or benefits for income taxes, and any valuation allowance recorded against previously established deferred tax assets. Based upon the factors considered by management in assessing the realizability of the deferred tax assets, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2012. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The 2012 results include income tax expenses of $1.7 million related to the effective settlement of our US Federal Internal Revenue Service examination for the 2006 through 2010 periods and $7.7 million for depreciation and amortization relating to our AADU rigs in Alaska. In addition, we decreased our valuation allowance by $1.7 million primarily related to foreign NOLs.

The 2011 results include an income tax benefit of $60.9 million (federal and state combined) related to the $170.0 million non-cash pretax impairment charge relating to our AADU rigs in Alaska. In addition, we increased our valuation allowance by $2.5 million primarily related to foreign NOL's.

The 2010 results include income tax expense primarily related to an unfavorable ruling by the Atyrau Oblast Court. The Kazakhstan tax matter increased tax expense by approximately $14.5 million ($6.8 million net of anticipated tax benefits), which includes approximately $6.5 million in tax, $4.8 million in interest and $3.2 million in penalties. PKD Kazakhstan intends to submit a further discretionary appeal to the Supreme Court of the Republic of Kazakhstan. In addition, tax expense increased from our settlement of a foreign tax audit for one of our subsidiaries for $1.2 million, which includes approximately $0.6 million of tax, $0.1 million in interest, and $0.5 million in penalties.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	In Thousands
Balance at January 1, 2012	$ (15,492)
Additions based on tax positions taken during a prior period	(1,495)
Reductions based on tax positions taken during a prior period	4,102
Reductions related to a lapse of applicable statute of limitations	2,855
Balance at December 31, 2012	$ (10,030)

In many cases, our uncertain tax positions are related to tax years that remain subject to examination by tax authorities. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2012:

Colombia	2008-present
Kazakhstan	2007-present
Mexico	2007-present
Papua New Guinea	2010-present
Russia	2009-present
United States — Federal	2011-present

At December 31, 2012, we had a liability for unrecognized tax benefits of $10.0 million ($3.2 million of which, if recognized, would favorably impact our effective tax rate).

The Company recognized interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2012 and December 31, 2011 we had approximately $7.0 million and $8.4 million of accrued interest and penalties related to uncertain tax positions, respectively. We recognized a decrease of $0.2 million of interest and a decrease of $1.1 million of penalties on unrecognized tax benefits for the year ended December 31, 2012.

As of December 31, 2012, the Company has permanently reinvested accumulated undistributed earnings of foreign subsidiaries and, therefore, has not recorded a deferred tax liability related to subject earnings. Upon distribution of additional earnings in the form of dividends or otherwise, we would likely be subject to US income taxes and foreign withholding taxes. It is not practicable to determine precisely the amount of taxes that may be payable on the eventual remittance of these earnings because of the application of US foreign tax credits. While we currently claim foreign tax credits, we may not be in a credit position if and when future remittances of foreign earnings occur, or the limitation imposed by the Internal Revenue Code and regulations thereunder may not allow the credits to be utilized during the applicable carryback and carryforward periods.

Note 6 — Long-Term Debt

The following table illustrates the Company's current debt portfolio as of December 31, 2012 and December 31, 2011:

	December 31,	
	2012	2011
	(Dollars in Thousands)	
Senior Notes — payable in April 2018; fixed interest at 9.125% payable semi-annually in April and October (Issued March 22, 2010).	$300,000	$300,000
Senior Notes — payable in April 2018; fixed interest at 9.125% payable semi-annually in April and October (Issued April 25, 2012).	129,205	—
$125.0 million aggregate principal Convertible Senior Notes — payable in July 2012; interest at 2.125% payable semi-annually in January and July, net of unamortized discount of $3,277 at December 31, 2011.	—	121,723
Term Note — amortizes $2.5 million per quarter beginning March 31, 2013 ($6.0 million per quarter prior to March 31, 2013); interest at prime, plus an applicable margin or LIBOR, plus an applicable margin. (Effective interest rate of 3.21% and 3.55% at December 31, 2012 and December 31, 2011, respectively)	50,000	61,000
Total debt	479,205	482,723
Less current portion	10,000	145,723
Total long-term debt	$469,205	$337,000

The aggregate maturities of long-term debt, including unamortized premiums of $4.2 million, as of December 31, 2012 are as follows:

- 2013 — $11.0 million
- 2014 — $10.9 million
- 2015 — $10.8 million
- 2016 — $10.7 million
- 2017 and thereafter — $435.8 million

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued $300.0 million aggregate principal amount of 9.125% Senior Notes (9.125% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company,

N.A., as trustee. Net proceeds from the 9.125% Notes offering were primarily used to redeem the $225.0 million aggregate principal amount of our 9.625% Senior Notes due 2013 and to repay $42.0 million of borrowings under our senior secured revolving credit facility.

On April 25, 2012, we issued an additional $125.0 million aggregate principal amount of 9.125% Notes under the same indenture at a price of 104.0% of par, resulting in gross proceeds of $130.0 million. Net proceeds from the offering were utilized to refinance $125.0 million aggregate principal amount of the 2.125% Convertible Senior Notes due July 2012 (2.125% Notes). We repurchased $122.9 million aggregate principal amount of the 2.125% Notes tendered pursuant to a tender offer on May 9, 2012 and paid off the remaining $2.1 million at their stated maturity on July 15, 2012.

The 9.125% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 9.125% Notes are jointly and severally guaranteed by substantially all of our direct and indirect subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States. Interest on the 9.125% Notes is payable on April 1 and October 1 of each year. Debt issuance costs related to the 9.125% Notes of approximately $11.6 million ($7.6 million, net of amortization) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to April 1, 2013, we may redeem up to 35 percent of the aggregate principal amount of the 9.125% Notes at a redemption price of 109.125 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after April 1, 2014, we may redeem all or a part of the 9.125% Notes upon appropriate notice, at a redemption price of 104.563 percent of the principal amount, and beginning April 1, 2016 at redemption prices decreasing each year thereafter to par. If we experience certain changes in control, we must offer to repurchase the 9.125% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness; (v) create or incur liens; (vi) enter into sale and leaseback transactions; (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

2.125% Convertible Senior Notes, due July 2012

On July 5, 2007, we issued $125.0 million aggregate principal amount of 2.125% Notes. As noted above, on May 9, 2012, we repurchased $122.9 million aggregate principal amount of the 2.125% Notes pursuant to a tender offer. The tender offer price was $1,003.27 for each $1,000 principal amount of 2.125% Notes, plus accrued and unpaid interest. This repurchase resulted in the recording of debt extinguishment costs of $1.8 million related to the accelerated amortization of both the unamortized debt issuance costs and debt discount associated with the 2.125% Notes. The remaining $2.1 million aggregate principal amount of non-tendered 2.125% Notes was subsequently paid off at their stated maturity on July 15, 2012.

Concurrently with the issuance of the 2.125% Notes, we purchased a convertible note hedge (note hedge) and sold warrants in private transactions with counterparties that were different than the ultimate holders of the 2.125% Notes. The note hedge allowed us to receive shares of our common stock from the counterparties to the transaction equal to the amount of common stock related to the excess conversion value that we would issue and/or pay to the holders of the 2.125% Notes upon conversion. The warrants allowed us to sell 9,027,713 common shares at a strike price of $18.29 per share. The note hedge expired on July 15, 2012, the maturity date of the 2.125% Notes. The warrants expired ratably from October 15, 2012 to February 22, 2013.

Because we had the choice of settling the call options and the warrants in cash or shares of our common stock and these contracts met all of the applicable criteria for equity classification, the cost of the call options and proceeds from the sale of the warrants were classified in stockholders' equity in the consolidated condensed balance sheets. In addition, because both of these contracts are classified in stockholders' equity and were indexed solely to our common stock, they were not accounted for as derivatives.

Debt issuance costs related to the 2.125% Notes of approximately $3.6 million were amortized over the five year term of the 2.125% Notes using the effective interest method.

Amended and Restated Credit Agreement

On December 14, 2012, we entered into an Amended and Restated Credit Agreement (Credit Agreement) consisting of a senior secured $80.0 million Revolver and senior secured term loan facility (Term Loan) of $50.0 million. The Credit Agreement amended and restated our existing credit agreement dated May 15, 2008 (Existing Credit Agreement). We entered into the Credit Agreement to extend its maturity from May 14, 2013 to December 14, 2017 and to decrease the range of Applicable Rates under our Revolver. The Credit Agreement provides that, subject to certain conditions, including the approval of the Administrative Agent and the lenders' acceptance (or additional lenders being joined as new lenders), the amount of the Term Loan or Revolver can be increased by an additional $50.0 million, so long as after giving effect to such increase, the Aggregate Commitments shall not be in excess of $180.0 million.

Our obligations under the Credit Agreement are guaranteed by substantially all of our domestic subsidiaries, each of which has executed guaranty agreements; and are secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The Credit Agreement contains customary affirmative and negative covenants with which we were in compliance as of December 31, 2012 and December 31, 2011. The Credit Agreement terminates on December 14, 2017.

Revolver

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the Credit Agreement, the Applicable Rate varies from a rate per annum ranging from 2.50 percent to 3.00 percent for LIBOR rate loans and 1.50 percent to 2.00 percent for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the Credit Agreement). Under the Existing Credit Agreement, the Applicable Rate varied from a rate per annum ranging from 2.75 percent to 3.25 percent for LIBOR rate loans and 1.75 percent to 2.25 percent for base rate loans. Revolving loans are available subject to a borrowing base calculation based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at December 31, 2012 and December 31, 2011. Letters of credit outstanding as of December 31, 2012 and December 31, 2011 totaled $4.5 million and $2.7 million, respectively.

Term Loan

The Term Loan originated at $50.0 million on December 14, 2012 and requires quarterly principal payments of $2.5 million beginning March 31, 2013. Interest on the Term Loan accrues at a Base Rate plus 2.00 percent or LIBOR plus 3.00 percent. The Existing Credit Agreement required quarterly principal payments of $6.0 million, and interest accrued at a Base Rate plus 2.25 percent or LIBOR plus 3.25 percent. The outstanding balance on the Term Loans at December 31, 2012 was $50.0 million under the Credit Agreement. The outstanding balance under the then existing Credit Agreement as of December 31, 2011 was $61.0 million.

Note 7 — Derivative Financial Instruments

The Company entered into two variable-to-fixed interest rate swap agreements as a strategy to manage the floating rate risk on the Term Loan borrowings under the Credit Agreement. The two agreements fix the interest

rate on a notional amount of $73.0 million of borrowings at 3.878% for the period beginning June 27, 2011 and terminating May 14, 2013. The notional amount of the swap agreements decrease correspondingly with amortization of the Term Loan. We will not apply hedge accounting to the agreements and, accordingly, mark-to-market change in the fair value of the interest rate swaps are recognized in earnings. As of December 31, 2012, the fair value of the interest rate swap was a liability of $0.1 million and is recorded in accrued liabilities in our consolidated balance sheets. For the year ended December 31, 2012, the Company recognized in earnings a $0.1 million loss relating to these contracts.

Note 8 — Fair Value of Financial Instruments

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability.

The fair value measurement and disclosure requirements of FASB Accounting Standards Codification Topic No. 820, Fair Value Measurement and Disclosures (ASC 820) requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows:

Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets

Level 2 — Direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities inactive markets or identical assets or liabilities in less active markets and

Level 3 — Unobservable inputs that require significant judgment for which there is little or no market data.

When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable. The amounts reported in our consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value. The carrying amount of our interest rate swap agreements represents the estimated fair value, measured using Level 2 inputs. At each year ended December 31, 2012 and 2011, the carrying amount of our interest rate swap agreements was a liability of $0.1 million, recorded in accrued liabilities and other long-term liabilities, respectively on our consolidated balance sheets.

Fair value of our debt instruments is determined using Level 2 inputs. Fair values and related carrying values of our debt instruments are as follows:

	December 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Long-term Debt				
9.125% Notes	$ 300,000	$320,250	$ 300,000	$315,000
9.125% Notes	$ 125,000	$133,438		
2.125% Notes	—	—	125,000	123,204
Total	$ 425,000	$453,688	$ 425,000	$438,204

As discussed in Note 2, in accordance with the impairment or disposal of long-lived assets subsections of ASC 360-10, Property, Plant and Equipment, during the fourth quarter of 2011, our AADU assets with a carrying value as of December 31, 2011 of $339.5 million were written down to their estimated fair value of $169.5 million, resulting in a pretax non-cash charge of $170.0 million which is included in earnings for the period. The fair value was based on expected future cash flows using Level 3 inputs.

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the year ended December 31, 2012.

Note 9 — Common Stock and Stockholders' Equity

Stock Plans — The Company's employee and non-employee director stock plans are summarized as follows:

The 2010 Long-Term Incentive Plan (2010 Plan) was approved by the stockholders at the Annual Meeting of Stockholders on May 7, 2010. The 2010 Plan authorizes the compensation committee or the board of directors to issue stock options, stock appreciation rights, RSAs, RSUs, performance-based awards and other types of awards in cash or stock to key employees, consultants, and directors. The maximum number of shares of our common stock that may be delivered pursuant to the awards granted under the 2010 Plan is 5,800,000 shares of common stock.

On September 17, 2012, Gary Rich was elected as President and Chief Executive Officer of the company. As part of his employment agreement, he was granted 349,651 restricted stock units, which were granted outside of the Company's 2010 Plan but are subject to substantially the same terms and conditions of other service-based restricted stock units granted by the Company to its executive officers.

The 2005 Long-Term Incentive Plan (2005 Plan) was approved by the stockholders at the Annual Meeting of Stockholders on April 27, 2005. The 2005 Plan authorizes the compensation committee or the board of directors to issue stock options, stock grants and various types of incentive awards in cash or stock to key employees, consultants and directors. During 2008, we obtained stockholder's approval to increase the total number of common shares available for future awards under the 2005 Plan. This amendment to the 2005 Plan was approved by stockholders at our Annual Meeting on March 21, 2008. No further grants can be made under this plan.

Information regarding the Company's Long-Term Incentive plans is summarized below:

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2012	2,813,409	$ 6.91
Granted	1,558,347	5.37
Vested	(1,472,233)	4.86
Forfeited	(505,626)	5.44
Nonvested at December 31, 2012	2,393,897	$ 5.22

In 2012 and 2011, we issued 1,558,347 and 1,457,039, respectively, of restricted shares to selected key personnel. Total stock-based compensation expense recognized for the years ended December 31, 2012, 2011, and 2010 was $7.2 million, $5.9 million, and $5.5 million, respectively, all of which was related to nonvested stock. The total fair value of the shares vested during the years ended December 31, 2012, 2011, and 2010 was $7.2 million, $6.9 million, and $4.1 million, respectively. The fair value of RSA's and RSU's is determined based on the closing trading price of the company's shares on the grant date. The weighted-average grant-date fair value of shares granted during the years 2012, 2011, and 2010 was $5.37, $5.61, and $4.54, respectively. Stock-based compensation expense is included in our consolidated statements of operations in both "General and administration expense" and "Operating expenses."

Nonvested RSAs and RSUs at December 31, 2012 totaled 2,393,897 shares and total unrecognized compensation cost related to unamortized nonvested stock awards was $6.8 million as of December 31, 2012. The remaining unrecognized compensation cost related to non-vested stock awards will be amortized over a weighted-average vesting period of approximately 20.1 months.

During the year ended December 31, 2012, we granted to certain of our officers and key employees a total of 38,429 performance units under the 2010 Long Term Incentive Plan. Subsequent to the award of these performance units, 3,955 units were forfeited during 2012. During the year ended December 31, 2011, we granted to certain of our officers and key employees a total of 44,500 performance units under the 2010 Long Term Incentive Plan. Subsequent to the award of these performance units, 2,424 units were forfeited during 2011. Incentive grants included in this issuance were based on the attainment of pre-established performance goals. Each performance unit has a nominal value of $100.00. Awards are dependent upon our total stockholder return and return on capital employed relative to a peer group of companies over a three-year performance period. A maximum of 200 percent of the number of performance units granted may be earned if performance at the maximum level is achieved. Performance units can be settled in cash or stock at the discretion of the compensation committee of the board of directors and are, therefore, accounted for as liability awards and remeasured at each reporting date until settlement. Compensation expense recognized related to the performance units for the years ended December 31, 2012, 2011, and 2010 was $0.5 million, $2.1 million, and $2.7 million, respectively.

As of December 31, 2012 and 2011, we had 7,657,479 and 8,669,723, respectively, common stock shares reserved for issuance. As of December 31, 2012 and 2011, we had no stock options outstanding or exercisable and we had 1,411,371 and 1,709,963 shares held in treasury stock, respectively.

Note 10 — Reconciliation of Income and Number of Shares Used to Calculate Basic and Diluted Earnings per Share (EPS)

	For the Year Ended December 31, 2012		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$37,313,000	117,721,135	$ 0.32
Effect of dilutive securities:			
Stock options and restricted stock		1,372,455	$ (0.01)
Diluted EPS	$37,313,000	119,093,590	$ 0.31

	For the Year Ended December 31, 2011		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$(50,451,000)	116,081,590	$ (0.43)
Effect of dilutive securities:			
Stock options and restricted stock		—	$ —
Diluted EPS:	$(50,451,000)	116,081,590	$ (0.43)

	For the Year Ended December 31, 2010		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$(14,461,000)	114,258,965	$ (0.13)
Effect of dilutive securities:			
Stock options and restricted stock		—	$ —
Diluted EPS:	$(14,461,000)	114,258,965	$ (0.13)

For the year ended December 31, 2012, weighted-average shares outstanding used in our computation of diluted EPS includes the dilutive effect of potential common shares. For the years ended December 31, 2011, and 2010, all potential common shares have been excluded from the calculation of weighted-average shares outstanding used in our computation of diluted EPS as the company incurred a loss for each year, and therefore, inclusion of potential common shares in the calculation of diluted EPS would be anti-dilutive.

Table of Contents

Note 11 — Employee Benefit Plan

The Company sponsors a defined contribution 401(k) plan (Plan) in which substantially all U.S. employees are eligible to participate. The Company matches 100 percent of the first 4 percent and 50 percent of the next 2 percent of an employee's pre-tax contributions. The costs of our matching contributions to the Plan were $2.8 million, $2.4 million and $2.4 million in 2012, 2011 and 2010, respectively. Employees become 100 percent vested in the employer match contributions immediately upon participation in the Plan. Coverage for office based employees begins on the date of hire. For rig-based and rental tools employees, coverage begins on the first of the month following completion of 30 calendar days of continuous full-time employment.

Note 12 — Reportable Segments

We report our business activities in six business segments: (1) Rental tools, (2) U.S. barge drilling, (3) U.S. drilling, (4) International drilling, (5) Technical services, and (6) Construction contract. We eliminate inter-segment revenue and expenses. The following table represents the results of operations by reportable segment:

Operations by Reportable Industry Segment:	Year Ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Revenues:			
Rental Tools(1)	$246,900	$ 237,068	$172,598
U.S. Barge Drilling(1)	123,672	93,763	64,543
U.S. Drilling(1)(3)	1,387	—	—
International Drilling(1)	291,772	318,482	294,821
Technical Services(1)	14,251	27,695	36,423
Construction Contract(1)	—	9,638	91,090
Total revenues	677,982	686,646	659,475
Operating income:			
Rental Tools(2)	113,899	120,822	74,541
U.S. Barge Drilling(2)	39,774	11,116	(11,503)
U.S. Drilling(2)	(15,168)	(3,915)	(217)
International Drilling(2)	12,642	22,237	5,092
Technical Services(2)	(246)	5,335	5,052
Construction Contract(2)	—	771	202
Total operating gross margin	150,901	156,366	73,167
General and administrative expense	(46,052)	(31,314)	(30,728)
Impairments and other charges	—	(170,000)	—
Provision for reduction in carrying value of certain assets	—	(1,350)	(1,952)
Gain on disposition of assets, net	1,974	3,659	4,620
Total operating income (loss)	106,823	(42,639)	45,107
Interest expense	(33,542)	(22,594)	(26,805)
Changes in fair value of derivative positions	55	(110)	—
Loss on extinguishment of debt	(2,130)	—	(7,209)
Other	(229)	(69)	412
Income (loss) from continuing operations before income taxes	$ 70,977	$ (65,412)	$ 11,505

	2012	2011
Identifiable assets:		
Rental Tools	$ 194,600	$ 188,520
U.S. Barge Drilling	99,409	108,396
U.S. Drilling	374,794	265,166
International Drilling	414,546	426,490
Total identifiable assets	1,083,349	988,572
Corporate and other assets(4)	172,384	227,674
Total assets	$1,255,733	$1,216,246

1) In 2012, our two largest customers, Exxon Neftegas Limited (ENL) and Schlumberger, constituted approximately 12 percent and 10 percent, respectively, of our total consolidated revenues and approximately 27 percent and 24 percent of our International Drilling segment, respectively. In 2011, our largest customer, ENL constituted approximately 16 percent of our total revenues and approximately 34 percent of our International Drilling segment. In 2010, our two largest customers BP and ExxonMobil both accounted for approximately 12 percent of the Company's total revenues. In 2010, BP accounted for 90 percent of our construction contract segment revenues and ExxonMobil accounted for approximately 22 percent of our International Drilling segment and 7 percent of our Rental Tools segment.
2) Operating income is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
3) As of December 31, 2011, this segment had not begun generating revenue.
4) This category includes corporate assets as well as minimal assets for our Technical Services segment primarily related to office furniture and fixtures.

Operations by Reportable Industry Segment:	Year ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Capital expenditures:			
Rental Tools	$ 61,958	$ 61,702	$ 48,872
U.S. Barge Drilling	8,808	7,339	5,315
U.S. Drilling	86,786	99,915	113,177
International Drilling	15,240	15,011	50,482
Corporate	18,751	6,432	1,338
Total capital expenditures	$191,543	$190,399	$219,184
Depreciation and amortization:			
Rental Tools	42,944	40,497	36,558
U.S. Barge Drilling	13,906	17,006	22,165
U.S. Drilling	7,011	2,223	—
International Drilling	45,967	48,965	52,429
Corporate and other(1)	3,189	3,445	3,878
Total depreciation and amortization	$113,017	$112,136	$115,030

1) This category includes depreciation of corporate assets as well as minimal depreciation for our Technical Services segment primarily related to office furniture and fixtures.

Table of Contents

Operations by Geographic Area:	Year Ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Revenues:			
Africa and Middle East	$ 26,528	$ 6,774	$ 22,621
Asia Pacific	39,400	38,477	26,416
CIS	122,304	176,421	149,963
Latin America	103,540	96,810	103,885
United States	386,210	368,164	356,590
Total revenues	677,982	686,646	659,475
Operating gross margin:			
Africa and Middle East(1)	(2,234)	(6,383)	659
Asia Pacific(1)	(927)	1,933	2,374
CIS(1)	6,840	26,402	8,139
Latin America(1)	8,990	377	1,210
United States(1)	138,232	134,037	60,785
Total operating gross margin	150,901	156,366	73,167
General and administrative expense	(46,052)	(31,314)	(30,728)
Impairments and other charges	—	(170,000)	—
Provision for reduction in carrying value of certain assets	—	(1,350)	(1,952)
Gain on disposition of assets, net	1,974	3,659	4,620
Total operating income (loss)	106,823	(42,639)	45,107
Interest expense	(33,542)	(22,594)	(26,805)
Changes in fair value of derivative positions	55	(110)	—
Loss on extinguishment of debt	(2,130)	—	(7,209)
Other	(229)	(69)	412
Income (loss) from continuing operations before income taxes	$ 70,977	$ (65,412)	$ 11,505
Long-lived assets:(2)			
Africa and Middle East	$ 25,032	$ 28,427	
Asia Pacific	15,723	18,300	
CIS	106,774	119,282	
Latin America	63,899	57,710	
United States	574,730	496,090	
Total long-lived assets	$786,158	$ 719,809	

1) Operating income is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
2) Long-lived assets primarily consist of property, plant and equipment, net and exclude assets held for sale, if any.

Table of Contents

Note 13 — Commitments and Contingencies

The Company has various lease agreements for office space, equipment, vehicles and personal property. These obligations extend through 2013 and are typically non-cancelable. Most leases contain renewal options and certain of the leases contain escalation clauses. Future minimum lease payments at December 31, 2012, under operating leases with non-cancelable terms are as follows:

	Year Ended December 31, (Dollars in Thousands)
2013	$ 6,734
2014	4,134
2015	3,851
2016	2,742
2017	2,092
Thereafter	8,209
Total	$ 27,762

Total rent expense for all operating leases amounted to $11.8 million for 2012, $12.1 million for 2011 and $12.0 million for 2010.

We are self-insured for certain losses relating to workers' compensation, employers' liability, general liability (for onshore liability), protection and indemnity (for offshore liability) and property damage. Our exposure (that is, the retention or deductible) per occurrence is $250,000 for worker's compensation, employer's liability, general liability, protection and indemnity and maritime employers' liability (Jones Act). In addition, we assume a $500,000 annual aggregate deductible for protection and indemnity and maritime employers' liability claims. The annual aggregate deductible is reduced by every dollar that exceeds the $250,000 per occurrence retention. We continue to assume a retention of $250,000 for workers' compensation, employers' liability, and general liability losses and a $100,000 deductible for auto liability claims. For all primary insurances mentioned above, the Company has excess coverage for those claims that exceed the retention and annual aggregate deductible. We maintain actuarially-determined accruals in our consolidated balance sheets to cover the self-insurance retentions.

We have self-insured retentions for certain other losses relating to rig, equipment, property, business interruption and political, war, and terrorism risks which vary according to the type of rig and line of coverage. Political risk insurance is procured for international operations. However, this coverage may not adequately protect us against liability from all potential consequences.

As of December 31, 2012 and 2011, our gross self-insurance accruals for workers' compensation, employers' liability, general liability, protection and indemnity and maritime employers' liability totaled $4.7 million and $6.6 million, respectively and the related insurance recoveries/receivables were $1.2 million and $1.9 million, respectively.

We have entered into employment agreements with terms of one to two years with certain members of management with automatic one year renewal periods at expiration dates. The agreements provide for, among other things, compensation, benefits and severance payments. The employment agreements also provide for lump sum compensation and benefits in the event of termination within two years following a change in control of the Company.

We are a party to various lawsuits and claims arising out of the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount or range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there

is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ significantly from our estimates. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

Asbestos-Related Claims

We are from time to time a party to various lawsuits that are incidental to our operations in which the claimants seek an unspecified amount of monetary damages for personal injury, including injuries purportedly resulting from exposure to asbestos on drilling rigs and associated facilities. At December 31, 2012, there were approximately 15 of these lawsuits in which we are one of many defendants. These lawsuits have been filed in the United States in the State of Mississippi.

The subsidiaries named in these asbestos-related lawsuits intend to defend themselves vigorously and, based on the information available to us at this time, we do not expect the outcome to have a material adverse effect on our financial condition, results of operations or cash flows. However, we are unable to predict the ultimate outcome of these lawsuits. No amounts were accrued at December 31, 2012.

Gulfco Site

In 2003, we received an information request under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) designating Parker Drilling Offshore Corporation, a subsidiary of Parker Drilling, as a potentially responsible party with respect to the Gulfco Marine Maintenance, Inc. Superfund Site in Freeport, Texas (EPA No. TX 055144539). We responded to this request and in January 2008 received an administrative order to participate in an investigation of the site and a study of the remediation needs and alternatives. The EPA alleges that our subsidiary is a successor to a party who owned the Gulfco site during the time when chemical releases took place there. In December 2010, we entered into an agreement with two other potentially responsible parties, pursuant to which we agreed to pay 20 percent of past and future costs to study and remediate the site. The EPA also issued notice letters to several other parties who may also participate in funding the site remediation costs. As of December 31, 2012, the Company had made certain participating payments and had accrued $0.7 million for our portion of certain unreimbursed past costs and the estimated future cost of remediation. To date, we believe that all required activity for removal and remediation has been completed, except for ongoing monitoring costs, and we are awaiting a Notice of Completion from the EPA.

Customs Agent and Foreign Corrupt Practices Act (FCPA) Investigation

As previously disclosed, we have engaged in settlement discussions with the United States Department of Justice (DOJ) and the United States Securities and Exchange Commission (SEC) related to parallel investigations that they conducted regarding possible violations of U.S. law, including the FCPA, by us. In particular, the DOJ and the SEC investigated certain of our operations relating to countries in which we currently operate or formerly operated, including Kazakhstan and Nigeria. We fully cooperated with the DOJ and SEC investigations and conducted an internal investigation into potential customs and other issues in Kazakhstan and Nigeria. Subject to court and regulatory approvals, we have reached agreement in principle regarding a proposed settlement of these matters with the DOJ and the staff of the SEC.

Under the terms of the proposed resolution with the DOJ, it is expected that the Company would enter into a deferred prosecution agreement (DPA), under which the DOJ would defer for three years prosecuting the Company for criminal violations of the anti-bribery provisions of the FCPA relating to the Company’s retention

and use of an individual agent in Nigeria with respect to certain customs-related issues, in return for: (i) the Company's acceptance of responsibility for, and agreement not to contest or contradict the truthfulness of, the statement of facts and allegations to be filed in a United States District Court concurrently with the DPA; (ii) the Company's payment of an approximately $11.76 million fine; (iii) the Company's reaffirming its commitment to compliance with the FCPA and other applicable anti-corruption laws in connection with the Company's operations, and continuing cooperation with domestic and foreign authorities in connection with the matters that are the subject of the DPA; (iv) the Company's commitment to continue to address any identified areas for improvement in the Company's internal controls, policies and procedures relating to compliance with the FCPA and other applicable anti-corruption laws if, and to the extent, not already addressed; and (v) the Company's agreement to report to the DOJ in writing annually during the term of the DPA regarding remediation of the matters that are the subject of the DPA, implementation of any enhanced internal controls, and any evidence of improper payments the Company may have discovered during the term of the agreement. If the Company remains in compliance with the terms of the DPA throughout its effective period, the charge against the Company would be dismissed with prejudice.

Under the terms of the proposed resolution with SEC, the staff of the SEC has agreed to recommend to its governing Commission that the SEC enter into a settlement with the Company, pursuant to which the SEC will file a civil complaint in a United States District Court charging the Company with violations of the anti-bribery, books and records and internal control provisions of the FCPA, and the Company would consent to the entry of a final judgment of permanent injunction barring future violations of the anti-bribery, books and records and internal controls provisions of the FCPA. The Company also would agree to the payment of disgorgement of approximately $3.05 million and prejudgment interest of approximately $1.04 million, for a total of approximately $4.09 million. The proposed agreement with the SEC would not require the payment of a civil monetary fine, and neither the proposed agreement with the DOJ nor the proposed agreement with the SEC would require the appointment of a monitor to oversee the Company's activities or compliance with applicable laws.

The agreement in principle is contingent upon the parties' preparation and agreement on the language of the settlement documents, approval of the civil settlement by the SEC's governing Commission and by a United States District Court. There can be no assurance that this proposed settlement will be finalized, or finalized on the terms currently agreed in principle, and we cannot provide assurances regarding if and when the court and/or the SEC's governing Commission will approve the settlement.

If one or both of these approvals do not occur, the Company may enter further discussions with the DOJ and/or the SEC to resolve the investigated matters on different terms and conditions; such terms and conditions could include any of a broad range of civil and criminal sanctions under the FCPA and other laws and regulations, which they may seek to impose against corporations and individuals in appropriate circumstances. These include, but are not limited to, injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs. Any such disgorgement, fines, penalties, interest or other associated costs could be materially higher than the amounts that we have currently accrued. The DOJ and the SEC have entered into agreements with, and obtained a range of sanctions against, several public corporations and individuals arising from allegations of improper payments and deficiencies in books and records and internal controls, whereby civil and criminal penalties were imposed. Recent civil and criminal settlements have included multi-million dollar fines, deferred prosecution agreements, guilty pleas, and other sanctions, including the requirement that the relevant corporation retain a monitor to oversee its compliance with the FCPA. In addition, corporations may have to end or modify existing business relationships. The Company could also face fines, sanctions and other penalties imposed by other regulatory authorities or in other legal actions. Any such fines, sanctions or penalties could impact the Company's business operations and assets, particularly in jurisdictions outside the United States, and could have a material adverse impact on our business, results of operations, financial condition and liquidity.

As previously disclosed, we have taken and continue to take certain steps to enhance our existing anti-bribery compliance efforts, including retaining a full-time Chief Compliance Officer who reports to the Chief

Executive Officer and Audit Committee and full-time staff to assist him; adopting revised FCPA policies, procedures, and controls; increasing training and testing requirements; strengthening contractual provisions for our service providers that interface with foreign government officials; improving due diligence and continuing oversight procedures for the review and selection of such service providers; and implementing a compliance awareness improvement initiative that includes issuance of periodic anti-bribery compliance alerts. We will continue to emphasize the importance of compliance and ethical business conduct.

The Company recorded a charge of $15.85 million associated with the proposed settlement with the DOJ and SEC for the fourth quarter of 2012. Such charge, which is included in general and administrative expenses, is subject to change based on the results of any final settlement with DOJ and SEC relating to these matters.

Demand Letter and Derivative Litigation

In April 2010, we received a demand letter from a law firm representing Ernest Maresca. The letter states that Mr. Maresca is one of our stockholders and that he believes that certain of our current and former officers and directors violated their fiduciary duties related to the issues described above under “Customs Agent and Foreign Corrupt Practices Act (FCPA) Investigation.” The letter requests that our Board of Directors take action against the individuals in question. In response to this letter, the Board formed a special committee to evaluate the issues raised by the letter and determine a course of action for the Company, and such committee’s work is ongoing.

On August 31, 2010, Douglas Freuler, a purported stockholder of the Company, filed a derivative action in the United States District Court for the Southern District of Texas against our current directors, select officers, and the Company as a nominal defendant. The lawsuit alleges that the individuals breached their fiduciary duties to the Company related to the issues described above under “Customs Agent and Foreign Corrupt Practices Act (FCPA) Investigation,” as well as abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment. The damages sought included both compensatory and exemplary damages in an unspecified amount, along with various other forms of relief and an award of attorney fees, other costs, and expenses to the plaintiffs. Defendants’ motions to dismiss the amended complaint were granted on June 30, 2011, and plaintiff was given thirty days to replead. Mr. Freuler filed his second amended complaint on July 20, 2011. Defendants’ motions to dismiss the second amended complaint were granted on March 14, 2012. The matter is now on appeal before the U.S. Court of Appeals for the Fifth Circuit, and oral argument in the matter will be heard on March 5, 2013.

Note 14 — Related Party Transactions

Consulting Agreement

The Company was a party to a consulting agreement with Robert L. Parker Sr., the former Chairman of the Board of Directors of the Company and the father of our current Executive Chairman, Robert L. Parker Jr. The consulting agreement expired on April 30, 2011. Under the agreement, Mr. Parker Sr. was paid consulting fees of $40,000, and $123,750 in the years ending December 31, 2011 and 2010, respectively. For one year after the termination of the consulting agreement, Mr. Parker Sr. was prohibited from soliciting business from any of our customers or individuals with which we have done business, from becoming interested in any business that competes with the Company, and from recruiting any employees of the Company. Under the consulting agreement, Mr. Parker Sr. also represented the Company on the U.S.-Kazakhstan Business Council. In addition, we pay a monthly rental fee to Mr. Parker Sr. for various pieces of artwork which are displayed throughout our corporate office. In 2012, 2011, and 2010 we paid Mr. Parker $36,000, $36,000, and $30,000, respectively for the artwork rental.

Effective January 1, 2012, the Company entered into two separate ranch lease agreements under which the Company agreed to pay a daily usage fee per person for utilization of the Cypress Springs Ranch owned by the Robert L. Parker, Sr. and Catherine M. Parker Family Limited Partnership and the Camp Verde Ranch owned by

Robert L. Parker, Jr. During 2012, the Company incurred fees of $39,875 and $1,650 for the Cypress Springs Ranch and Camp Verde Ranch, respectively, pursuant to the ranch lease agreements for the right to utilize the premises of the ranches for the purpose of hosting business meetings.

Other Related Party Agreements

During 2012 and 2011, one of the Company's directors held executive positions at Apache Corporation (Apache), including the positions of President and Chief Corporate Officer, Executive Vice President and Chief Financial Officer and Chief Corporate Officer. During 2012 and 2011, affiliates of Apache paid affiliates of the Company a total of $31.2 million and $22.7 million, respectively, for performance of drilling services and provision of rental tools. This information is considered and discussed annually in connection with the Board of Directors' assessment of facts and circumstances that could preclude a determination that such director is independent under the New York Stock Exchange governance listing standards.

Note 15 — Supplementary Information

At December 31, 2012, accrued liabilities included $1.6 million of deferred mobilization fees, $9.7 million of accrued interest expense, $2.3 million of worker's compensation liabilities and $26.0 million of accrued payroll and payroll taxes. Other long-term obligations included $2.5 million of workers' compensation liabilities as of December 31, 2012.

At December 31, 2011, accrued liabilities included $2.2 million of deferred mobilization fees, $8.1 million of accrued interest expense, $3.0 million of worker's compensation liabilities and $26.8 million of accrued payroll and payroll taxes. Other long-term obligations included $3.6 million of workers' compensation liabilities as of December 31, 2011.

Note 16 — *Parent, Guarantor, Non-Guarantor Unaudited Consolidating Condensed Financial Statements*

Set forth on the following pages are the consolidating condensed financial statements of Parker Drilling. The Company's 9.125% Notes are guaranteed by substantially all of the restricted subsidiaries of Parker Drilling. There are currently no restrictions on the ability of the restricted subsidiaries to transfer funds to Parker Drilling in the form of cash dividends, loans or advances. Parker Drilling is a holding company with no operations, other than through its subsidiaries. Separate financial statements for each guarantor company are not provided as the company complies with the exception to Rule 3-10(a)(1) of Regulation S-X, set forth in sub-paragraph (f) of such rule. All guarantor subsidiaries are owned 100 percent by the parent company, all guarantees are full and unconditional and all guarantees are joint and several.

We are providing consolidating condensed financial information of the parent, Parker Drilling, the guarantor subsidiaries, and the non-guarantor subsidiaries as of December 31, 2012 and December 31, 2011 and for the years ended December 31, 2012, 2011, and 2010. The consolidating condensed financial statements present investments in both consolidated and unconsolidated subsidiaries using the equity method of accounting.

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Year ended December 31, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ —	$393,959	$ 385,279	$ (101,256)	$ 677,982
Operating expenses	—	185,328	329,992	(101,256)	414,064
Depreciation and amortization	—	65,354	47,663	—	113,017
Total operating gross margin	—	143,277	7,624	—	150,901
General and administration expense(1)	(182)	(45,433)	(437)	—	(46,052)
Gain on disposition of assets, net	—	775	1,199	—	1,974
Total operating income (loss)	(182)	98,619	8,386	—	106,823
Other income and (expense):					
Interest expense	(37,326)	(151)	(8,739)	12,674	(33,542)
Changes in fair value of derivative positions	55	—	—	—	55
Interest income	9,863	5,073	41,999	(56,782)	153
Loss on extinguishment of debt	(2,130)	—	—	—	(2,130)
Other	—	(370)	(12)	—	(382)
Equity in net earnings of subsidiaries	43,884	—	—	(43,884)	—
Total other income (expense)	14,346	4,552	33,248	(87,992)	(35,846)
Income (benefit) before income taxes	14,164	103,171	41,634	(87,992)	70,977
Income tax expense (benefit):					
Current	(25,406)	32,781	10,667	—	18,042
Deferred	2,257	15,429	(1,849)	—	15,837
Income tax expense (benefit)	(23,149)	48,210	8,818	—	33,879
Net income (loss)	37,313	54,961	32,816	(87,992)	37,098
Less: Net (loss) attributable to noncontrolling interest	—	—	(215)	—	(215)
Net income (loss) attributable to controlling interest	$ 37,313	$ 54,961	$ 33,031	$ (87,992)	$ 37,313

(1) General and administration expenses for field operations are included in operating expenses.

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Year ended December 31, 2011				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ —	$ 376,229	$ 426,491	$ (116,074)	$ 686,646
Operating expenses	—	175,465	358,753	(116,074)	418,144
Depreciation and amortization	—	62,744	49,392	—	112,136
Total operating gross margin	—	138,020	18,346	—	156,366
General and administration expense(1)	(218)	(30,859)	(237)	—	(31,314)
Impairment and other charges	—	(170,000)	—	—	(170,000)
Provision for reduction in carrying value of certain assets	—	(1,350)	—	—	(1,350)
Gain on disposition of assets, net	—	2,706	953	—	3,659
Total operating income (loss)	(218)	(61,483)	19,062	—	(42,639)
Other income and (expense):					
Interest expense	(26,654)	(17,889)	(8,865)	30,814	(22,594)
Changes in fair value of derivative positions	(110)	—	—	—	(110)
Interest income	18,131	750	12,189	(30,814)	256
Other	—	(345)	20	—	(325)
Equity in net earnings of subsidiaries	(23,484)	—	—	23,484	—
Total other income and (expense)	(32,117)	(17,484)	3,344	23,484	(22,773)
Income (benefit) before income taxes	(32,335)	(78,967)	22,406	23,484	(65,412)
Income tax expense (benefit):					
Current	(13,402)	27,169	19,841	—	33,608
Deferred	31,518	(57,030)	(22,863)	—	(48,375)
Total income tax expense (benefit)	18,116	(29,861)	(3,022)	—	(14,767)
Net income (loss)	(50,451)	(49,106)	25,428	23,484	(50,645)
Less: Net (loss) attributable to noncontrolling interest	—	—	(194)	—	(194)
Net income (loss) attributable to controlling interest	$(50,451)	$ (49,106)	$ 25,622	$ 23,484	$ (50,451)

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Twelve months ended December 31, 2010				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ —	$ 366,947	$ 401,617	$ (109,089)	$ 659,475
Operating expenses	—	237,584	342,783	(109,089)	471,278
Depreciation and amortization	—	63,402	51,628	—	115,030
Total operating gross margin	—	65,961	7,206	—	73,167
General and administration expense(1)	(225)	(30,193)	(310)	—	(30,728)
Provision for reduction in carrying value of certain assets	—	(1,952)	—	—	(1,952)
Gain on disposition of assets, net	—	2,067	2,553	—	4,620
Total operating income (loss)	(225)	35,883	9,449	—	45,107
Other income and (expense):					
Interest expense	(30,771)	(35,640)	(16,185)	55,791	(26,805)
Interest income	42,000	757	23,291	(65,791)	257
Loss on extinguishment of debt	(7,209)	—	—	—	(7,209)
Other	—	88	67	—	155
Equity in net earnings of subsidiaries	(22,962)	—	—	22,962	—
Total other income and (expense)	(18,942)	(34,795)	7,173	12,962	(33,602)
Income (benefit) before income taxes	(19,167)	1,088	16,622	12,962	11,505
Income tax expense (benefit):					
Current	139	(189)	27,571	—	27,521
Deferred	(4,845)	2,323	1,214	—	(1,308)
Total income tax expense (benefit)	(4,706)	2,134	28,785	—	26,213
Net income (loss)	(14,461)	(1,046)	(12,163)	12,962	(14,708)
Less: Net (loss) attributable to noncontrolling interest	—	—	(247)	—	(247)
Net income (loss) attributable to controlling interest	$ (14,461)	$ (1,046)	$ (11,916)	$ 12,962	$ (14,461)

(1) General and administration expenses for field operations are included in operating expenses.

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

	December 31, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 42,251	$ 11,023	$ 34,612	$ —	$ 87,886
Accounts and notes receivable, net	289,957	98,747	292,644	(512,786)	168,562
Rig materials and supplies	—	2,834	26,026	—	28,860
Deferred costs	—	—	1,089	—	1,089
Deferred income taxes	—	7,615	1,127	—	8,742
Other tax assets	46,249	(31,136)	18,411	—	33,524
Assets held for sale	—	—	11,550	—	11,550
Other current assets	—	8,675	4,146	—	12,821
Total current assets	378,457	97,758	389,605	(512,786)	353,034
Property, plant and equipment, net	60	548,794	237,304	—	786,158
Investment in subsidiaries and intercompany advances	780,878	(233,388)	1,467,429	(2,014,919)	—
Other noncurrent assets	43,569	59,541	13,431	—	116,541
Total assets	$1,202,964	$ 472,705	$ 2,107,769	$(2,527,705)	$ 1,255,733
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 10,000	$ —	$ —	$ —	$ 10,000
Accounts payable and accrued liabilities	65,839	93,243	205,864	(227,200)	137,746
Accrued income taxes	—	612	3,508	—	4,120
Total current liabilities	75,839	93,855	209,372	(227,200)	151,866
Long-term debt	469,205	—	—	—	469,205
Other long-term liabilities	3,933	6,129	13,120	—	23,182
Long-term deferred tax liability	—	36,894	(16,047)	—	20,847
Intercompany payables	62,583	43,657	216,320	(322,560)	—
Contingencies	—	—	—	—	—
Stockholders' equity:					
Common stock	19,818	18,049	43,003	(61,052)	19,818
Capital in excess of par value	646,217	733,112	1,455,246	(2,188,358)	646,217
Retained earnings (accumulated deficit)	(74,631)	(458,991)	187,526	271,465	(74,631)
Total controlling interest stockholders' equity	591,404	292,170	1,685,775	(1,977,945)	591,404
Noncontrolling interest	—	—	(771)	—	(771)
Total Equity	591,404	292,170	1,685,004	(1,977,945)	590,633
Total liabilities and stockholders' equity	$1,202,964	$ 472,705	$ 2,107,769	$(2,527,705)	$ 1,255,733

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

	December 31, 2011				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 55,670	$ 4,212	$ 37,987	$ —	$ 97,869
Accounts and notes receivable, net	289,512	94,748	285,326	(485,663)	183,923
Rig materials and supplies	—	762	29,185	—	29,947
Deferred costs	—	—	3,249	—	3,249
Deferred income taxes	—	5,311	853	486	6,650
Other tax assets	47,834	(25,218)	2,742	—	25,358
Assets held for sale	—	—	5,315	—	5,315
Other current assets	788	6,381	8,133	—	15,302
Total current assets	393,804	86,196	372,790	(485,177)	367,613
Property, plant and equipment, net	79	474,942	244,787	1	719,809
Investment in subsidiaries and intercompany advances	720,214	(212,883)	1,347,719	(1,855,050)	—
Other noncurrent assets	44,962	66,660	16,839	363	128,824
Total assets	$1,159,059	$ 414,915	$ 1,982,135	$(2,339,863)	$ 1,216,246
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 145,723	$ —	$ —	$ —	$ 145,723
Accounts payable and accrued liabilities	60,120	94,056	181,010	(199,936)	135,250
Accrued income taxes	(205)	921	4,121	—	4,837
Total current liabilities	205,638	94,977	185,131	(199,936)	285,810
Long-term debt	337,000	—	—	—	337,000
Other long-term liabilities	8,081	9,474	15,897	—	33,452
Long-term deferred tax liability	1,151	25,232	(11,296)	847	15,934
Intercompany payables	62,583	43,657	111,619	(217,859)	—
Contingencies	—	—	—	—	—
Stockholders' equity:					
Common stock	19,508	18,049	43,003	(61,052)	19,508
Capital in excess of par value	637,042	733,120	1,444,091	(2,177,211)	637,042
Retained earnings (accumulated deficit)	(111,944)	(509,594)	194,246	315,348	(111,944)
Total controlling interest stockholders' equity	544,606	241,575	1,681,340	(1,922,915)	544,606
Noncontrolling interest	—	—	(556)	—	(556)
Total Equity	544,606	241,575	1,680,784	(1,922,915)	544,050
Total liabilities and stockholders' equity	$1,159,059	$ 414,915	$ 1,982,135	$(2,339,863)	$ 1,216,246

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Year Ended December 31, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ 37,313	$ 54,961	$ 32,816	$ (87,992)	$ 37,098
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	—	65,354	47,663	—	113,017
Loss on extinguishment of debt	2,130	—	—	—	2,130
Gain on disposition of assets	—	(775)	(1,199)	—	(1,974)
Deferred income tax expense	2,257	15,429	(1,849)	—	15,837
Expenses not requiring cash	16,558	33,644	(27,602)	—	22,600
Equity in net earnings of subsidiaries	(43,884)	—	—	43,884	—
Change in accounts receivable	(445)	(1,788)	17,474	—	15,241
Change in other assets	1,649	2,060	(9,200)	—	(5,491)
Change in accrued income taxes	(4,055)	220	(2,267)	—	(6,102)
Change in liabilities	3,914	(4,158)	(2,413)	—	(2,657)
Net cash provided by (used in) operating activities	15,437	164,947	53,423	(44,108)	189,699
Cash flows from investing activities:					
Capital expenditures	—	(176,333)	(15,210)	—	(191,543)
Proceeds from the sale of assets	—	2,062	1,875	—	3,937
Proceeds from insurance settlements	—	—	—	—	—
Intercompany dividend payment	(8,387)	(4,357)	(31,364)	44,108	—
Net cash (used in) investing activities	(8,387)	(178,628)	(44,699)	44,108	(187,606)
Cash flows from financing activities:					
Proceeds from debt issuance	130,000	—	—	—	130,000
Proceeds from draw on revolver credit facility	7,000	—	—	—	7,000
Paydown on senior notes	(125,000)	—	—	—	(125,000)
Paydown on term note	(18,000)	—	—	—	(18,000)
Paydown on revolver credit facility	—	—	—	—	—
Payment of debt issuance costs	(4,859)	—	—	—	(4,859)
Payment of debt extinguishment costs	(555)	—	—	—	(555)
Proceeds from stock options exercised	—	—	—	—	—
Excess tax benefit from stock-based compensation	(662)	—	—	—	(662)
Intercompany advances, net	(8,393)	20,492	(12,099)	—	—
Net cash provided by (used in) financing activities	(20,469)	20,492	(12,099)	—	(12,076)
Net change in cash and cash equivalents	(13,419)	6,811	(3,375)	—	(9,983)
Cash and cash equivalents at beginning of year	55,670	4,212	37,987	—	97,869
Cash and cash equivalents at end of year	$ 42,251	$ 11,023	$ 34,612	$ —	$ 87,886

See accompanying notes to unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Year Ended December 31, 2011				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (50,451)	$ (49,106)	$ 25,428	$ 23,484	$ (50,645)
Adjustments to reconcile net income (loss)to net cash provided by operating activities:					
Depreciation and amortization	—	62,744	49,392	—	112,136
Loss on extinguishment of debt	—	—	—	—	—
Gain on disposition of assets	—	(2,706)	(953)	—	(3,659)
Deferred income tax expense	31,518	(57,030)	(22,863)	—	(48,375)
Impairment and other charges	—	170,000	—	—	170,000
Provision for reduction in carrying value of certain assets	—	1,350	—	—	1,350
Expenses not requiring cash	16,411	376	(3,954)	—	12,833
Equity in net earnings of subsidiaries	23,484	—	—	(23,484)	—
Change in accounts receivable	(288,333)	347,344	(65,852)	—	(6,841)
Change in other assets	62,173	(16,724)	16,404	—	61,853
Change in liabilities	(10,454)	(53,404)	41,091	—	(22,767)
Net cash provided by (used in) operating activities	(215,652)	402,844	38,693	—	225,885
Cash flows from investing activities:					
Capital expenditures	—	(174,999)	(15,400)	—	(190,399)
Proceeds from the sale of assets	—	4,335	1,200	—	5,535
Proceeds from insurance settlements	—	250	—	—	250
Intercompany dividend payment	—	—	—	—	—
Net cash provided by (used in) investing activities	—	(170,414)	(14,200)	—	(184,614)
Cash flows from financing activities:					
Proceeds from debt issuance	50,000	—	—	—	50,000
Proceeds from draw on revolver credit facility	—	—	—	—	—
Paydown on senior notes	—	—	—	—	—
Paydown on term note	(21,000)	—	—	—	(21,000)
Paydown on revolver credit facility	(25,000)	—	—	—	(25,000)
Payment of debt issuance costs	(504)	—	—	—	(504)
Payment of debt extinguishment costs	—	—	—	—	—
Proceeds from stock options exercised	183	—	—	—	183
Excess tax benefit from stock-based compensation	1,488	—	—	—	1,488
Intercompany advances, net	252,320	(230,535)	(21,785)	—	—
Net cash provided by (used in) financing activities	257,487	(230,535)	(21,785)	—	5,167
Net change in cash and cash equivalents	41,835	1,895	2,708	—	46,438
Cash and cash equivalents at beginning of year	13,835	2,317	35,279	—	51,431
Cash and cash equivalents at end of year	$ 55,670	$ 4,212	$ 37,987	$ —	$ 97,869

See accompanying notes to unaudited consolidated condensed financial statements.

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Year Ended December 31, 2010				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (14,461)	$ (1,046)	$ (12,163)	$ 12,962	$ (14,708)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	—	63,402	51,628	—	115,030
Loss on extinguishment of debt	7,209	—	—	—	7,209
Gain on disposition of assets	—	(2,067)	(2,553)	—	(4,620)
Deferred income tax expense	(4,845)	2,323	1,214	—	(1,308)
Provision for reduction in carrying value of certain assets	—	1,952	—	—	1,952
Expenses not requiring cash	14,829	—	—	—	14,829
Equity in net earnings of subsidiaries	22,962	—	—	(22,962)	—
Change in accounts receivable	16,178	(14,763)	19,337	—	20,752
Change in other assets	(2,505)	(13,454)	15,365	—	(594)
Change in liabilities	(144)	7,793	(22,641)	—	(14,992)
Net cash provided by (used in) operating activities	39,223	44,140	50,187	(10,000)	123,550
Cash flows from investing activities:					
Capital expenditures	—	(169,784)	(49,400)	—	(219,184)
Proceeds from the sale of assets	—	4,646	1,829	—	6,475
Intercompany dividend payment	—	—	(10,000)	10,000	—
Net cash provided by (used in) investing activities	—	(165,138)	(57,571)	10,000	(212,709)
Cash flows from financing activities:					
Proceeds from debt issuance	300,000	—	—	—	300,000
Proceeds from draw on revolver credit facility	25,000	—	—	—	25,000
Paydown on senior notes	(225,000)	—	—	—	(225,000)
Paydown on term note	(12,000)	—	—	—	(12,000)
Paydown on revolver credit facility	(42,000)	—	—	—	(42,000)
Payment of debt issuance costs	(7,976)	—	—	—	(7,976)
Payment of debt extinguishment costs	(7,466)	—	—	—	(7,466)
Proceeds from stock options exercised	26	—	—	—	26
Excess tax benefit from stock-based compensation	1,203	—	—	—	1,203
Intercompany advances, net	(115,364)	121,547	(6,183)	—	—
Net cash provided by (used in) financing activities	(83,577)	121,547	(6,183)	—	31,787
Net change in cash and cash equivalents	(44,354)	549	(13,567)	—	(57,372)
Cash and cash equivalents at beginning of year	58,189	1,768	48,846	—	108,803
Cash and cash equivalents at end of year	$ 13,835	$ 2,317	$ 35,279	$ —	$ 51,431

See accompanying notes to unaudited consolidated condensed financial statements.

Table of Contents

Note 17 — Selected Quarterly Financial Data

Year 2012	Quarter				
	First	Second	Third	Fourth	Total
	(Dollars in Thousands Except Per Share Amounts) (Unaudited)				
Revenues	$176,569	$178,925	$165,301	$ 157,187	$677,982
Operating gross margin(2)	$ 54,018	$ 46,440	$ 34,038	$ 16,405	$150,901
Operating income	$ 49,013	$ 40,388	$ 25,739	$ (8,317)	$106,823
Net income (loss) attributable to controlling interest	$ 26,392	$ 20,083	$ 10,936	$ (20,098)	$ 37,313
Basic earnings per share — net income (loss)(1)	$ 0.23	$ 0.17	$ 0.09	$ (0.17)	$ 0.32
Diluted earnings per share — net income (loss)(1)	$ 0.22	$ 0.17	$ 0.09	$ (0.17)	$ 0.31

Year 2011	Quarter				
	First	Second	Third	Fourth	Total
	(Dollars in Thousands Except Per Share Amounts) (Unaudited)				
Revenues	$156,179	$172,812	$176,589	$ 181,066	$686,646
Operating gross margin(2)	$ 21,204	$ 40,797	$ 49,966	$ 44,399	$156,366
Operating income	$ 15,402	$ 33,215	$ 41,959	$(133,215)	$ (42,639)
Net income (loss) attributable to controlling interest	$ 4,827	$ 14,173	$ 20,725	$ (90,176)	$ (50,451)
Basic earnings per share — net income (loss)(1)	$ 0.04	$ 0.12	$ 0.18	$ (0.77)	$ (0.43)
Diluted earnings per share — net income (loss)(1)	$ 0.04	$ 0.12	$ 0.18	$ (0.77)	$ (0.43)

1) As a result of shares issued during the year, earnings per share for each of the year's four quarters, which are based on weighted average shares outstanding during each quarter, may not equal the annual earnings per share, which is based on the weighted average shares outstanding during the year. Additionally, as a result of rounding to the thousands, revenues, operating gross margin, operating income, and net income (loss) attributable to controlling interest may not equal the 2012 year to date results.
2) As the Company modified our reporting segments to be consistent with recent organizational changes to improve our drilling organization, expenses related to our U.S. Barge Drilling segment were found to be incorrectly included in our general and administrative expense during the first through third quarters of the current year. These expenses have been appropriately reclassified to be included as part of the segment operating expenses, therefore our operating gross margin for each of the first three quarters will not agree to the respective 10-Q reports for the current year only.

Note 18 — Recent Accounting Pronouncements

Revenue Recognition — On January 1, 2011, we adopted an update issued by the Financial Accounting Standards Board (FASB) to existing guidance on revenue recognition for arrangements with multiple deliverables. This update allows companies to allocate consideration for qualified separate deliverables using estimated selling price for both delivered and undelivered items when vendor-specific objective evidence or third-party evidence is unavailable. It also requires additional disclosures on the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices. The update is effective for fiscal years beginning after June 15, 2010. The adoption of this update did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

Comprehensive Income — In June 2011, the FASB issued Accounting Standards Update 2011-05, "*Presentation of Comprehensive Income.*" This update will increase the prominence of comprehensive income in the financial statements. It gives an entity the option to present the components of net income and comprehensive income in either a single continuous statement or in two separate but consecutive financial statements and eliminates the option to present other comprehensive income in the statement of changes in equity. This update will be effective for us beginning in the first quarter of 2012. This update did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

Fair value measurements — Effective January 1, 2012, we adopted the accounting standards update that changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments included in this update are intended to clarify the applications of existing fair value measurement requirements. The update is effective for annual periods beginning after December 15, 2011. This adoption did not have a material effect on the disclosures contained in our notes to the consolidated financial statements.

Comprehensive Income — On January 1, 2012, we adopted an update issued by the FASB to existing guidance on the presentation of comprehensive income. The update eliminates the option to present the components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity. Public entities are required to comply with the new reporting requirements for fiscal years beginning after December 15, 2011 and interim periods within those years. Calendar year-end companies must adopt the requirements for the quarter ended March 31, 2012. The adoption of this update did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

Impairment — In July 2012, the Financial Accounting Standards Board (FASB) issued an update to existing guidance on the impairment assessment of indefinite-lived intangibles. This update simplifies the impairment assessment of indefinite-lived intangibles by allowing companies to consider qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount before performing the two step impairment review process. The adoption of this update did not have an impact on our condensed consolidated financial statements.

Note 19 — Subsequent Events

Executive Departure

On February 11, 2013, we announced the departure of W. Kirk Brassfield, senior vice president and chief financial officer to be effective April 30, 2013. Mr. Brassfield will assist the Company in identifying his successor and will continue his duties as senior vice president and chief financial officer during a transition period extending through April 30, 2013, unless his successor is identified and the transition period is completed before that date.

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 162,457	$ 87,886
Accounts and notes receivable, net of allowance for bad debts of $11,156 and $8,117 at September 30, 2013 and December 31, 2012	249,623	168,562
Rig materials and supplies	40,202	28,860
Deferred costs	13,583	1,089
Deferred income taxes	13,473	8,742
Other tax assets	18,433	33,524
Assets held for sale	7,485	6,800
Other current assets	20,906	12,821
Total current assets	526,162	348,284
Property, plant and equipment less accumulated depreciation and amortization of $1,087,279 and $1,029,712 at September 30, 2013 and December 31, 2012	858,672	789,123
Deferred income taxes	107,763	95,295
Other noncurrent assets	42,783	23,031
Total assets	$ 1,535,380	$ 1,255,733
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ —	$ 10,000
Accounts payable and accrued liabilities	191,229	137,746
Accrued income taxes	7,261	4,120
Total current liabilities	198,490	151,866
Long-term debt	653,968	469,205
Other long-term liabilities	24,048	23,182
Long-term deferred tax liability	39,084	20,847
Contingencies (Note 12)	—	—
Stockholders' equity:		
Common stock	20,050	19,818
Capital in excess of par value	654,750	646,217
Accumulated other comprehensive income	957	—
Accumulated deficit	(57,788)	(74,631)
Total controlling interest stockholders' equity	617,969	591,404
Noncontrolling interest	1,821	(771)
Total equity	619,790	590,633
Total liabilities and stockholders' equity	$ 1,535,380	$ 1,255,733

See accompanying notes to the unaudited consolidated condensed financial statements.

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share and Weighted Average Shares Outstanding)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	$ 237,762	$ 165,301	$ 630,918	$ 520,795
Expenses:				
Operating expenses	153,741	101,484	414,336	300,942
Depreciation and amortization	35,882	29,779	97,674	85,357
	189,623	131,263	512,010	386,299
Total operating gross margin	48,139	34,038	118,908	134,496
General and administration expense	(14,188)	(8,905)	(49,449)	(21,822)
Gain on disposition of assets, net	1,094	606	2,759	2,466
Total operating income	35,045	25,739	72,218	115,140
Other income and (expense):				
Interest expense	(13,127)	(8,171)	(33,874)	(25,133)
Interest income	130	30	2,392	109
Loss on extinguishment of debt	(5,218)	(117)	(5,218)	(1,766)
Change in fair value of derivative positions	—	19	54	8
Other	400	26	333	62
Total other expense	(17,815)	(8,213)	(36,313)	(26,720)
Income before income taxes	17,230	17,526	35,905	88,420
Income tax expense	9,112	6,695	18,841	31,155
Net income	8,118	10,831	17,064	57,265
Less: Net income (loss) attributable to noncontrolling interest	148	(105)	221	(146)
Net income attributable to controlling interest	$ 7,970	$ 10,936	$ 16,843	$ 57,411
Basic earnings per share	$ 0.07	$ 0.09	$ 0.14	$ 0.49
Diluted earnings per share	$ 0.07	$ 0.09	$ 0.14	$ 0.48
Number of common shares used in computing earnings per share:				
Basic	119,990,196	118,109,214	119,443,260	117,458,365
Diluted	121,674,591	119,201,019	121,693,781	118,810,195

See accompanying notes to the unaudited consolidated condensed financial statements.

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Comprehensive income:				
Net income	$8,118	$ 10,831	$17,064	$57,265
Other comprehensive gain, net of tax:				
Currency translation difference on related borrowings	(577)	—	(1,542)	—
Currency translation difference on foreign currency net investments	2,098	—	2,499	—
Total other comprehensive gain, net of tax:	1,521	—	957	—
Comprehensive income	9,639	10,831	18,021	57,265
Comprehensive (income) attributable to noncontrolling interest	(53)	—	(83)	—
Comprehensive income attributable to controlling interest	$9,586	$ 10,831	$17,938	$57,265

See accompanying notes to the unaudited consolidated condensed financial statements.

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	$ 17,064	$ 57,265
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	97,674	85,357
Loss on extinguishment of debt	5,218	1,766
Gain on disposition of assets	(2,759)	(2,466)
Deferred income tax expense	12,872	8,403
Expenses not requiring cash	9,928	15,724
Changes in current assets and liabilities, net of effects of acquisition		
Change in accounts receivable	(28,605)	24,648
Change in other assets	(1,346)	564
Change in accrued income taxes	2,877	(3,049)
Change in liabilities	12,412	(10,185)
Net cash provided by operating activities	125,335	178,027
Cash flows from investing activities:		
Capital expenditures	(102,856)	(147,658)
Proceeds from the sale of assets	5,533	3,496
Acquisition of ITS, net of cash acquired	(117,991)	—
Net cash used in investing activities	(215,314)	(144,162)
Cash flows from financing activities:		
Proceeds from issuance of debt	350,000	130,000
Repayments of long term debt	(125,000)	(125,000)
Repayments of term loan	(50,000)	(18,000)
Payments of debt issuance costs	(10,981)	(3,516)
Payments of debt extinguishment costs	—	(519)
Excess tax benefit from stock based compensation	531	(572)
Net cash provided by (used in) financing activities	164,550	(17,607)
Net increase in cash and cash equivalents	74,571	16,258
Cash and cash equivalents, beginning of year	87,886	97,869
Cash and cash equivalents, end of period	$ 162,457	$ 114,127
Supplemental cash flow information:		
Interest paid	$ 22,845	$ 17,492
Income taxes paid	$ 11,238	$ 36,498

See accompanying notes to the unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. General

In the opinion of the management of Parker Drilling Company (Parker Drilling, or the Company), the accompanying unaudited consolidated condensed financial statements reflect all adjustments normally recurring which we believe are necessary for a fair presentation of: (1) Parker Drilling's financial position as of September 30, 2013 and December 31, 2012, (2) Parker Drilling's results of operations for the three and nine month periods ended September 30, 2013 and 2012, (3) Parker Drilling's consolidated condensed statement of comprehensive income for the three and nine month periods ended September 30, 2013 and 2012, and (4) Parker Drilling's cash flows for the nine month periods ended September 30, 2013 and 2012. Results for the nine month period ended September 30, 2013 are not necessarily indicative of the results that will be realized for the year ending December 31, 2013. The financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012.

Nature of Operations — Parker Drilling, together with its subsidiaries (the Company or Parker), is a rental tools and drilling services provider. We have operated in over 50 foreign countries and the United States since beginning operations in 1934, making us among the most geographically experienced rental tools providers and drilling contractors in the world. During 2012, we operated in 12 countries, and in 2013, we acquired an international rental tools business with operations in 10 additional countries. We have extensive experience and expertise drilling geologically difficult wells and managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. We believe we are industry leaders in quality, health, safety and environmental practices. We own and operate our own drilling rigs as well as perform drilling-related services for operators who own drilling rigs and who choose to utilize our drilling experience and technical expertise on a contracted basis, typically referred to as Operations & Maintenance (O&M) work. We also provide other project management services (e.g., labor, maintenance, and logistics).

Our rental tools business specializes in providing high-quality, reliable equipment and services for oil and natural gas drilling, workover and production applications. This includes drill pipe, heavy-weight drill pipe, tubing, high-torque connections, blow-out preventers (BOPs), drill collars, casing running systems, fishing services and more. On April 22, 2013, we acquired International Tubular Services Limited and certain of its affiliates (collectively, ITS) and other related assets (the ITS Acquisition — see also Note 2). ITS's principal activities include the rental of drilling equipment and pressure control systems, provision of casing running systems and fishing services, together with machine shop support. ITS serves an extensive customer base of exploration and production (E&P) companies, drilling contractors and service companies from 21 operating facilities primarily located in the Middle East, Latin America, U.K. and Europe, and the Asia-Pacific regions.

Within our U.S. drilling business we operate barge rigs that drill for natural gas, oil, and a combination of oil and natural gas in the shallow waters in and along the inland waterways of Louisiana, Alabama, and Texas. Additionally in our U.S. drilling business, we have two Arctic-class rigs operating on the North Slope of Alaska and one O&M contract for offshore platform operations located in California. Our international drilling business includes operations related to Parker-owned and operated rigs as well as customer-owned rigs. We strive to deploy our fleet of Parker-owned rigs in markets where we expect to have opportunities to keep the rigs in service consistently. As of September 30, 2013, our marketable rig fleet consisted of 13 barge drilling rigs and 23 land rigs located in the United States, Latin America and the Eastern Hemisphere regions. We have 5 rigs held for sale or currently not marketed as of September 30, 2013. Our Technical Services business is our engineering expertise center, which provides services to our customers as well as to our ongoing drilling business. Services provided include engineering and related project services during the concept development, pre-FEED (Front End Engineering Design), and FEED phases of our customer owned drilling facility projects.

Consolidation — The consolidated condensed financial statements include the accounts of Parker Drilling and subsidiaries over which we exercise control or have a controlling financial interest, including entities, if any, in which the Company is allocated a majority of the entity's losses or returns, regardless of ownership percentage. If a subsidiary of Parker Drilling has a 50 percent interest in an entity but Parker Drilling's interest in the subsidiary or the entity does not meet the consolidation criteria described above, then that interest is accounted for under the equity method.

Noncontrolling Interest — We apply the accounting standards related to noncontrolling interests for ownership interests in our subsidiaries held by parties other than Parker Drilling. The entities that comprise the noncontrolling interest include Parker SMNG Drilling Limited Liability Company, Primorsky Drill Rig Services B.V., ITS Arabia Limited, and International Tubular Services — Egypt SAE. We report noncontrolling interest as equity on the consolidated balance sheets and report net income (loss) attributable to controlling interest and to noncontrolling interest separately on the consolidated statements of operations.

Reclassifications — Certain reclassifications have been made to prior period amounts to conform to the current period presentation. These reclassifications did not have a material effect on our consolidated condensed statements of operations, consolidated condensed balance sheets, condensed statement of comprehensive income or consolidated condensed statements of cash flows.

Use of Estimates — The preparation of financial statements in accordance with accounting policies generally accepted in the United States (U.S. GAAP) requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, our disclosure of contingent assets and liabilities at the date of the financial statements, and our revenue and expenses during the periods reported. Estimates are typically used when accounting for certain significant items, such as allowance for doubtful accounts, legal or contractual liability accruals, mobilization and deferred mobilization, revenue and cost accounting for projects that follow the percentage of completion method, self-insured medical/dental plans, income taxes and valuation allowance, and other items requiring the use of estimates. Estimates are based on a number of variables which may include third party valuations, historical experience and assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ from management estimates.

Acquisitions-purchase price allocation — We allocate the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values at the transaction date. Transaction and integration costs associated with an acquisition are expensed as incurred. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. We use all available information to estimate fair values, including quoted market prices, the carrying value of acquired assets, and widely accepted valuation techniques such as discounted cash flows. We engage third-party appraisal firms to assist in fair value determination of inventories, identifiable intangible assets, and any other significant assets or liabilities when appropriate. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

Intangible Assets — Upon the ITS Acquisition, we recorded $10.0 million and $0.2 million, respectively, to recognize the fair values of definite and indefinite lived intangible assets (see Note 2 — *Acquisition of ITS*). Definite lived intangible assets recorded in connection with the ITS Acquisition primarily relate to trade names, customer relationships, and developed technology and will be amortized over a weighted average period of approximately 3 years. With regard to indefinite lived intangible assets, which relate to our development of technology, we will conduct impairment tests annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

Revenue Recognition — Revenues from rental activities are recognized ratably over the rental term, which is generally less than six months. Contract drilling revenues and expenses, comprised of daywork drilling contracts and engineering and related project service contracts, are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually

designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract; however, costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met.

Reimbursable Costs — Within certain contractual arrangements, we may procure, take title and risk of loss for certain equipment, or make certain expenditures on behalf of our customers. We typically receive fees for these services, which we record as revenues. We recognize reimbursements received for out-of-pocket expenditures as revenues and account for out-of-pocket expenditures as direct operating costs. Such amounts totaled $16.2 million and $12.1 million during the third quarters of 2013 and 2012, respectively and $46.5 million and $29.8 million for the nine months ended September 30, 2013 and 2012, respectively.

Concentrations of Credit Risk — Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of trade receivables. We generally do not require collateral on our trade receivables.

At September 30, 2013 and December 31, 2012, we had deposits in domestic banks in excess of federally insured limits of approximately $117.1 million and $12.2 million, respectively. The increase is primarily because as of January 1, 2013, all regular checking account deposits are only guaranteed up to $250,000 at each institution while prior to January 1, 2013, all regular checking account deposits were guaranteed, except investments. In addition, as of September 30, 2013 and December 31, 2012, we had uninsured deposits in foreign banks of $51.8 million and $34.5 million, respectively.

Our customer base consists primarily of major, independent, national and international oil and gas companies and integrated service providers. We depend on a limited number of customers. Our largest customer, Exxon Neftegas Limited, constituted 14.3% of our total year-to-date revenues as of September 30, 2013. Each of our segments depends on a limited number of key customers and the loss of any one or more key customers could have a material adverse effect on a segment.

Capitalized Interest — Interest from external borrowings is capitalized on major projects until the assets are ready for their intended use. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets in the same manner as the underlying assets. Capitalized interest reduces net interest expense in the consolidated condensed statements of operations. During the three and nine months ended September 30, 2013, we capitalized interest costs of $0.7 million and $1.7 million, respectively, which were primarily related to a new enterprise resource planning system. During the three and nine months ended September 30, 2012 we capitalized $2.5 million and $7.9 million, respectively, of interest costs primarily related to the two Arctic-class rigs in Alaska.

2. Acquisition of ITS

On April 22, 2013 we acquired International Tubular Services Limited and certain of its affiliates (collectively, ITS) and other related assets (the ITS Acquisition) for an initial purchase price of $101.0 million paid at the closing of the ITS Acquisition. An additional $24.0 million was deposited into an escrow account, which will either be paid to the seller or to us, as the case may be, in accordance with the Agreement. The ITS Acquisition closed simultaneously with the execution of the agreement on April 22, 2013.

Fair value of Consideration Transferred

The following details the fair value of the consideration transferred to effect the ITS Acquisition (dollars in thousands).

Cash paid to, or on behalf of, ITS and its equity holders	$101,000
Cash deposited in escrow	19,000
Fair value of contingent consideration deposited in escrow for assets not acquired(1)	5,000
Total fair value of the consideration transferred	$125,000

(1) Based on the terms of the Agreement, $5.0 million of the $24.0 million in escrow to be paid to the seller is contingent upon certain future liabilities that could become due by ITS in certain jurisdictions. Any payments in relation to these liabilities will be deducted from the $5.0 million escrow amount and the net balance of the escrow will be paid to the seller. We estimate that the entire $5.0 million in escrow will be paid to the seller, and therefore, the estimated fair value of the consideration in escrow related to these liabilities is $5.0 million. We do not expect to receive any amount back from escrow, and therefore did not record a receivable from the escrow. Any changes to the fair value of the contingent consideration in the future of less than $5.0 million will result in recording a receivable from escrow. The receivable will be recorded at fair value. As of September 30, 2013, the fair value of the receivable is $0.0 million.

Preliminary Allocation of Consideration Transferred to Net Assets Acquired

The following amounts represent the preliminary estimates of fair value of identifiable assets acquired and liabilities assumed in the ITS Acquisition and are based on management's estimates, judgments and assumptions. These estimates, judgments and assumptions are subject to change upon final valuation and should be treated as preliminary values. Management estimated that the fair value of the net assets acquired less noncontrolling interest equals consideration paid. Therefore, there was no goodwill recorded.

The final allocation of consideration will include changes in (1) amounts deposited in escrow, (2) estimated fair values of property and equipment, (3) allocations to intangible assets and liabilities, (4) changes in contingent consideration, and (5) other assets and liabilities. These amounts will be finalized as soon as possible, but no later than one year from the acquisition date.

	April 22, 2013 (In thousands)
Cash and cash equivalents	$ 7,009
Accounts and notes receivable, net(1)	48,795
Other current assets	1,803
Accounts payable and accrued liabilities	(39,156)
Accrued income taxes	(1,251)
Working capital excluding rig materials and supplies	17,200
Rig materials and supplies	11,514
Property, plant and equipment, net(2)	70,339
Investment in joint venture	4,134
Other noncurrent assets	2,818
Total tangible assets	106,005
Deferred income tax assets — current	222
Deferred income tax assets — noncurrent(3)	14,153
Intangible assets(4)	
Trade name, developed technology, and customer relationship	10,000
Indefinite-lived intangible assets	200
Total assets acquired	130,580
Other long-term liabilities	(211)
Long-term deferred tax liability	(2,661)
Net assets acquired	127,708
Less: Noncontrolling interest(5)	(2,708)
Total consideration transferred	$ 125,000

(1) Gross contractual amounts receivable totaled $54.7 million as of the acquisition date.

(2) We recorded an adjustment of $43.7 million to reduce the historical carrying value of the acquired property, plant and equipment to its estimated fair value.

(3) In connection with the ITS Acquisition, we recorded a $7.7 million adjustment to increase deferred income tax assets primarily related to the differences between acquisition date estimated fair value and tax basis of acquired property, plant and equipment.

(4) We recorded $10.0 million and $0.2 million to reflect the estimated fair values of definite and indefinite lived intangible assets, respectively, recognized in connection with the ITS Acquisition. Our depreciation and amortization expense will reflect this valuation adjustment as the definite lived intangible assets are amortized in future periods. Definite lived intangible assets recorded in connection with the ITS Acquisition, which primarily relate to trade names, customer relationships, and developed technology will be amortized over a weighted average period of approximately 3.4 years.

(5) We recorded an adjustment of $1.0 million to write-down the noncontrolling interest to its estimated fair value. The estimated fair value of the noncontrolling interest was calculated as a percentage of the net assets acquired related to certain subsidiaries in which ITS holds less than a 100 percent controlling interest. The fair value of the net assets of these subsidiaries was primarily based on the income approach valuation model.

Acquisition Related Costs

Acquisition-related transaction costs consisted of various advisory, compliance, legal, accounting, valuation and other professional or consulting fees totaling $4.8 million and $19.2 million for the three and

nine month periods ended September 30, 2013, respectively, and were expensed as incurred and included in general and administrative expense on our condensed consolidated statement of operations. Debt issuance costs of $5.4 million associated with our $125 million term loan, fully funded by Goldman Sachs Bank USA as Sole Lead Arranger and Administrative Agent (the Goldman Term Loan) issued on April 18, 2013 were deferred to be amortized to interest expense over the life of the term loan. However, the Goldman Term Loan was repaid on July 30, 2013 with net proceeds from the issuance of $225.0 million aggregate principal amount of 7.5% Senior Notes due August 1, 2020 (see Note 9 — *Long-Term Debt*, for further discussion), and the unamortized deferred costs of $5.2 million were expensed during the third quarter of 2013.

Supplemental Pro forma Results

ITS' results of operations have been included in our financial statements for periods subsequent to April 22, 2013, the effective date of the ITS Acquisition. ITS contributed revenues of $58.5 million and net income of approximately $4.4 million to Parker Drilling for the period from the closing of the ITS Acquisition (April 22, 2013) through September 30, 2013.

The following unaudited supplemental pro forma results present consolidated information for the nine months ended September 30, 2013 as if the ITS Acquisition had been completed on January 1, 2012. The pro forma results have been calculated after applying our accounting policies and include, among others, (i) the amortization associated with the fair value of the acquired intangible assets, (ii) interest expense associated with the Goldman Term Loan and (iii) the impact of certain fair value adjustments such as a decrease in depreciation expense related to the write-down in property, plant and equipment. The pro forma results do not include any potential synergies, non-recurring charges which result directly from the ITS Acquisition, cost savings or other expected benefits of the ITS Acquisition. The pro forma financial information does not necessarily represent what would have occurred if the transaction had taken place at the beginning of the period presented and should not be taken as representative of our future consolidated results of operations. We have not concluded our integration work. Accordingly, this pro forma information does not include all costs related to the integration nor the benefits we expect to realize from operating synergies.

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in thousands, except per share data)	
Revenue	$ 671,738	$ 614,679
Net income	$ 33,081	$ 54,927
Net income attributable to Parker Drilling	$ 32,629	$ 55,073
Earnings per share — basic	$ 0.27	$ 0.47
Earnings per share — diluted	$ 0.27	$ 0.46
Basic number of shares	119,443,260	117,458,365
Diluted number of shares	121,693,781	118,810,195

3. *Earnings per share (EPS)*

	Three Months Ended September 30, 2013		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$7,970,000	119,990,196	$ 0.07
Effect of dilutive securities:			
Restricted stock	—	1,684,395	—
Diluted EPS	$7,970,000	121,674,591	$ 0.07

	Nine Months Ended September 30, 2013		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$16,843,000	119,443,260	$ 0.14
Effect of dilutive securities:			
Restricted stock	—	2,250,521	—
Diluted EPS	$16,843,000	121,693,781	$ 0.14

	Three Months Ended September 30, 2012		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$10,936,000	118,109,214	$ 0.09
Effect of dilutive securities:			
Restricted stock	—	1,091,805	—
Diluted EPS	$10,936,000	119,201,019	$ 0.09

	Nine Months Ended September 30, 2012		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$57,411,000	117,458,365	$ 0.49
Effect of dilutive securities:			
Restricted stock	—	1,351,830	(0.01)
Diluted EPS	$57,411,000	118,810,195	$ 0.48

4. *Accumulated Other Comprehensive Income*

Accumulated other comprehensive loss consisted of the following:

	Foreign Currency Items (in thousands)
December 31, 2012	$ —
Current period other comprehensive income	957
September 30, 2013	$ 957

No amounts were reclassified out of accumulated other comprehensive income for the nine months ended September 30, 2013.

5. *Reportable Segments*

We report our business activities in five business segments: (1) Rental Tools, (2) U.S. Barge Drilling, (3) U.S. Drilling, (4) International Drilling, and (5) Technical Services. We eliminate inter-segment revenues and expenses. The results of operations for ITS, acquired on April 22, 2013, are included in our Rental Tools segment.

The following table represents the results of operations by reportable segment:

Operations by Reportable Industry Segment	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(Dollars in Thousands)		(Dollars in Thousands)	
Revenues:				
Rental Tools	$ 89,614	$ 59,947	$228,718	$191,233
U.S. Barge Drilling	33,919	33,142	102,085	94,269
U.S. Drilling	18,693	—	48,238	—
International Drilling(1)	88,562	68,503	236,394	224,176
Technical Services	6,974	3,709	15,483	11,117
Total revenues	237,762	165,301	630,918	520,795
Operating gross margin(2):				
Rental Tools	25,816	27,032	72,470	91,885
U.S. Barge Drilling	12,236	11,042	37,657	29,215
U.S. Drilling	103	(4,712)	(4,618)	(7,881)
International Drilling	9,831	783	12,815	21,395
Technical Services	153	(107)	584	(118)
Total operating gross margin	48,139	34,038	118,908	134,496
General and administrative expense	(14,188)	(8,905)	(49,449)	(21,822)
Gain on disposition of assets, net	1,094	606	2,759	2,466
Total operating income	35,045	25,739	72,218	115,140
Interest expense	(13,127)	(8,171)	(33,874)	(25,133)
Interest income	130	30	2,392	109
Loss on extinguishment of debt	(5,218)	(117)	(5,218)	(1,766)
Changes in fair value of derivative positions	—	19	54	8
Other	400	26	333	62
Income before income taxes	$ 17,230	$ 17,526	$ 35,905	$ 88,420

	September 30, 2013	December 31, 2012
Identifiable assets:	(Dollars in Thousands)	
Rental Tools	$ 375,900	$ 194,600
U.S. Barge Drilling	84,402	99,409
U.S. Drilling	367,020	374,794
International Drilling	466,356	414,546
Total identifiable assets	1,293,678	1,083,349
Corporate assets(3)	241,702	172,384
Total assets	$ 1,535,380	$1,255,733

(1) For the nine months ended September 30, 2013, our largest customer, Exxon Neftegas Limited, constituted 14.3% of our total consolidated revenues and approximately 36.9% of our International Drilling segment. For the nine months ended September 30, 2012, our two largest customers, Exxon Neftegas Limited (ENL) and Schlumberger, constituted approximately 10.6% and 10.2%, respectively, of our total consolidated revenues and approximately 32.0% and 24.0%, respectively, of our International Drilling segments.

(2) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.

(3) This category includes corporate assets as well as minimal assets for our Technical Services segment primarily related to office furniture and fixtures.

6. *Assets Held for Sale*

Assets held for sale of $7.5 million as of September 30, 2013 is comprised of the net book value of two land rigs and related inventory located in Kazakhstan, one barge rig and related inventory located in Mexico, and a building located in Tulsa, OK. Subsequent to placing the barge rig and inventory located in Mexico into assets held for sale, management determined that the carrying value of the assets would not be recovered through the sale of the assets. Therefore, during the third quarter of 2013 we recorded a non-cash charge of $0.9 million to write-down the value of the assets to estimated scrap value. The barge rig was in the Latin America rig fleet and has historically been included in the international drilling segment. We believe the carrying amount of the assets held for sale as of September 30, 2013 will be recoverable through sale of the assets. On October 8, 2013 we completed the sale of the building located in Tulsa, OK. As a result of the completed sale, during the 2013 third quarter, we reversed a reserve previously recorded against the carrying value of the asset. We will recognize a gain of $0.1 million on the transaction during the 2013 fourth quarter.

During the 2013 second quarter, for three rigs which had previously been recorded as assets held for sale as of December 31, 2010, management concluded the current facts and circumstances underlying the sale indicate it is no longer probable that a sale will be consummated within a reasonable time period. As a result, we reclassified these assets to assets held and used. The assets were reclassified at their carrying amount before the assets were classified as held for sale, adjusted for depreciation expense that would have been recognized had the assets been continuously classified as held and used. We believe the updated carrying value approximates the market value for these assets. The amount of additional depreciation recorded during the quarter ended June 30, 2013 to place the assets in held and used category was $0.7 million.

7. *Accounting for Uncertainty in Income Taxes*

We apply the accounting guidance related to accounting for uncertainty in income taxes. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. At September 30, 2013, we had a liability for unrecognized tax benefits of $10.5 million (which includes $3.8 million of benefits which would favorably impact our effective tax rate upon recognition) primarily related to foreign operations. As of September 30, 2012, we had a liability for unrecognized tax benefits of $12.0 million ($5.2 million of which, if recognized, would favorably impact our effective tax rate). In addition, we recognize interest and penalties that could be applied to uncertain tax positions in periodic income tax expense. As of September 30, 2013 and December 31, 2012, we had approximately $7.7 million and $7.0 million, respectively, of accrued interest and penalties related to uncertain tax positions.

8. *Income Tax Benefit/Expense*

Income tax expense was $9.1 million for the third quarter of 2013 as compared to $6.7 million for the third quarter of 2012. The increase in current period income tax expense is primarily due to a shift in the mix of our foreign and domestic operation's pre-tax earnings for the 2013 third quarter compared to the 2012 third quarter. This shift resulted in an increase in our estimated effective tax rate during the 2013 third quarter.

During the nine months ended September 30, 2013, we received income tax refunds from the IRS of $22.4 million. In addition to the refund payments, we received interest of $2.2 million, which was recorded in the consolidated condensed statement of operations as interest income.

9. *Long-Term Debt*

The following table illustrates our debt portfolio as of September 30, 2013 and December 31, 2012:

	September 30, 2013	December 31, 2012
	(Dollars in Thousands)	
7.50% Senior Notes, due August 2020	$ 225,000	$ —
9.125% Senior Notes, due April 2018	428,968	429,205
Term Note, due December 2017	—	50,000
Total debt	653,968	479,205
Less current portion	—	10,000
Total long-term debt	$ 653,968	$ 469,205

7.50% Senior Notes, due August 2020

On July 30, 2013, we issued $225.0 million aggregate principal amount of 7.50% Senior Notes (7.50% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 7.50% Notes offering were primarily used to repay the $125.0 million aggregate principal amount of the Goldman Term Loan, to repay $45.0 million of Term Loan borrowings under our Credit Agreement and for general corporate purposes.

The 7.50% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under our senior secured credit facility. Interest on the 7.50% Notes is payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes were $5.3 million ($5.2 million, net of amortization as of September 30, 2013) and will be amortized over the term of the notes using the effective interest rate method.

At any time prior to August 1, 2016, we may redeem up to 35 percent of the aggregate principal amount of the 7.50% Notes at a redemption price of 107.50 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after August 1, 2016, we may redeem all or a part of the 7.50% Notes upon appropriate notice, at a redemption price of 103.750 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning August 1, 2018. If we experience certain changes in control, we must offer to repurchase the 7.50% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness; (v) create or incur liens; (vi) enter into sale and leaseback transactions; (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued $300.0 million aggregate principal amount of 9.125% Senior Notes (9.125% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 9.125% Notes offering were primarily used to redeem the $225.0 million aggregate principal amount of our 9.625% Senior Notes due 2013 and to repay $42.0 million of borrowings under our senior secured revolving credit facility (Revolver).

On April 25, 2012, we issued an additional $125.0 million aggregate principal amount of 9.125% Notes under the same indenture at a price of 104.0% of par, resulting in gross proceeds of $130.0 million. Net proceeds from the offering were utilized to refinance $125.0 million aggregate principal amount of the 2.125% Convertible Senior Notes due July 2012 (2.125% Notes). The premium related to the $125.0 million of 9.125% Notes of approximately $5.0 million ($4.0 million, net of amortization as of September 30, 2013) is being amortized over the term of the notes using the effective interest rate method. We repurchased $122.9 million aggregate principal amount of the 2.125% Notes tendered pursuant to a tender offer on May 9, 2012 and paid off the remaining $2.1 million at their stated maturity on July 15, 2012.

The 9.125% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 9.125% Notes are jointly and severally guaranteed by substantially all of our subsidiaries that guarantee indebtedness under our senior secured credit facility. Interest on the 9.125% Notes is payable on April 1 and October 1 of each year. Debt issuance costs related to the 9.125% Notes of approximately $11.6 million ($8.1 million, net of amortization as of September 30, 2013) are being amortized over the term of the notes using the effective interest rate method.

At any time after April 1, 2014, we may redeem all or a part of the 9.125% Notes upon appropriate notice, at a redemption price of 104.563 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning April 1, 2016. If we experience certain changes in control, we must offer to repurchase the 9.125% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness; (v) create or incur liens; (vi) enter into sale and leaseback transactions; (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

Goldman Term Loan

In connection with the ITS Acquisition described in Note 2 on April 18, 2013, we entered into a $125 million term loan, fully funded by Goldman Sachs Bank USA as Sole Lead Arranger and Administrative Agent (the Goldman Term Loan). The Goldman Term Loan was repaid on July 30, 2013 with net proceeds from the issuance of $225.0 million aggregate principal amount of 7.50% Senior Notes due August 1, 2020. In connection with the repayment of the Goldman Term Loan we incurred debt extinguishment costs of $5.2 million.

Amended and Restated Credit Agreement

On December 14, 2012, we entered into an Amended and Restated Credit Agreement (Credit Agreement) consisting of a senior secured $80.0 million revolving facility (Revolver) and a senior secured term loan facility (Term Loan) of $50.0 million. The Credit Agreement provides that, subject to certain conditions, including the approval of the Administrative Agent and the lenders' acceptance (or additional lenders being joined as new lenders), the amount of the Term Loan or Revolver can be increased by an additional $50.0 million, so long as after giving effect to such increase, the aggregate commitments are not in excess of $180.0 million.

Our loans pursuant to the Credit Agreement, the 9.125% Notes, and the 7.50% Notes are guaranteed by substantially all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which have executed guaranty

agreements; and are secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The Credit Agreement contains customary affirmative and negative covenants with which we were in compliance as of September 30, 2013 and December 31, 2012. The Credit Agreement matures on December 14, 2017.

On July 19, 2013, we entered into an amendment to our Credit Agreement which, among other things, permits us or any of our subsidiaries (other than certain immaterial subsidiaries) to incur indebtedness pursuant to additional unsecured senior notes in an aggregate principal amount not to exceed $250.0 million at any one time outstanding; provided that any such notes shall (x) have a scheduled maturity occurring after the maturity date of our senior secured credit facility, (y) contain terms (including covenants and events of default) no more restrictive, taken as a whole, to us and our subsidiaries than those contained in our senior secured credit facility and (z) have no scheduled amortization, no sinking fund requirements and no maintenance financial covenants. In addition, pursuant to the amendment, and subject to the terms and conditions set forth in the Credit Agreement, to the extent we repay the principal amount of Term Loans outstanding under our senior secured credit facility, until April 30, 2014 we may reborrow, in the form of additional term loans, up to $45 million of the principal amount of such outstanding term loans we have repaid, provided that such $45 million reborrowing amount will decrease by $2.5 million at the end of each quarter beginning September 30, 2013 and ending March 31, 2014, such that the reborrowing availability on September 30, 2013 would be $42.5 million and on April 30, 2014 would be $37.5 million.

Revolver

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the Credit Agreement, the Applicable Rate varies from a rate per annum ranging from 2.50 percent to 3.00 percent for LIBOR rate loans and 1.50 percent to 2.00 percent for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the Credit Agreement). Revolving loans are available subject to a borrowing base calculation based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at September 30, 2013 and December 31, 2012. Letters of credit outstanding against the Revolver as of September 30, 2013 and December 31, 2012 totaled $3.8 million and $4.5 million, respectively.

Term Loan

The Term Loan originated at $50.0 million on December 14, 2012 and required quarterly principal payments of $2.5 million, which began March 31, 2013. Interest on the Term Loan accrues at a Base Rate plus 2.00 percent or LIBOR plus 3.00 percent. The outstanding balance on the Term Loan at September 30, 2013 and December 31, 2012 was zero and $50.0 million, respectively.

10. Derivative Financial Instruments

The Company entered into two variable-to-fixed interest rate swap agreements as a strategy to manage the floating rate risk on the Term Loan borrowings under the Credit Agreement. The two agreements fixed the interest rate on a notional amount of $73.0 million of borrowings at 3.878% for the period beginning June 27, 2011 and terminating May 14, 2013. The notional amount of the swap agreements decreased correspondingly with amortization of the Term Loan under the Existing Credit Agreement. We did not apply hedge accounting to the agreements and, accordingly, mark-to-market change in the fair value of the interest rate swaps were recognized in earnings. As of December 31, 2012, the fair value of the interest rate swap was a liability of less than $0.1 million and was recorded in accrued liabilities in our consolidated balance sheets. There was no impact to the quarter ended September 30, 2013, as the swap agreement expired during the 2013 second quarter.

Table of Contents

11. *Fair Value of Financial Instruments*

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability.

The fair value measurement and disclosure requirements of FASB Accounting Standards Codification Topic No. 820, *Fair Value Measurement and Disclosures* (ASC 820) requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows:

- Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 — Direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets;
- Level 3 — Unobservable inputs that require significant judgment for which there is little or no market data.

When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the entire measurement even though we may also have utilized significant inputs that are more readily observable. The amounts reported in our consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value. The carrying amount of our interest rate swap agreements represents the estimated fair value, measured using Level 2 inputs. As of June 30, 2013 the swap agreements had expired and as of December 31, 2012, the carrying amount of our interest rate swap agreements was a liability of less than $0.1 million, recorded in accrued liabilities on our consolidated balance sheets.

Fair value of our debt instruments is determined using Level 2 inputs. Fair values and related carrying values of our debt instruments were as follows for the periods indicated:

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Long-term Debt				
7.50% Notes	$225,000	$225,000	$ —	$ —
9.125% Notes	425,000	454,750	425,000	453,688
Total	$650,000	$679,750	$425,000	$453,688

The assets acquired and liabilities assumed in the ITS Acquisition were recorded at fair value in accordance with U.S. GAAP. Acquisition date fair values represent either Level 2 fair value measurements (current assets and liabilities, property, plant and equipment) or Level 3 fair value measurements (intangible assets).

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the nine months ended September 30, 2013.

12. *Commitments and Contingencies*

Asbestos-Related Claims

We are from time to time a party to various lawsuits in the ordinary course that are incidental to our operations in which the claimants seek an unspecified amount of monetary damages for personal injury, including injuries purportedly resulting from exposure to asbestos on drilling rigs and associated facilities. At September 30, 2013, there were approximately 15 of these lawsuits in which we are one of many defendants. These lawsuits have been filed in the United States in the States of Illinois and Mississippi.

We intend to defend ourselves vigorously and, based on the information available to us at this time, we do not expect the outcome to have a material adverse effect on our financial condition, results of operations or cash flows. However, we are unable to predict the ultimate outcome of these lawsuits. No amounts were accrued at September 30, 2013.

Gulfco Site

In 2003, we received an information request under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) designating Parker Drilling Offshore Corporation, a subsidiary of Parker Drilling, as a potentially responsible party with respect to the Gulfco Marine Maintenance, Inc. Superfund Site in Freeport, Texas (EPA No. TX 055144539). We responded to this request and in January 2008 received an administrative order to participate in an investigation of the site and a study of the remediation needs and alternatives. The EPA alleges that our subsidiary is a successor to a party who owned the Gulfco site during the time when chemical releases took place there. In December 2010, we entered into an agreement with two other potentially responsible parties, pursuant to which we agreed to pay 20 percent of past and future costs to study and remediate the site. The EPA also issued notice letters to several other parties who may also participate in funding the site remediation costs. On March 20, 2013 we received a Notice of Completion from the EPA confirming that all required activity for removal and remediation has been completed, except for ongoing monitoring costs. As of September 30, 2013, the Company had made certain participating payments and had accrued $0.9 million for our portion of certain unreimbursed past costs and the estimated future cost of monitoring.

Customs Agent and Foreign Corrupt Practices Act (FCPA) Settlement

We previously announced we reached a settlement in connection with investigations by the United States Department of Justice (DOJ) and the United States Securities and Exchange Commission (SEC) regarding possible violations of U.S. law, including the FCPA, by us. On April 16, 2013, the Company and the DOJ entered into a deferred prosecution agreement (DPA), under which the DOJ will defer for three years prosecuting the Company for criminal violations of the anti-bribery provisions of the FCPA relating to the Company’s retention and use of an individual agent in Nigeria with respect to certain customs-related issues, in return for: (i) the Company’s acceptance of responsibility for, and agreement not to contest or contradict the truthfulness of, the statement of facts and allegations that have been filed in a United States District Court concurrently with the DPA; (ii) the Company’s payment of an approximately $11.76 million fine; (iii) the Company’s reaffirming its commitment to compliance with the FCPA and other applicable anti-corruption laws in connection with the Company’s operations, and continuing cooperation with domestic and foreign authorities in connection with the matters that are the subject of the DPA; (iv) the Company’s commitment to continue to address any identified areas for improvement in the Company’s internal controls, policies and procedures relating to compliance with the FCPA and other applicable anti-corruption laws if, and to the extent, not already addressed; and (v) the Company’s agreement to report to the DOJ in writing annually during the term of the DPA regarding remediation of the matters that are the subject of the DPA, implementation of any enhanced internal controls, and any evidence of improper payments the Company may have discovered during the term of the agreement. If the Company remains in compliance with the terms of the DPA throughout its effective period, the charge against the Company will be dismissed with prejudice. The Company also settled a related civil complaint filed by the SEC in a United States District Court.

Demand Letter and Derivative Litigation

In April 2010, we received a demand letter from a law firm representing Ernest Maresca. The letter states that Mr. Maresca is one of our stockholders and that he believes that certain of our current and former officers and directors violated their fiduciary duties related to the issues described above under “Customs Agent and Foreign Corrupt Practices Act (FCPA) Settlement.” The letter requests that our Board of

Directors take action against the individuals in question. In response to this letter, the Board formed a special committee to investigate the issues raised in the letter and recommend a course of action for the Company. The special committee engaged its own counsel for the investigation and evaluated potential claims against all individuals identified in the demand letter. The special committee considered whether pursuing each of the individuals named in the demand letter was in the best interests of the Company based upon a variety of factors, including among others, whether the Company had a potential cause of action against the individual, the defenses the individual might offer to such a claim, the ability of the individual to satisfy any judgment the Company might secure as a result of a claim asserted, and other risks to the Company of pursuing the claims. After taking various factors into account, on July 29, 2013, the special committee recommended to the Board that the Company not pursue any action against the current and former officers and directors named in the demand letter, and the Board accepted such recommendation.

ITS Internal Controls

Our due diligence process with respect to the ITS Acquisition identified certain transactions that suggest that ITS' internal controls may have failed to prevent violations of potentially applicable international trade and anti-corruption laws, including those of the United Kingdom. As part of the integration process with respect to ITS, we have and will continue our review of ITS' activities to further identify potential violations of applicable international trade and anti-corruption laws and have and will continue to promptly apply our developed systems of internal controls, Code of Conduct, policies and procedures to the acquired businesses to help ensure prevention of potential future violations. As appropriate, we have and will make any identified violations known to relevant authorities, cooperate with any resulting investigations and take proper remediation measures (including seeking any necessary government authorizations). While it is possible that matters may arise where a contingency may require further accounting considerations, we do not believe that as a result of these matters a loss is probable nor is a loss estimable at this time.

13. Recent Accounting Pronouncements

Effective January 1, 2012, we adopted the accounting standards update that changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments included in this update are intended to clarify the applications of existing fair value measurement requirements. The update was effective for annual periods beginning after December 15, 2011. Our adoption did not have a material effect on the disclosures contained in our notes to the consolidated financial statements.

In July 2012, the FASB issued an update to existing guidance on the impairment assessment of indefinite-lived intangibles. This update simplifies the impairment assessment of indefinite-lived intangibles by allowing companies to consider qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount before performing the two step impairment review process. The adoption of this update did not have an impact on our condensed consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires that companies present, either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. This accounting guidance is effective for our first quarter in fiscal 2014 and is only expected to impact the presentation of our consolidated financial statements and related notes.

In July 2013, the FASB issued an update to existing guidance on presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This

ASU requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss (NOL) carryforward, or similar tax loss or tax credit carryforward, rather than as a liability when (1) the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and (2) the entity intends to use the deferred tax asset for that purpose. The ASU does not require new recurring disclosures. It is effective prospectively for our first quarter in fiscal 2014. We do not expect the adoption of this update to have an impact on our condensed consolidated financial statements.

14. Parent, Guarantor, Non-Guarantor Unaudited Consolidating Condensed Financial Statements

Set forth on the following pages are the consolidating condensed financial statements of Parker Drilling. Our loans pursuant to the Credit Agreement, the 9.125% Notes, and the 7.50% Notes are guaranteed by substantially all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States. There are currently no restrictions on the ability of the guarantor to transfer funds to Parker Drilling in the form of cash dividends, loans or advances. Parker Drilling is a holding company with no operations, other than through its subsidiaries. Separate financial statements for each guarantor company are not provided as the Company complies with the exception to Rule 3-10(a)(1) of Regulation S-X, set forth in sub-paragraph (f) of such rule. All guarantor subsidiaries are owned 100 percent by Parker Drilling, all guarantees are full and unconditional and all guarantees are joint and several.

We are providing consolidating condensed financial information of Parker Drilling, the guarantor subsidiaries, and the non-guarantor subsidiaries as of September 30, 2013 and December 31, 2012 and for the three and nine months ended September 30, 2013 and 2012. The consolidating condensed financial statements present investments in both consolidated and unconsolidated subsidiaries using the equity method of accounting.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

	September 30, 2013				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 89,516	$ 21,273	$ 51,668	$ —	$ 162,457
Accounts and notes receivable, net	290,856	113,873	386,521	(541,627)	249,623
Rig materials and supplies	—	2,364	37,838	—	40,202
Deferred costs	—	32	13,551	—	13,583
Deferred income taxes	—	12,363	1,110	—	13,473
Other tax assets	43,171	(46,939)	22,201	—	18,433
Assets held for sale	—	1,183	6,302	—	7,485
Other current assets	—	14,238	6,668	—	20,906
Total current assets	423,543	118,387	525,859	(541,627)	526,162
Property, plant and equipment, net	60	559,885	298,727	—	858,672
Investment in subsidiaries and intercompany advances	944,584	(220,110)	1,593,743	(2,318,217)	—
Other noncurrent assets	52,147	60,002	38,397	—	150,546
Total assets	$1,420,334	$ 518,164	$ 2,456,726	$(2,859,844)	$1,535,380
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ —	$ —	$ —	$ —	$ —
Accounts payable and accrued liabilities	81,524	101,207	263,709	(255,211)	191,229
Accrued income taxes	—	529	6,732	—	7,261
Total current liabilities	81,524	101,736	270,441	(255,211)	198,490
Long-term debt	653,968	—	—	—	653,968
Other long-term liabilities	4,289	5,806	13,953	—	24,048
Long-term deferred tax liability	—	47,684	(8,600)	—	39,084
Intercompany payables	62,584	43,669	359,106	(465,359)	—
Contingencies	—	—	—	—	—
Stockholders' equity:					
Common stock	20,050	18,049	43,003	(61,052)	20,050
Capital in excess of par value	654,750	733,899	1,579,458	(2,313,357)	654,750
Accumulated other comprehensive income	—	—	957	—	957
Retained earnings (accumulated deficit)	(56,831)	(432,679)	196,587	235,135	(57,788)
Total controlling interest stockholders' equity	617,969	319,269	1,820,005	(2,139,274)	617,969
Noncontrolling interest	—	—	1,821	—	1,821
Total equity	617,969	319,269	1,821,826	(2,139,274)	619,790
Total liabilities and stockholders' equity	$1,420,334	$ 518,164	$ 2,456,726	$(2,859,844)	$1,535,380

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

	December 31, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 42,251	$ 11,023	$ 34,612	$ —	$ 87,886
Accounts and notes receivable, net	289,957	98,747	292,644	(512,786)	168,562
Rig materials and supplies	—	2,834	26,026	—	28,860
Deferred costs	—	—	1,089	—	1,089
Deferred income taxes	—	7,615	1,127	—	8,742
Other tax assets	46,249	(31,136)	18,411	—	33,524
Assets held for sale	—	—	6,800	—	6,800
Other current assets	—	8,675	4,146	—	12,821
Total current assets	378,457	97,758	384,855	(512,786)	348,284
Property, plant and equipment, net	60	548,794	240,269	—	789,123
Investment in subsidiaries and intercompany advances	780,878	(233,388)	1,467,429	(2,014,919)	—
Other noncurrent assets	43,569	59,541	15,216	—	118,326
Total assets	$1,202,964	$ 472,705	$ 2,107,769	$(2,527,705)	$1,255,733
LIABILITIES AND STOCKHOLDERS’ EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 10,000	$ —	$ —	$ —	$ 10,000
Accounts payable and accrued liabilities	65,839	93,243	205,864	(227,200)	137,746
Accrued income taxes	—	612	3,508	—	4,120
Total current liabilities	75,839	93,855	209,372	(227,200)	151,866
Long-term debt	469,205	—	—	—	469,205
Other long-term liabilities	3,933	6,129	13,120	—	23,182
Long-term deferred tax liability	—	36,894	(16,047)	—	20,847
Intercompany payables	62,583	43,657	216,320	(322,560)	—
Contingencies	—	—	—	—	—
Stockholders’ equity:					
Common stock	19,818	18,049	43,003	(61,052)	19,818
Capital in excess of par value	646,217	733,112	1,455,246	(2,188,358)	646,217
Accumulated other comprehensive income	—	—	—	—	—
Retained earnings (accumulated deficit)	(74,631)	(458,991)	187,526	271,465	(74,631)
Total controlling interest stockholders’ equity	591,404	292,170	1,685,775	(1,977,945)	591,404
Noncontrolling interest	—	—	(771)	—	(771)
Total Equity	591,404	292,170	1,685,004	(1,977,945)	590,633
Total liabilities and stockholders’ equity	$1,202,964	$ 472,705	$ 2,107,769	$(2,527,705)	$1,255,733

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Three months ended September 30, 2013				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ —	$119,223	$ 170,609	$ (52,070)	$ 237,762
Operating expenses	—	64,297	141,514	(52,070)	153,741
Depreciation and amortization	—	19,956	15,926	—	35,882
Total operating gross margin	—	34,970	13,169	—	48,139
General and administration expense(1)	(47)	(14,028)	(113)	—	(14,188)
Gain on disposition of assets, net	—	(34)	1,128	—	1,094
Total operating income (loss)	(47)	20,908	14,184	—	35,045
Other income and (expense):					
Interest expense	(14,035)	(107)	(2,198)	3,213	(13,127)
Interest income	360	250	2,733	(3,213)	130
Extinguishment of debt	(5,218)	—	—	—	(5,218)
Changes in fair value of derivative positions	—	—	—	—	—
Other	(1)	(11)	412	—	400
Equity in net earnings of subsidiaries	22,322	—	—	(22,322)	—
Total other income (expense)	3,428	132	947	(22,322)	(17,815)
Income (benefit) before income taxes	3,381	21,040	15,131	(22,322)	17,230
Total income tax expense (benefit)	(4,589)	10,223	3,478	—	9,112
Net income (loss)	7,970	10,817	11,653	(22,322)	8,118
Less: Net income (loss) attributable to noncontrolling interest	—	—	148	—	148
Net income (loss) attributable to controlling interest	$ 7,970	$ 10,817	$ 11,505	$ (22,322)	$ 7,970

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended September 30, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ —	$ 98,969	$ 94,749	$ (28,417)	$ 165,301
Operating expenses	—	45,850	84,051	(28,417)	101,484
Depreciation and amortization	—	17,866	11,913	—	29,779
Total operating gross margin	—	35,253	(1,215)	—	34,038
General and administration expense(1)	(47)	(8,823)	(35)	—	(8,905)
Gain on disposition of assets, net	—	553	53	—	606
Total operating income (loss)	(47)	26,983	(1,197)	—	25,739
Other income and (expense):					
Interest expense	(9,105)	(43)	(1,840)	2,817	(8,171)
Interest income	95	179	2,573	(2,817)	30
Changes in fair value of derivative positions	19	—	—	—	19
Loss on extinguishment of debt	(117)	—	—	—	(117)
Other	—	26	—	—	26
Equity in net earnings of subsidiaries	10,596	—	—	(10,596)	—
Total other income (expense)	1,488	162	733	(10,596)	(8,213)
Income (loss) before income taxes	1,441	27,145	(464)	(10,596)	17,526
Income tax expense (benefit)	(9,495)	10,451	5,739	—	6,695
Net income (loss)	10,936	16,694	(6,203)	(10,596)	10,831
Less: Net income (loss) attributable to noncontrolling interest	—	—	(105)	—	(105)
Net income (loss) attributable to controlling interest	$10,936	$ 16,694	$ (6,098)	$ (10,596)	$ 10,936

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 2013				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ —	$345,434	$ 388,912	$ (103,428)	$ 630,918
Operating expenses	—	186,708	331,056	(103,428)	414,336
Depreciation and amortization	—	57,335	40,339	—	97,674
Total operating gross margin	—	101,391	17,517	—	118,908
General and administration expense(1)	(140)	(48,942)	(367)	—	(49,449)
Gain on disposition of assets, net	—	1,917	842	—	2,759
Total operating income (loss)	(140)	54,366	17,992	—	72,218
Other income and (expense):					
Interest expense	(36,734)	(167)	(9,494)	12,521	(33,874)
Interest income	3,366	1,584	9,963	(12,521)	2,392
Extinguishment of debt	(5,218)	—	—	—	(5,218)
Changes in fair value of derivative positions	54	—	—	—	54
Other	—	(178)	511	—	333
Equity in net earnings of subsidiaries	36,330	—	—	(36,330)	—
Total other income (expense)	(2,202)	1,239	980	(36,330)	(36,313)
Income (loss) before income taxes	(2,342)	55,605	18,972	(36,330)	35,905
Total Income tax expense (benefit)	(19,185)	27,993	10,033	—	18,841
Net income (loss)	16,843	27,612	8,939	(36,330)	17,064
Less: Net income (loss) attributable to noncontrolling interest	—	—	221	—	221
Net income (loss) attributable to controlling interest	$ 16,843	$ 27,612	$ 8,718	$ (36,330)	$ 16,843

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ —	$302,892	$ 295,811	$ (77,908)	$ 520,795
Operating expenses	—	136,849	242,001	(77,908)	300,942
Depreciation and amortization	—	49,127	36,230	—	85,357
Total operating gross margin	—	116,916	17,580	—	134,496
General and administration expense(1)	(137)	(21,273)	(412)	—	(21,822)
Gain on disposition of assets, net	—	1,168	1,298	—	2,466
Total operating income (loss)	(137)	96,811	18,466	—	115,140
Other income and (expense):					
Interest expense	(27,923)	(115)	(5,811)	8,716	(25,133)
Interest income	8,695	4,894	39,345	(52,825)	109
Changes in fair value of derivative positions	8	—	—	—	8
Loss on extinguishment of debt	(1,766)	—	—	—	(1,766)
Other	—	64	(2)	—	62
Equity in net earnings of subsidiaries	61,553	—	—	(61,553)	—
Total other income (expense)	40,567	4,843	33,532	(105,662)	(26,720)
Income (loss) before income taxes	40,430	101,654	51,998	(105,662)	88,420
Income tax expense (benefit)	(16,981)	38,149	9,987	—	31,155
Net income (loss)	57,411	63,505	42,011	(105,662)	57,265
Less: Net income (loss) attributable to noncontrolling interest	—	—	(146)	—	(146)
Net income (loss) attributable to controlling interest	$ 57,411	$ 63,505	$ 42,157	$ (105,662)	$ 57,411

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

	Three Months Ended September 30, 2013				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Comprehensive income:					
Net income	$7,970	$ 10,817	$ 11,653	$ (22,322)	$ 8,118
Other comprehensive gain, net of tax:					
Currency translation difference on related borrowings	—	—	(577)	—	(577)
Currency translation difference on foreign currency net investments			2,098		2,098
Total other comprehensive gain, net of tax:	—	—	1,521	—	1,521
Comprehensive income	7,970	10,817	13,174	(22,322)	9,639
Comprehensive (income) attributable to noncontrolling interest	—	—	(53)	—	(53)
Comprehensive income attributable to controlling interest	$7,970	$ 10,817	$ 13,121	$ (22,322)	$ 9,586

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 2013				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Comprehensive income:					
Net income	$16,843	$ 27,612	$ 8,939	$ (36,330)	$ 17,064
Other comprehensive gain, net of tax:					
Currency translation difference on related borrowings	—	—	(1,542)	—	(1,542)
Currency translation difference on foreign currency net investments			2,499		2,499
Total other comprehensive gain, net of tax:	—	—	957	—	957
Comprehensive income	16,843	27,612	9,896	(36,330)	18,021
Comprehensive (income) attributable to noncontrolling interest	—	—	(83)	—	(83)
Comprehensive income attributable to controlling interest	$16,843	$ 27,612	$ 9,813	$ (36,330)	$ 17,938

Table of Contents

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 2013				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ 16,843	$ 27,612	$ 8,939	$ (36,330)	$ 17,064
Adjustments to reconcile net income (loss):					
Depreciation and amortization	—	57,335	40,339	—	97,674
Loss on extinguishment of debt	5,218	—	—	—	5,218
Gain on disposition of assets	—	(1,917)	(842)	—	(2,759)
Deferred income tax expense	(2,860)	10,479	5,253	—	12,872
Expenses not requiring cash	10,494	591	(1,157)	—	9,928
Equity in net earnings of subsidiaries	(36,330)	—	—	36,330	—
Change in accounts receivable	(899)	(7,951)	(19,755)	—	(28,605)
Change in accrued income taxes	358	(85)	2,604	—	2,877
Change in other assets	3,045	4,580	(8,971)	—	(1,346)
Change in liabilities	14,222	(2,116)	306	—	12,412
Net cash provided by (used in) operating activities	10,091	88,528	26,716	—	125,335
Cash flows from investing activities:					
Capital expenditures	—	(66,956)	(35,900)	—	(102,856)
Proceeds from the sale of assets	—	2,751	2,782	—	5,533
Acquisition of ITS, net of cash acquired	—	(292)	(117,699)	—	(117,991)
Net cash (used in) investing activities	—	(64,497)	(150,817)	—	(215,314)
Cash flows from financing activities:					
Proceeds from debt issuance	350,000	—	—	—	350,000
Repayments of long term debt	(125,000)	—	—	—	(125,000)
Paydown on term note	(50,000)	—	—	—	(50,000)
Payment of debt issuance costs	(10,981)	—	—	—	(10,981)
Excess tax benefit from stock-based compensation	531	—	—	—	531
Intercompany advances, net	(127,376)	(13,781)	141,157	—	—
Net cash provided by (used in) financing activities	37,174	(13,781)	141,157	—	164,550
Net change in cash and cash equivalents	47,265	10,250	17,056	—	74,571
Cash and cash equivalents at beginning of year	42,251	11,023	34,612	—	87,886
Cash and cash equivalents at end of year	$ 89,516	$ 21,273	$ 51,668	$ —	$ 162,457

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ 57,411	$ 63,505	$ 42,011	$ (105,662)	$ 57,265
Adjustments to reconcile net income (loss)to net cash provided by operating activities:					
Depreciation and amortization	—	49,127	36,230	—	85,357
Loss on extinguishment of debt	1,766	—	—	—	1,766
Gain on disposition of assets	—	(1,168)	(1,298)	—	(2,466)
Deferred income tax expense	5,940	4,868	(2,405)	—	8,403
Expenses not requiring cash	13,264	689	1,770	1	15,724
Equity in net earnings of subsidiaries	(61,553)	—	—	61,553	—
Change in accounts receivable	(291)	766	24,173	—	24,648
Change in other assets	(32,874)	61,320	(27,882)	—	564
Change in accrued income taxes	(5,068)	1,832	187	—	(3,049)
Change in liabilities	12,917	(21,430)	(1,672)	—	(10,185)
Net cash provided by (used in) operating activities	(8,488)	159,509	71,114	(44,108)	178,027
Cash flows from investing activities:					
Capital expenditures	—	(139,618)	(8,040)	—	(147,658)
Proceeds from the sale of assets	—	1,667	1,829	—	3,496
Intercompany dividend payment	(8,387)	(4,357)	(31,364)	44,108	—
Net cash (used in) investing activities	(8,387)	(142,308)	(37,575)	44,108	(144,162)
Cash flows from financing activities:					
Proceeds from debt issuance	130,000	—	—	—	130,000
Repayments of senior notes	(125,000)	—	—	—	(125,000)
Paydown on term note	(18,000)	—	—	—	(18,000)
Payment of debt issuance costs	(3,516)	—	—	—	(3,516)
Payment of debt extinguishment costs	(519)	—	—	—	(519)
Excess tax benefit from stock-based compensation	(572)	—	—	—	(572)
Intercompany advances, net	56,280	(13,507)	(42,773)	—	—
Net cash provided by (used in) financing activities	38,673	(13,507)	(42,773)	—	(17,607)
Net change in cash and cash equivalents	21,798	3,694	(9,234)	—	16,258
Cash and cash equivalents at beginning of year	55,670	4,212	37,987	—	97,869
Cash and cash equivalents at end of year	$ 77,468	$ 7,906	$ 28,753	$ —	$ 114,127

Table of Contents

15. Subsequent Events

On November 4, 2013 we announced that Robert “Bobby” L. Parker Jr., Parker Drilling Executive Chairman, will retire as an employee of the Company, effective December 31, 2013. Mr. Parker will continue to serve as Chairman of the Company’s board of directors until the annual meeting of stockholders to be held in 2014, at which time Gary G. Rich, the Company’s chief executive officer, will be nominated to serve in that role and Mr. Parker will be nominated to stand for re-election to the board for an additional three-year term.

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

On April 22, 2013, Parker Drilling Company ("Parker Drilling") and two of its wholly-owned subsidiaries, Parker Drilling Offshore Corporation ("Parker Offshore") and PD International Holdings C.V. ("PD International" and, together with Parker Drilling and Parker Offshore, the "Parker Parties"), entered into a Sale and Purchase Agreement (the "Agreement") with ITS Tubular Service (Holdings) Limited ("ITS Holdings"), a company organized under the laws of Scotland and in administration proceedings under the laws thereof (the "Seller"), Ian David Green, John Bruce Cartwright and Graham Douglas Frost, each of PricewaterhouseCoopers LLP, as joint administrators of the Seller, and ITS Holdings, Inc., an indirect subsidiary of the Seller. Pursuant to the Agreement, Parker Drilling acquired International Tubular Services Limited and certain of its affiliates (collectively, "ITS") and other related assets held by the Seller (the "Acquisition") for an initial purchase price of $101.0 million paid at the closing of the Acquisition. At additional $24.0 million was deposited into an escrow account, which will either be paid to the Seller as additional purchase price when certain consents are obtained or, in certain circumstances, released to either the Seller or the Parker Parties, as the case may be in, accordance with the Agreement. The Acquisition closed simultaneously with the execution of the Agreement. The following unaudited pro forma condensed consolidated financial information and related notes give effect to the Acquisition and related transactions and financing and should be read in conjunction with the annual consolidated financial information of Parker Drilling, as well as the historical annual financial information of ITS Holdings, including the respective notes thereto, filed with this offering memorandum. The unaudited pro forma condensed consolidated financial information gives effect to the Acquisition in accordance with the acquisition method of accounting. We believe all significant adjustments necessary to reflect the effects of the Acquisition and related transactions and financing have been made. Each of the adjustments is preliminary and is based on certain estimates and currently available information. The adjustments could, and will be modified as additional information becomes available, as estimates are refined or as additional events occur.

The unaudited pro forma condensed consolidated financial information does not reflect synergies expected from the combination of the two entities. Additionally, we cannot assure you that we will not incur charges in excess of those included in the pro forma total consideration related to the transactions or Parker Drilling's efforts to achieve synergies and integrate the operations of the companies, or that management will be successful in its efforts to integrate the operations of the companies. The unaudited pro forma condensed consolidated financial information is presented for informational purposes only and is not necessarily indicative of what the actual consolidated financial position or results of operations of Parker Drilling and ITS would have been as of and for the periods presented, nor does it purport to represent the future results of operations of Parker Drilling and ITS.

Below is the unaudited pro forma condensed consolidated financial information and related notes thereto which give effect to the Acquisition and related transactions and financing. The following unaudited pro forma condensed consolidated financial information sets forth:

(i) The historical financial information for the nine months ended September 30, 2013, as derived from the unaudited financial information of Parker Drilling and ITS, and the historical financial information for the year ended December 31, 2012, as derived from the audited financial statements of Parker Drilling and ITS Holdings;

(ii) Adjustments to conform the presentation of ITS Holdings financial information to be consistent with that of Parker Drilling, including adjustments to conform to ITS Holdings' historical presentation in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), to U.S. generally accepted accounting principles ("U.S. GAAP");

(iii) Adjustments to remove specific entities and geographical operations that were not acquired by Parker Drilling; and

(iv) Pro forma adjustments giving effect to the Acquisition and related transactions and financing, as if such transactions had been completed as of January 1, 2012, the beginning of the earliest period presented, for purposes of the unaudited pro forma condensed consolidated statements of operations. The pro forma adjustments made are (1) directly attributable to the Acquisition, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the consolidated results.

PARKER DRILLING COMPANY
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Dollars in Thousands, Except Per Share and Weighted Average Shares Outstanding)

	Parker Drilling Historical	ITS Holdings IFRS Historical	IFRS to U.S. GAAP Adjustments (1)		Adjustment for ITS Entities and Operations Not Acquired (2)	Pro Forma Adjustments (3)		Pro Forma Consolidated	
Revenues	$ 677,982	$ 137,903	$ 174	3(b)	$ (21,198)	$ —		$ 794,861	
Expenses:									
Operating expenses	414,064	130,544	174	3(b)	(16,268)	—		528,514	
Depreciation and amortization	113,017	25,415	(647)	3(c)	(3,742)	(8,609)	6(b) (c)	125,434	
	527,081	155,959	(473)		(20,010)	(8,609)		653,948	
Total operating gross margin	150,901	(18,056)	647		(1,188)	8,609		140,913	
General and administration expense	(46,052)	—	—		—	—		(46,052)	
Impairments and restructuring charges	—	(47,352)	1,841	3(a) (c)	18,509	—		(27,002)	
Gain (loss) on disposition of assets, net	1,974	(1,134)	—		945	—		1,785	
Total operating income (loss)	106,823	(66,542)	2,488		18,266	8,609		69,644	
Other income and (expense):									
Interest expense, net	(33,389)	(27,834)	11,207	3(e)	16,006	(9,011)	6(d)	(43,021)	
Loss on extinguishment of debt	(2,130)	—	—		—	—		(2,130)	
Change in fair value of derivative positions	55	3,494	—		(3,494)	—		55	
Other	(382)	1,076	—		—	—		694	
Total other income and (expense)	(35,846)	(23,264)	11,207		12,512	(9,011)		(44,402)	
Income (loss) before income taxes	70,977	(89,806)	13,695		30,778	(402)		25,242	
Income tax expense (benefit)	33,879	12,305	484	3(d)	(8,044)	(141)	6(e)	38,483	
Income (loss) from continuing operations	$ 37,098	$(102,111)	$ 13,211		$ 38,822	$ (261)		$ (13,241)	
Basic Earnings (loss) per share:	$ 0.32							$ (0.13)	6(f)
Diluted Earnings (loss) per share:	$ 0.31							$ (0.13)	6(f)
Weighted Average Shares Outstanding									
Basic	117,721,135							117,721,135	
Diluted	119,093,590							117,721,135	

(1) See note 3 in the accompanying notes for discussion of adjustments related to conversion of IFRS to U.S. GAAP
(2) See note 4 in the accompanying notes for discussion of adjustments related to ITS entities and operations not acquired
(3) See note 6 in the accompanying notes for discussion of pro forma adjustments

The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed consolidated statements of operations.

Table of Contents

PARKER DRILLING COMPANY
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Dollars in Thousands, Except Per Share and Weighted Average Shares Outstanding)

	Parker Drilling Historical	ITS IFRS Historical (1)	IFRS to U.S. GAAP Adjustments (2)		Pro Forma Adjustments (3)		Pro Forma Consolidated
Revenues	$ 630,918	$ 40,820	$ —		$ —		$ 671,738
Expenses:							
Operating expenses	414,336	32,410	—		—		446,746
Depreciation and amortization	97,674	6,012	—		(1,581)	**6(b)(c)**	102,105
	512,010	38,422	—		(1,581)		548,851
Total operating gross margin	118,908	2,398	—		1,581		122,887
General and administration expense	(49,449)	—	—		19,224	**6(a)**	(30,225)
Impairments and restructuring charges	—	(43)	(181)	**3(a)**	—		(224)
Gain (loss) on disposition of assets, net	2,759	(114)	—		—		2,645
Total operating income (loss)	72,218	2,241	(181)		20,805		95,083
Other income and (expense):							
Interest expense, net	(31,482)	(1,427)	1,299	**3(e)**	(3,019)	**6(d)**	(34,629)
Change in fair value of derivative positions	54	—	—		—		54
Loss on extinguishment of debt	(5,218)	—	—		—		(5,218)
Other	333	139	—		—		472
Total other income and (expense)	(36,313)	(1,288)	1,299		(3,019)		(39,321)
Income (loss) before income taxes	35,905	953	1,118		17,786		55,762
Income tax expense	18,841	642	—		3,343	**6(e)**	22,826
Income (loss) from continuing operations	$ 17,064	$ 311	$ 1,118		$ 14,443		$ 32,936
Basic Earnings per share:	$ 0.14						$ 0.28
Diluted Earnings per share:	$ 0.14						$ 0.27
Weighted Average Shares Outstanding							
Basic	119,443,260						119,443,260
Diluted	121,693,781						121,693,781

(1) ITS IFRS Historical financial information includes the historical financial information of ITS Holdings prior to acquisition by Parker Drilling, adjusted for ITS Holdings' entities not acquired by Parker Drilling in the ITS Acquisition.
(2) See note 3 in the accompanying notes for discussion of adjustments related to conversion of IFRS to U.S. GAAP
(3) See note 6 in the accompanying notes for discussion of pro forma adjustments

The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed consolidated statements of operations.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of Presentation

The accompanying unaudited pro forma condensed consolidated financial information presents the pro forma results of operations of Parker Drilling and ITS on a consolidated basis based on the historical financial information of each company after giving effect of the Acquisition, related transactions and transaction specific financing. The unaudited pro forma condensed consolidated financial information was prepared in accordance with Securities and Exchange Commission Regulation S-X Article 11, using the acquisition method of accounting, and are based on the historical financial statements of Parker Drilling and ITS Holdings after giving effect to the consideration paid by Parker Drilling to consummate the Acquisition and related transactions and financing, as well as pro forma adjustments.

Financial Accounting Standards Board ("FASB")'s Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"), requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values, as determined in accordance with ASC 820, *Fair Value Measurements*, as of the acquisition date. In addition, the applicable accounting literature requires that consideration transferred be measured at the closing date of the asset acquisition, which may be different than the amount of consideration assumed in these unaudited pro forma condensed consolidated financial information.

Under the acquisition method of accounting, the assets acquired and liabilities assumed will be recorded as of the completion of the acquisition, primarily at their respective fair values and added to those of Parker Drilling. The results of operations of ITS will be reflected in the financial statements and reported results of operations of Parker Drilling from the date of acquisition but Parker Drilling's financial statements will not be retroactively restated to reflect the historical financial position or results of operations of ITS.

The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2012 and the nine months ended September 30, 2013 are presented "as if" the Acquisition had occurred on January 1, 2012, representing the beginning of the earliest period presented.

Acquisition-related transaction costs (i.e., advisory, legal, valuation, and other professional fees) and certain acquisition-related restructuring charges impacting ITS are expensed in the period in which the costs are incurred. Total advisory, legal, regulatory, and valuation costs to be incurred by Parker Drilling in connection with the Acquisition are estimated to total approximately $22.0 million.

2. Accounting Policies and Presentation

The unaudited pro forma financial information has been compiled in a manner consistent with the accounting policies adopted by Parker Drilling. Certain reclassifications and adjustments have been made to ITS Holdings' historical financial information presented herein to conform to Parker Drilling's historical presentation.

Table of Contents

The following are reconciliations of amounts presented in ITS Holdings' consolidated income statement for the year ended December 31, 2012 (in thousands):

Cost of sales presented in ITS Holdings' audited financial statements	$ 90,064
Reclassification adjustment to conform to Parker Drilling presentation:	
To reclassify depreciation included in *Cost of sales* to *Depreciation and amortization*	(22,080)
To reclassify *Administrative expenses* to *Operating expenses*	62,560
Operating expenses pro forma presentation	$130,544
Amortisation of intangible assets presented in ITS Holdings' audited financial statements	$ 1,247
Reclassification adjustment to conform to Parker Drilling presentation:	
To reclassify depreciation included in *Cost of Sales* to *Depreciation and amortization*	22,080
To reclassify *Administrative expenses* to *Depreciation and amortization*	2,088
Depreciation and amortization pro forma presentation	$ 25,415
Administrative expenses presented in ITS Holdings' audited financial statements	$ 64,889
Reclassification adjustment to conform to Parker Drilling presentation:	
To reclassify *Administrative expenses* to *Operating expenses*	(62,560)
To reclassify *Administrative expenses* to *Gain (loss) on disposition of assets, net*	(241)
To reclassify *Administrative expenses* to *Depreciation and amortization*	(2,088)
General and administrative expense(1) pro forma presentation	$ —

(1) Parker Drilling's general and administrative expenses represent corporate activities and other costs not allocated to operating expenses, or those costs and expenditures that directly support our products and services.

Loss on sale of fixed assets presented in ITS Holdings' audited financial statements	$ (893)
Reclassification adjustment to conform to Parker Drilling presentation:	
To reclassify *Administrative expenses* to *Gain (loss) on disposition of assets, net*	(241)
Gain (loss) on disposition of assets, net pro forma presentation	$ (1,134)
Share of profit in joint venture presented in ITS Holdings' audited financial statements	$ 796
Reclassification adjustment to conform to Parker Drilling presentation:	
To reclassify the tax expense portion of the *Share of profit in joint venture* to *Income tax expense (benefit)*	280
Other pro forma presentation	$ 1,076
Taxation presented in ITS Holdings' audited financial statements	$12,025
Reclassification adjustment to conform to Parker Drilling presentation:	
To reclassify the tax expense portion of the *Share of profit in joint venture* to *Income tax expense (benefit)*	280
Income tax expense (benefit) pro forma presentation	$12,305

3. Adjustments to ITS Holdings' Financial Statements to Reconcile to U.S. GAAP

ITS Holdings' financial statements were prepared in accordance with IFRS, as issued by IASB, which differ in certain respects from U.S. GAAP. Adjustments have been made with respect to the following items to reconcile ITS Holdings' historical IFRS financial statements to U.S. GAAP for the purposes of the pro forma presentation. Significant adjustments include:

(a) Restructuring Provision — Under IFRS, a provision was made for certain restructuring costs relating to ITS Holdings winding down its business in Iran. Under U.S. GAAP, these costs are recognized in the period in

Table of Contents

which they are incurred as they do not meet the criteria to recognize a liability. For the year ended December 31, 2012, an entry has been made to reverse $0.4 million of restructuring liabilities previously recognized under IFRS. Of these costs, $0.2 million were incurred between January 1, 2013 and March 31, 2013 for which the adjustment is recorded in the unaudited pro forma condensed consolidated statement of operations as of September 30, 2013. Thus, for the nine month period ended September 30, 2013, an adjustment in the unaudited pro forma condensed consolidated balance sheet was necessary to reverse only $0.2 million recognized under IFRS of restructuring liabilities.

(b) Revenue Recognition — Under U.S. GAAP, amounts billed to customers related to shipping and handling should be classified as revenue. Under IFRS, shipping and handling charges were recognized as a reduction of revenue. An adjustment of $0.2 million has been made to include such shipping and handling in revenue and include the related expense in operating expenses for the year ended December 31, 2012. The adjustment for the nine months ended September 30, 2013 was not significant to the statement of operations, and therefore no pro forma adjustment was included.

(c) Research and Development Costs — ITS Holdings capitalized certain research and development (R&D) costs as intangible assets under IFRS, which under U.S. GAAP, would have been expensed as incurred Under IFRS, the intangible asset was amortized and subsequently fully impaired during the year ended December 31, 2012. Accordingly, an adjustment was made to the unaudited pro forma condensed consolidated statement of operations to reverse the impairment charge of $1.4 million and reverse the amortization expense of $0.6 million for the year ended December 31, 2012, that would not have been recognized if the intangible assets had never existed. No adjustment was necessary for the nine month period ended September 30, 2013.

(d) Tax Effect — Certain relevant adjustments to ITS Holdings' statement of operations were income tax-effected using the applicable statutory tax rate of approximately 24 percent for the year ended December 31, 2012 and the nine months ended September 30, 2013 and resulted in an income tax expense increase of $0.5 million for the year ended December 31, 2012. No adjustment was required for the nine months ended September 30, 2013.

(e) Interest expense has been adjusted to reflect (1) Deferred financing costs — the amortization method applied by ITS Holdings differs from that of Parker Drilling. Under IFRS, the effective interest method was applied, while under U.S. GAAP, the deferred financing costs relating to the ITS Holdings revolver, are amortized on a straight line basis; and (2) A Ordinary Shares — ITS Holdings had issued a class of share capital, the A Ordinary shares, which carried an entitlement to a fixed cumulative preferential dividend and could have been redeemed at certain times at the option of the shareholder. Under IFRS, such shares were classified as a compound instrument at inception, recognizing both a debt and equity component to the instrument. Related financing costs were offset against the fair value of the debt, which was then being amortized back to the redeemable value of the instrument. Any related dividends were treated as interest. Interest expense for the year ended December 31, 2012 and the nine months ended September 30, 2013, was reduced as the fixed cumulative preferential dividend is treated as a dividend under U.S. GAAP.

The interest expense adjustments to reflect the decrease in interest expense resulting from the paragraphs above was:

	For the year ended December 31, 2012	For the nine months ended September 30, 2013
Adjustment (1) – Deferred financing costs	$ 603	$ (199)
Adjustment (2) – A Ordinary shares	10,604	1,498
Total impact to *Interest expense, net*	$ 11,207	$ 1,299

4. Adjustments for ITS Entities and Operations Not Acquired

The Parker Parties did not acquire certain entities or geographic operations of ITS Holdings reflected in the historical financial information of ITS Holdings. These entities or operations were related to the operations in Iran, Sudan, Peru, Ecuador, Venezuela, Pakistan, Cyprus, Spain, and Brazil, and certain non-core operations in the U.S. that were sold as part of another transaction prior to the Acquisition. The UK holding company that held ITS Holdings' capital shares, debt and debt related accounts was also not acquired. Accordingly, adjustments have been made to remove the net assets and results of operations, as well as impairment and restructuring charges, attributable to these entities so as to reflect only the assets acquired and liabilities assumed by Parker Drilling.

5. Purchase Price Allocation

The total purchase price of the acquisition was $125.0 million. The purchase consideration was comprised of $101.0 million of cash paid at closing and $24.0 million of cash deposited in escrow. Of the $24.0 million deposited in escrow, $5.0 million was considered contingent consideration. The total purchase consideration of $125.0 million was allocated to the net tangible and intangible assets acquired and liabilities assumed in the ITS Acquisition based on their estimated fair values. The information below represents the preliminary purchase price allocation of ITS (in thousands) as of September 30, 2013:

Cash paid to, or on behalf of, ITS and its equity holders	$101,000
Cash deposited in escrow	19,000
Fair value of contingent consideration deposited in escrow for assets not acquired (1)	5,000
Total purchase consideration	125,000
Working capital excluding Rig material and supplies	17,200
Rig material and supplies	11,514
Property, plant and equipment, net	70,339
Investment in joint venture	4,134
Other noncurrent assets	2,818
Total tangible assets	106,005
Deferred income tax assets	14,375
Trade name, developed technology, and customer relationship	10,000
Indefinite-lived intangible assets	200
Total assets acquired	$130,580
Less: Other liabilities assumed	(211)
Less: Non-current deferred income tax liabilities	(2,661)
Net assets acquired	$127,708
Less: Noncontrolling interest	(2,708)
Goodwill	$ —

(1) Based on the terms of the Agreement, $5.0 million of the $24.0 million in escrow to be paid to the seller is contingent upon certain future liabilities that could become due by ITS in certain jurisdictions. Any payments in relation to these liabilities will be deducted from the $5.0 million escrow amount and the net balance of the escrow will be paid to the seller. We estimate that the entire $5.0 million in escrow will be paid to the seller, and therefore, the estimated fair value of the consideration in escrow related to these liabilities is $5.0 million. We currently do not expect to receive any amounts from escrow, and therefore

have not recorded a receivable. Any changes to the fair value of the contingent consideration in the future of less than $5.0 million will result in recording a receivable from escrow. The receivable will be recorded at fair value. As of September 30, 2013, the fair value of the receivable is $0.0 million.

The preliminary allocation of the purchase consideration is based on management's estimates, judgments and assumptions. These estimates, judgments and assumptions are subject to change upon final valuation or receipt of additional information and should be treated as preliminary values. Management estimated that the fair value of the net assets acquired less noncontrolling interest equals consideration paid. Therefore, there was no goodwill recorded. The final allocation of consideration will include changes in (1) amounts deposited in escrow, (2) estimated fair values of property and equipment, (3) allocations to intangible assets and liabilities, (4) changes in contingent consideration, and (5) other assets and liabilities.

6. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed consolidated balance sheet and statements of operations are as follows:

(a) Reversal of estimated professional fees and other non-recurring transaction costs incurred associated with the Acquisition of approximately $19.2 million recorded in the historical statement of operations of Parker Drilling for the nine months ended September 30, 2013. No adjustment is required for the year ended December 31, 2012.

(b) Reduction in depreciation expense resulting from the purchase price adjustment to property, plant and equipment by $11.7 million and $2.6 million for the year ended December 31, 2012 and for the nine months ended September 30, 2013, respectively. The depreciation expense was calculated based on the estimated fair value of ITS' fixed assets at acquisition using estimated average remaining useful lives consistent with Parker Drilling's policies. Depreciable lives for different categories of property, plant and equipment are as follows:

Land drilling equipment	3 to 20 years
Barge drilling equipment	3 to 20 years
Drill pipe, rental tools and other	4 to 7 years
Buildings and improvements	15 to 30 years

(c) Recording amortization expense on the estimated fair value of ITS' intangible assets in the amount of $3.1 million and $1.0 million for the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively, at acquisition using an estimated average remaining useful life of 3 years.

(d) Recording estimated interest expense, of $8.1 million for the year ended December 31, 2012 and $2.8 million for the 2013 period prior to the ITS Acquisition on new long-term unsecured borrowings of $125.0 million at an average interest rate of 6.5 percent and associated estimated amortization of deferred financing cost of $0.9 million for the year ended December 31, 2012 and $0.2 million for the nine months ended September 30, 2013.

(e) Includes adjustment of income taxes for the items described in notes (a) through (d), above, using an estimated aggregate of statutory income tax rate of the jurisdictions for which the above adjustments relate. Using this method, the estimated aggregate income tax rate used is 35 percent for both the year ended December 31, 2012 and nine months ended September 30, 2013.

(f) Pro forma earnings per share for the year ended December 31, 2012 is calculated using the net loss of approximately $14.7 million which includes loss from discontinued operations and noncontrolling interest of approximately $1.5 million.

Independent auditor's report
The Board of Directors of Parker Drilling Company

We have audited the accompanying consolidated financial statements of ITS Tubular Services (Holdings) Limited (the "Company"), which comprise the consolidated statements of financial position as of 31 December 2012, 2011 and 2010, and the related consolidated income statement, statements of comprehensive income, changes in deficit and cash flow for each of the three years in the period ended 31 December 2012 and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ITS Tubular Services (Holdings) Limited and its subsidiaries as of 31 December 2012, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphases of matter regarding prior year restatement and going concern

As discussed in Note 31 to the financial statements, the 2010 and 2011 financial statements have been restated to correct the accounting for the A Ordinary shares issued in 2009 for a total consideration of $55,000,000. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 30 to the financial statements, on 19 April 2013, the Company was placed into Administration proceedings under the laws of Scotland. Subsequent to entering Administration, the Company entered into a sale and purchase agreement for a substantial portion of the Company's assets to Parker Drilling Company. These circumstances create substantial doubt about the Company's ability to continue as a going concern in the foreseeable future. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ Deloitte LLP
Aberdeen, Scotland, UK
8 July 2013

Table of Contents

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $'000	2011 As restated see Note 31 $'000	2010 As restated see Note 31 $'000
Revenue				
– Continuing operations	6	137,903	142,814	123,382
Cost of sales		(90,064)	(76,983)	(68,943)
Gross profit		47,839	65,831	54,439
Administrative expenses				
– Other administrative expenses		(64,889)	(52,422)	(49,633)
– Impairment of jars fleet and associated leasehold improvements	7	(11,536)	—	—
– Impairment of other plant and oilfield equipment	7	(18,011)	—	—
– Impairment of goodwill and intangible fixed assets	7	(6,588)	—	—
– Impairment and provision for costs on territory exit	7	(11,217)	—	—
– Loss on sale of fixed assets		(893)	(105)	(122)
– Amortisation of intangible assets		(1,247)	(1,286)	(1,120)
Group operating (loss)/profit				
Existing operations		(66,542)	12,018	3,564
Share of profit in joint venture	16	796	807	885
Total operating (loss)/profit: Group and share of joint venture		(65,746)	12,825	4,449
(Loss)/profit from operating activities	7	(65,746)	12,825	4,449
Finance income	9	330	157	94
Finance expense	10	(22,906)	(17,214)	(18,069)
Accretion of A Ordinary shares to redemption	10	(5,258)	—	—
Other gains and losses	11	3,494	(3,600)	1,239
Loss before taxation from continuing operations		(90,086)	(7,832)	(12,287)
Taxation	12	(12,025)	676	692
Loss for the year from continuing operations		(102,111)	(7,156)	(11,595)
Discontinued operations				
(Loss)/profit for the year from discontinued operations	13	(1,631)	618	627
Loss for the year		(103,742)	(6,538)	(10,968)
Attributable to:				
Equity holders of the parent		(103,821)	(6,241)	(10,301)
Non-controlling interests		79	(297)	(667)
Loss recognised in year		(103,742)	(6,538)	(10,968)

The notes on pages 11 to 53 are an integral part of these consolidated financial statements.

Subsequent to 31 December 2012, the Group has disposed of certain activities and is in the process of discontinuing and selling the remaining operations. Further details are provided at Note 13.

Table of Contents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 $'000	2011 As restated see Note 31 $'000	2010 As restated see Note 31 $'000
Loss for the year	(103,742)	(6,538)	(10,968)
Currency translation difference on foreign currency net investments	377	(729)	(3,634)
Currency translation difference on related borrowings	(907)	(2,210)	136
Total comprehensive loss for the year	(104,272)	(9,477)	(14,466)
Loss for the financial year			
– Equity holders of the parent	(104,351)	(9,180)	(13,799)
– Non-controlling interests	79	297	(667)
Total comprehensive loss for the year	(104,272)	(9,477)	(14,466)

The notes on pages 11 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2012

	Note	2012 $'000	2011 As restated see Note 31 $'000	2010 As restated see Note 31 $'000
Non-current assets				
Intangible assets	14	5,915	14,562	15,802
Tangible assets	15	129,544	188,249	190,905
Deferred tax asset	18	6,186	13,545	9,608
Investments in joint ventures	16	3,907	4,976	3,485
		145,552	221,332	219,800
Current assets				
Inventories	19	11,021	21,310	23,157
Other financial assets	17	—	—	106
Trade and other receivables	20	54,626	61,211	57,862
Cash and cash equivalents		8,345	12,012	8,756
Assets held for sale	13	18,643	—	—
		92,635	94,533	89,881
Total assets		238,187	315,865	309,681
Equity				
Share capital	21	2	2	2
Share premium account	22	2,468	2,468	2,468
Other reserves		9,093	9,093	8,893
Currency translation reserve		(13,418)	(12,888)	(9,949)
(Accumulated deficit)/Retained earnings		(77,164)	26,657	32,898
Equity attributable to equity holders of the parent		(79,019)	25,332	34,312
Non-controlling interests		1,744	1,815	2,252
		(77,275)	27,147	36,564
Non-current liabilities				
A Ordinary shares	21	—	52,571	49,801
Loans and borrowings	23	—	172,714	—
Other creditors	24	—	—	250
Obligations under hire-purchase contracts	23	392	823	1,257
Deferred tax liability	18	4,784	3,424	3,506
Financial liability	17	—	3,494	—
Total non-current liabilities		5,176	233,026	54,814
Current liabilities				
A Ordinary shares	21	57,352	—	—
Trade payables		20,927	16,979	22,891
Corporation tax		1,907	2,831	2,456
Obligations under hire-purchase contracts	23	568	826	1,870
Revolving credit facility and bank overdraft	23	174,327	—	166,339
Other payables	25	52,259	35,056	24,747
Liabilities directly associated with assets classified as held for sale	13	2,946	—	—
Total current liabilities		310,286	55,692	218,303
Total liabilities		238,187	315,865	309,681

The notes pages 11 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / (DEFICIT)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital $'000	Share premium account $'000	[1] Other reserves $'000	Currency translation reserve $'000	Retained earnings/ (Accumulated deficit) $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Balance at 1 January 2010 as previously reported	2	2,468	1,306	(6,451)	53,199	50,524	2,910	53,434
Restatement (Note 31)	—	—	7,587	—	(10,000)	(2,413)	—	(2,413)
Balance at 1 January 2010 (as restated, Note 31)	2	2,468	8,893	(6,451)	43,199	48,111	2,910	51,021
Loss for year (as restated, Note 31)	—	—	—	—	(10,301)	(10,301)	(667)	(10,968)
Other comprehensive income:								
– Currency translation difference on foreign currency net investments	—	—	—	(3,634)	—	(3,634)	—	(3,634)
– Currency translation difference on related borrowings	—	—	—	136	—	136	—	136
Exchange adjustments	—	—	—	—	—	—	9	9
Balance at 31 December 2010 (as restated, Note 31)	2	2,468	8,893	(9,949)	32,898	34,312	2,252	36,564
Loss for year (as restated, Note 31)	—	—	—	—	(6,241)	(6,241)	(297)	(6,538)
Other comprehensive income:								
– Currency translation difference on foreign currency net investments	—	—	—	(729)	—	(729)	—	(729)
– Currency translation difference on related borrowings	—	—	—	(2,210)	—	(2,210)	—	(2,210)
Equity apportionment for warrant	—	—	200	—	—	200	248	448
Dividends paid	—	—	—	—	—	—	(309)	(309)
Exchange adjustments	—	—	—	—	—	—	(79)	(79)
Balance at 31 December 2011 (as restated, Note 31)	2	2,468	9,093	(12,888)	26,657	25,332	1,815	27,147
Loss for year	—	—	—	—	(103,821)	(103,821)	79	(103,742)
Other comprehensive income:								
– Currency translation difference on foreign currency net investments	—	—	—	377	—	377	—	377
– Currency translation difference on related borrowings	—	—	—	(907)	—	(907)	—	(907)
Dividends paid	—	—	—	—	—	—	(102)	(102)
Exchange adjustments	—	—	—	—	—	—	(48)	(48)
Balance at 31 December 2012	**2**	**2,468**	**9,093**	**(13,418)**	**(77,164)**	**(79,019)**	**1,744**	**(77,275)**

1 Other reserves at December 2012 comprise the merger reserve of $1,306,000, which was created following the merger of ITS Tubular Services (Holdings) and ITS Cayman in 2003, and the equity component of the A Ordinary shares of $7,787,000.

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $'000	2011 $'000	2010 $'000
Net cash from operating activities	i	11,511	28,892	34,984
Cash flows from investing activities				
Interest received		330	157	94
Joint venture dividend received		1,000	350	200
Purchase of tangible fixed assets		(11,426)	(32,671)	(50,765)
Purchase of intangible fixed assets		(412)	(260)	(5,103)
Proceeds from sale of tangible fixed assets		4,719	11,902	6,241
Investment in joint venture		—	(90)	—
Net cash used in investing activities		(5,789)	(20,612)	(49,333)
Cash flows from financing activities				
Interest paid		(9,725)	(8,124)	(7,744)
Dividends paid to non-controlling interests		(101)	(316)	—
Finance charges under hire-purchase contracts paid		(37)	(450)	(317)
Funds drawn from long-term facilities		—	4,350	29,000
Debt issue costs		(1,313)	(3,120)	(875)
Issue of A Ordinary shares		—	3,225	—
Shareholder advance		3,009	1,500	—
Repayment of obligations under finance leases		(898)	(1,988)	(2,733)
Net cash from financing activities		(9,065)	(4,923)	17,331
Net increase in cash and cash equivalents		(3,343)	3,357	2,982
Cash and cash equivalents at 1 January		12,012	8,756	6,049
Effect of exchange rate fluctuations on cash held		(137)	(101)	(275)
Cash and cash equivalents at 31 December		8,532	12,012	8,756
Cash and cash equivalents comprises:				
Cash at bank and in hand		8,532	11,949	8,691
Cash on short-term deposit		—	63	65
		8,532	12,012	8,756

Cash at bank and in hand at 31 December 2012 includes $187,000 of cash classified as assets held for resale.

At 31 December 2012 cash includes $850,000 held in countries where exchange control restrictions do not permit transfer outside the country and is therefore considered to be restricted cash.

Table of Contents

NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2012

i. Reconciliation of loss for the year to net cash flow from operating activities

	2012 $'000	2011 $'000	2010 $'000
Loss for the year	(103,742)	(6,538)	(10,968)
Adjustments for:			
Exchange loss in net debt included in operating profit	(115)	94	219
Other foreign exchange adjustment	(1,330)	(1,113)	(497)
Depreciation	27,261	25,378	23,325
Amortisation of intangible assets	1,247	1,286	1,120
Revaluation of derivative financial instruments	(3,494)	3,600	(106)
Impairment losses on goodwill and intangible fixed assets	6,588	—	—
Impairment losses on tangible assets	30,826	—	—
Impairment losses on trade receivables	6,412	—	—
Impairment losses on inventory	7,472	—	—
Provision for impairment on territory exit	11,217	—	—
Income tax expense	12,025	78	609
(Gain)/loss on sale of tangible assets	(2,326)	(1,577)	122
Net finance expense	27,834	17,413	16,905
Share of operating profit in joint venture	(796)	(807)	(885)
Operating cash flows before movements in working capital	19,079	37,814	29,844
Change in inventories	(2,167)	1,438	(6,114)
Change in trade and other receivables	(12,360)	(3,750)	8,922
Change in trade and other payables	11,207	(2,895)	5,036
Cash generated from operating activities	15,759	32,607	37,688
Income taxes paid	(4,248)	(3,715)	(2,704)
Net cash from operating activities	11,511	28,892	34,984

During the year, impairment reviews were carried out that indicated impairments in several categories of assets operating in specific geographical segments. These are non-cash movements disclosed in the reconciliation of loss for the year to net cash flow from operating activities statement above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Accounting policies

1. General information

ITS Tubular Services (Holdings) Limited is a company incorporated in Scotland. The address of its registered office is Unit 5, Commerce Centre, Souterhead Road, Altens, Aberdeen, AB12 3LF.

The consolidated financial statements of the Group as at 31 December 2012 and for the year then ended comprise the parent company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”) and the Group’s interest in jointly controlled entities. The Group is mainly involved in the provision of products and services to the upstream oil and gas industry, primarily focused on drilling activities.

These consolidated financial statements for the year end 31 December 2012 were authorised for issue by management on 8 July 2013.

2. Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as issued by the International Accounting Standards Board. The information presented for the years ended 31 December 2012, 2011 and 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the respective periods (except 31 December 2012) have been reported upon by the Group’s Auditor and delivered to the Registrar of Companies. The report of the Auditor was unqualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

For the year ended 31 December 2012, the Group reported a loss after tax totalling $103,742,000, and at 31 December 2012, had net current liabilities of $217,651,000 including $174,327,000 in total bank loans and overdrafts.

The Company was in breach of its bank covenant as at 31 December 2012 and subsequently on 19 April 2013, the Company filed for administration under the laws of Scotland. On 22 April 2013, the Company consummated the sale of its wholly owned subsidiary International Tubular Services Limited and certain affiliates and other subsidiaries to Parker Drilling Company (“Parker”) for an estimated total consideration of $125 million. The sale represented substantially all of the continuing business and operating assets of the Group at that date. Further details of activities sold or discontinued after the balance sheet date of 31 December 2012 is provided in Note 30. The Company continues to hold certain subsidiaries and in the circumstances it is anticipated that the trade or assets of the remaining subsidiaries will be sold or liquidated in due course. The proceeds will largely facilitate the repayment of bank indebtedness. The aforementioned events raise substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might result should the Company be unable to continue as a going concern. Such circumstances were not committed or entered into at the balance sheet date.

a) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The methods used to measure fair values are detailed below.

b) Functional and presentation currency

These consolidated financial statements are presented in US Dollars, which is the Group’s principal functional currency. All financial information presented has been rounded to the nearest $1,000.

c) Use of estimates and judgments

In the preparation of financial statements in conformity with IFRS, the directors are required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are subject to regular/ongoing review. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods which are affected by those revisions.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i. Carrying values, depreciation rates and residual values of plant and oilfield equipment

As described in Note 3, the Group depreciates plant and oilfield equipment over its assessment of their estimated useful lives less estimated residual values using a straight-line basis. The useful lives range between 5-15 years with residual values estimated between 5%-20% for various equipment. The Group takes into account its maintenance practices and industry experience in assessing the carrying values, useful lives and residual values of plant and oilfield equipment.

In making its judgment, management considered the detailed requirements of the depreciation and estimated residual values of the plant and oilfield equipment goods as set out in IAS 16 Property Plant and Equipment.

ii. Deferred tax assets

The Group recognises deferred tax assets on unused tax losses where it is probable that future taxable profits will be available for utilisation. This requires management to make judgments and assumptions indicating future trading performance and capital expenditure. The carrying amount of the recognised deferred tax asset at 31 December 2012 was $6,186,000 (2011: $13,545,000; 2010: $9,608,000).

iii. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was $5.7 million.

iv. Recognition and measurement of intangible assets under IFRS 3 “Business Combinations”

In order to determine the value of the separately identifiable intangible assets on the acquisition of a business combination, management are required to make estimates on fair value of the separately identifiable assets acquired and residual goodwill. Management uses their judgment and knowledge of the industry and where necessary involve outside independent parties to perform these calculations and determine the fair value and estimated useful lives of these assets.

v. Fair value of derivatives and other financial instruments

As described in Note 3, management use their judgment in selecting an appropriate valuation technique for derivative financial instruments. Assumptions are made based on quoted market rates adjusted for

specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates. Details of the carrying amount of the A Ordinary shares and assumptions used are provided in Note 21.

3. Significant Accounting Policies

The principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year.

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the effective date that control commences until the effective date that control ceases. The accounting policies of subsidiaries have been aligned, where necessary, with the policies adopted by the Group.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

(ii) Joint Ventures:

In the consolidated financial statements, investments in joint ventures are accounted for using the equity method. The consolidated income statement includes the Group’s share of joint ventures’ profits less losses while the Group’s share of the net assets of the joint ventures is shown in the consolidated statement of financial position.

Table of Contents

(iii) Transactions and balances eliminated on consolidation:

Intra-Group transactions and balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

3.2 Revenue recognition

Turnover comprises the value of goods and services supplied by the Group in the normal course of business, net of trade discounts and sales taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer; it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(i) Sale of equipment, and other goods:

Turnover is recognised when the goods are delivered to the customer, at the contractually agreed delivery location. Lost in hole revenue is recognised when the customer confirms that rental equipment is either lost in hole or damaged beyond repair.

(ii) Rental income:

Rental income from operating leases is recognised as earned over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iii) Rendering of services:

Turnover is recognised in line with the fulfillment of its contractual obligations. In most cases relating to the supply of services this represents the fulfillment of all obligations contained in its contracts. In certain circumstances specific elements of the total income relating to a contract are recognised where completion of these elements (by reference to contractual trigger points) entitles the Group to the income. Where the rendering of services includes rental income, the rental income element is recognised on a straight-line basis over the period of the rental contract.

3.3 Intangible fixed assets

(i) Goodwill:

The Group elected to exercise the exemption available under IFRS 1, First- time Adoption of IFRS, in relation to the restatement of acquisitions prior to the transition date, 1 January 2008. The goodwill in relation to those acquisitions therefore remains frozen as reported on 1 January 2008, under UK GAAP, but is subject to annual review for impairment.

Acquisitions subsequent to the transition date have been accounted for in accordance with IFRS 3 (Revised 2008), Business Combinations.

Goodwill arising on these acquisitions represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not subject to amortisation but is reviewed at least annually for impairment. Goodwill is stated at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit in respect of which the goodwill arose. Impairment is determined by assessing the ability of the cash-generating units to generate future cash flows and comparison of the recoverable amount with the respective goodwill balances. Impairment losses in respect of goodwill are not reversed.

(ii) Computer software:

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life which has been established as three to four years.

(iii) Internally-generated intangible assets — research and development expenditure:

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives up to 10 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(iv) Patents and trademarks:

Patents and trademarks associated with internally-generated intangible assets are amortised on a straight-line basis over a period not exceeding 10 years.

3.4 Property, plant and equipment

(i) Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises the purchase price or construction cost, together with direct borrowing costs and other costs directly attributable to making the asset capable of operating as intended, in the intended location. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment other than those held for rental are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net in the income statement. Where items are sold from the fleet of oilfield equipment available for rental or sale, the proceeds are reflected in revenue and the remaining net book value is charged to cost of sales.

(ii) Depreciation:

Depreciation is calculated using the straight-line basis to allocate the cost less residual values, to the income statement over the estimated useful lives of each item of property, plant and equipment. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	5-10 years
Fixtures, fittings and office equipment	5-10 years
Motor vehicles	4 years
Plant and oilfield equipment	5-15 years

Improvements to leasehold premises are depreciated over the shorter of the primary period of the leases to which the improvements relate or their useful lives.

Depreciation methods, useful lives and residual values are reviewed at each reporting date for assets held at fair value.

3.5 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

3.6 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price less all further costs of completion and disposal.

Provision for impairment is based on a management assessment of excess and obsolete inventories.

Costs in relation to partially complete projects are treated as work in progress.

3.7 Foreign currencies

(i) Transactions and balances:

Transactions denominated in foreign currencies are translated and recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at each balance sheet date. Gains and losses on retranslation are recognised in the income statement for the year.

(ii) Group entities:

The results and financial position of all Group entities that have a functional currency different from US Dollars are translated into US Dollars as follows:

- assets and liabilities for each balance sheet presented are translated at the rate ruling at the balance sheet date;
- income and expenses for each income statement are translated at average annual exchange rates; and

- resulting exchange differences are recognised directly in other comprehensive income. Such differences have been recognised in a separate Foreign Currency Translation Reserve (FCTR) in the consolidated statement of financial position.

When a foreign subsidiary is disposed of, the portion of the FCTR relating to that subsidiary is required to be included as part of the calculation of profit or loss on the sale.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and is therefore considered to be long-term financing, are considered to form part of the net investment in a foreign operation and are recognised in other comprehensive income and included in FCTR.

3.8 Employee benefits

(i) Defined contribution plans:

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement in the period to which they relate. The majority of the Group's employees participate in plans of this nature.

(ii) Short-term benefits:

Short-term employee benefit obligations such as annual performance bonuses are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as a short-term benefit if the Group has a legal or constructive obligation to pay this benefit as a result of past service provided by the employee and the amount of the obligation can be measured reliably.

3.9 Leasing

Leases (including hire-purchase contracts) are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Operating leases:

As lessee

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the period of lease.

As lessor

Operating lease rental income arising from leased assets is recognised in the income statement on a straight-line basis over the period of the lease.

(ii) Finance leases:

As lessee

Assets held under finance leases are capitalised, at their fair value or, if lower, at the present value of the minimum lease payments, as property, plant and equipment, and depreciated over the shorter of the lease term and the asset's useful life. The capital element of the future lease obligation is recorded as a liability, with the interest element charged to the income statement over the period of the lease so as to produce a constant rate of charge on the capital outstanding.

3.10 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets:

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at Fair Value Through Profit or Loss" (FVTPL), "held-to-maturity" investments, "Available-For-Sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method:

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables:

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.11 Accounting for derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. Further details of derivative instruments are disclosed in Note 17.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value at each balance sheet date.

The fair value of interest rate swaps are calculated as the present value of their estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance sheet date. The fair value of currency options is determined using market rates at the balance sheet date.

3.12 Impairment

(i) Financial assets:

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they may be impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated discounted future cash flows. All impairment losses on financial assets measured at amortised cost are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Impairment of tangible and intangible assets excluding goodwill:

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The Group's approach to impairment testing in relation to goodwill is outlined in section 3.3 (i) above.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

3.13 Income tax expense

Income tax expense comprises current and deferred tax.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to, or recovered from, the taxation authorities. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in later years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried-forward tax credits or tax losses can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured on an undiscounted basis at the tax rates that are expected to apply when the liability is settled or the asset is realised, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred income tax is charged or credited directly to other comprehensive income if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

3.14 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods;

(i) Property, plant and equipment:

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on management's knowledge of prices offered and accepted for comparable items.

(ii) Intangible assets:

The fair value of order books and other intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use of the assets.

(iii) Inventories:

The fair value of inventories acquired in a business combination is determined based on historic cost adjusted to fair value, if applicable. However where its estimated selling price in the ordinary course of business, less the estimated costs of completion and sale, are lower than cost, then that lower value is adopted.

(iv) Trade and other receivables:

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted where appropriate.

(v) Non-derivative financial liabilities:

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

3.15 Contingent consideration

Contingent consideration relates to the future cash consideration payable in respect of acquisitions which is contingent on the outcome of future events. When an acquisition agreement provides for an adjustment to the consideration which is contingent on future events, provision is made for that amount if the adjustment is probable and can be measured reliably. The amount provided is included in the cost of the acquisition. Those provisional amounts are adjusted during the measurement period (see below), as additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

3.16 Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs.

Net financing costs comprise interest payable on borrowings, interest receivable on cash and cash equivalents and amortisation of debt finance costs that are recognised in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments, less bank overdrafts.

3.18 Share capital

The Group has three classes of ordinary shares. The A Ordinary shares are classified as a compund instrument with both debt and equity components. The Ordinary and B Ordinary shares are classified as equity.

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3.19 Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective

interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, and is not subsequently remeasured.

3.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.21 Operating profit

Operating profit is stated after charging restructuring costs and after the share of results of joint venture but before investment income and finance costs.

3.22 Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale (see Note 13), if earlier. In accordance with IFRS 5, where there is a cessation and abandonment of an operation it is classified as discontinued at the point where the activities have ceased permanently and the abandonment is complete. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the earliest year presented.

4. Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on financial performance.

4.1 Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currencies. The Group also has a number of subsidiary companies whose revenue and expenses are denominated in currencies other than the US Dollar. In order to protect the Group's balance sheet from movements in exchange rates wherever practicable, the Group finances its net investment in non-US Dollar subsidiaries primarily by means of borrowings denominated in the appropriate currency. Other strategies, including the payment of dividends, are used to minimise the amount of net assets exposed to foreign currency revaluation.

The Group monitors the economic and political situation in the countries in which it operates to minimise foreign currency exposure.

The Group's main foreign exchange risk relates primarily to movements in the Group's key transactional currencies (which are described in Note 26 to the US Dollar. Movements in those currencies impact the

translation of non-dollar profit earned across the Group and the translation of non-dollar denominated net assets. Movement in the Euro/US Dollar rate impacts the carrying value of the Euro-denominated receivables and payables.

4.2 Cash flow and fair-value interest rate risk

The Group has interest rate risk arising from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk.

The Group has no significant interest-bearing assets other than cash and cash equivalents of a working capital nature. Therefore the Group's income and operating cash flows arising from such assets are substantially independent of changes in market interest rates.

The Group monitors its exposure to interest rate risk as part of its overall financial risk management.

There were no changes in the Group's approach to cash flow and fair-value interest rate risk during the year.

4.3 Credit risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents, primarily composed of current account balances, are maintained with major financial institutions in each of the territories in which the Group operates.

Sales are made on credit and result in short-term credit exposure on trade receivables. The Group's customers are principally major companies in the oil and gas exploration and production sector that have several years' transaction history with the Group. Credit risk from the ordinary course of trade activities is managed by the relevant operating companies on a customer and/or project basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The major component of this allowance is a specific loss component that relates to individually significant exposures. The ageing of receivables is shown in Note 26.

4.4 Liquidity risk

The Group has a blend of long-term and short-term committed facilities to fund operations and to meet its financial obligations as they fall due.

New standards impact note

5. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 (amended)	Government Loans
IFRS 7 (amended)	Disclosures — Offsetting Financial Assets and Financial Liabilities
Annual Improvements to IFRSs	(2009 — 2011) Cycle
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27 (amended)	Investment entities
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 7 (amended) will increase the disclosure requirements where netting arrangements are in place for financial assets and financial liabilities;
- IFRS 9 will impact both the measurement and disclosures of Financial Instruments;
- IFRS 12 will impact the disclosure of interests the Group has in other entities; and
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

It is not considered practicable at this time to estimate the effect of these standards until a detailed review has been completed. However, the directors do not believe that the impact of these standards will be material.

6. Revenue

An analysis of the Group's revenue is as follows:

	2012 $'000	2011 $'000	2010 $'000
Sales of goods and lost in hole	10,925	15,272	16,452
Rendering of services	126,978	127,542	106,930
	137,903	142,814	123,382

6. Revenue (cont.)

Revenue by destination

There are five main geographical areas and are analysed as follows:

	2012 $'000	2011 $'000	2010 $'000
United Kingdom and Europe	20,093	23,845	16,887
Africa	9,992	6,488	10,955
North and South America	35,656	34,666	24,617
Middle East	57,326	68,273	46,227
Far East and Asia Pacific	14,836	9,542	24,696
	137,903	142,814	123,382

7. (Loss)/profit from operating activities

(Loss)/profit from operating activities has been arrived at after charging/(crediting):

	2012 $'000	2011 $'000	2010 $'000
Depreciation of property, plant and equipment	27,261	25,378	23,325
Loss/(gain) on disposal of rental assets	893	(1,577)	(122)
Amortisation of intangible assets	1,247	1,286	1,120
Hire of plant and machinery — rentals payable under operating leases	688	196	81
Operating lease rentals — land and buildings	5,329	4,614	4,142
Impairment loss/(gain) recognised on trade receivables	6,412	(1,825)	1,969
Net foreign exchange losses/(gains)	1,308	713	(110)
Impairment and loss of jars fleet, inventory and associated leasehold improvements	11,536	—	—
Impairment of other plant and oilfield equipment	18,011	—	—
Impairment of goodwill and intangible fixed assets	6,588	—	—
Impairment and provision on territory exit	11,217	—	—

As at 31 December 2012, the Group impaired its jars rental CGU by $11,536,000. As described in Note 15, this comprised $10,180,000 relating to tangible fixed asset impairment ($8,300,000 relating to rental assets and $1,880,000 relating to associated leasehold improvements). In addition, $1,356,000 of this impairment related to inventories.

As described in Note 15, as at 31 December 2012, the Group impaired other plant and oilfield equipment by $9,300,000 with lost equipment contributing a further $8,711,000.

As described in Note 14, as at 31 December 2012, the Group impaired goodwill and other intangible assets by $6,588,000.

Following a decision to exit Iran, a provision of $11,217,000 was made by the Group during 2012 of which $8,039,000 relates to receivables and retentions, $543,000 relates to other costs of exit and $2,635,000 was written off on disposal of unrecovered assets on exit (Note 15).

8. Remuneration of directors

	2012 $'000	2011 $'000	2010 $'000
Directors' emoluments	2,318	2,048	2,041
Company contributions to money purchase pension schemes	17	21	51
	2,335	2,069	2,092

	Number of directors		
	2012	2011	2010
Retirement benefits accruing to the following number of directors under:			
Money purchase schemes	4	3	4

9. Finance income

	2012 $'000	2011 $'000	2010 $'000
Bank interest	11	25	18
Other interest	319	132	76
	330	157	94

10. Finance expenses

	2012 $'000	2011 As restated see Note 31 $'000	2010 As restated see Note 31 $'000
Bank loans and overdraft interest (including unwinding of debt issue costs)	15,137	10,206	8,529
Accretion of A Ordinary shares to redemption value (Note 21)	10,604	5,518	9,092
Other interest	2,386	1,054	207
Finance charges under hire-purchase contracts	37	436	241
	28,164	17,214	18,069

In 2012, accretion of A Ordinary shares to their redemption value in the year ended 31 December 2012 includes $5,258,000, which arises from a bank covenant breach in September 2012, thus resulting in the A Ordinary shares financial liability becoming repayable on demand. Refer to Note 23 for further details. Other interest relates to interest payable on the A Ordinary share dividends.

11. Other gains and losses

	2012 $'000	2011 $'000	2010 $'000
Change in fair value of financial instruments (Note 17)	3,494	(3,600)	1,239

12. Income tax expense

	2012 $'000	2011 $'000	2010 $'000
Current tax expense			
Corporation tax on UK profits for year	198	85	79
Double taxation relief	(198)	(85)	(79)
Foreign tax — current	3,324	3,832	3,628
Foreign tax — adjustments in respect of prior periods	—	—	40
	3,324	3,832	3,668
Deferred tax credit			
Origination and reversal of temporary differences:			
– United Kingdom	5,090	(4,108)	(2,057)
– Foreign tax	3,611	(400)	(2,303)
	8,701	(4,508)	(4,360)
Total income tax expense/(credit)	12,025	(676)	(692)

The tax charge/(credit) for the year can be reconciled to accounting loss as follows:

	2012 $'000	2011 $'000	2010 $'000
Loss before taxation from continuing operations	(90,086)	(7,832)	(12,287)
Tax at the UK corporation tax rate of 24.5% (2011: 26.5%, 2010: 28%)	(22,071)	(2,075)	(3,440)
Reduction in tax rate	1,029	136	30
Tax effect of expenses that are not deductible	10,947	1,586	5,248
Effect of different tax rates of subsidiaries operating in other jurisdictions	17,883	994	2,352
Derecognition of previously recognised deferred tax asset	4,237	—	—
Deferred tax asset previously unrecognised	—	(1,317)	(4,882)
Taxation for the year	12,025	(676)	(692)

The Finance Act 2012 announced a lower UK Corporate Tax rate of 23% which comes into effect on 1 April 2013. On 20 March 2013 the UK Government announced further rate reductions to the UK Corporate Tax rate for 2014 and 2015 to 21% and 20% respectively. These rate changes will affect the size of the Company's balance sheet deferred tax assets and liabilities in the future. The deferred tax recognised has been calculated at the rates substantively enacted at the balance sheet date of 23%.

13. Discontinued operations

The results of the discontinued operations, which are included in the consolidated income statement and have been discontinued through sale or cessation subsequent to 31 December 2012 are summarised as follows.

	2012 $'000	2011 $'000	2010 $'000
Revenue	19,943	20,313	10,662
Expenses	(21,574)	(19,203)	(8,998)
(Loss)/profit before tax	(1,631)	1,110	1,664
Attributable tax expense	—	(492)	(1,037)
(Loss)/profit from discontinued operations	(1,631)	618	627

13. Discontinued operations (cont.)

In December 2012, the Group entered into an exclusivity agreement to dispose of the business and assets of ITS Threading and Manufacturing Inc and ITS Precision Manufacturing Inc, which carried out non-core activities.

At the balance sheet date, these operations were expected to be sold within 12 months, and have been classified as a disposal group held for sale and are presented separately in the balance sheet. No impairment losses have been recognised on the classification of these operations held for sale. The sale was concluded in April 2013 and proceeds of the disposal exceeded book value of the related net assets.

During 2012, it was decided not to proceed with an intended joint venture in Indonesia. As a result plant and oilfield equipment amounting to $978,000, being part of the intended investment, is reclassified as held for sale at 31 December 2012.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2012 $'000
Goodwill	1,386
Tangible fixed assets	10,738
Inventories	2,602
Trade and other receivables	3,730
Cash and bank balances	187
Total assets classified as held for sale	18,643
Trade and other payables	(2,946)
Total liabilities associated with the assets classified as held for sale	(2,946)
Net assets of disposal group	15,697

Cash flows from discontinued operations:

	2012 $'000
Net cash used in operating activities	2,220
Net cash from investing activities	(233)
Net cash from financing activities	(2,034)
Net cash flows for the year	(47)

Table of Contents

14. Intangible assets

	Goodwill $'000	Patents and trademarks $'000	Development costs $'000	Licences $'000	Software $'000	Total $'000
Cost or deemed cost						
At 1 January 2010	9,098	296	2,608	1,222	393	13,617
Additions	3,886	—	639	500	83	5,108
Exchange movements	—	—	—	(3)	—	(3)
Disposals	(977)	—	—	—	(10)	(987)
At 31 December 2010	12,007	296	3,247	1,719	466	17,735
Additions	—	10	—	29	220	259
Exchange movements	(222)	2	—	—	(7)	(227)
Disposals	—	—	—	—	—	—
At 31 December 2011	11,785	308	3,247	1,748	679	17,767
Additions	—	2	32	251	131	416
Exchange movements	267	—	—	(1)	(117)	149
Disposals	—	—	—	—	(5)	(5)
Classified as held for sale	(1,386)	—	—	—	(106)	(1,492)
At 31 December 2012	**10,666**	**310**	**3,279**	**1,998**	**582**	**16,835**
Amortisation and impairment losses						
At 1 January 2010	977	—	—	615	203	1,795
Amortisation for the year	—	59	522	441	98	1,120
Disposals	(977)	—	—	—	(5)	(982)
At 31 December 2010	—	59	522	1,056	296	1,933
Amortisation for the year	—	61	649	467	109	1,286
Exchange movements	—	—	—	(9)	(5)	(14)
At 31 December 2011	—	120	1,171	1,514	400	3,205
Impairment loss for year	5,005	128	1,455	—	—	6,588
Amortisation for the year	—	62	653	432	100	1,247
Exchange movements	—	—	—	(17)	4	(13)
Classified as held for sale	—	—	—	—	(106)	(106)
Disposals	—	—	—	—	(1)	(1)
At 31 December 2012	**5,005**	**310**	**3,279**	**1,929**	**397**	**10,920**
Carrying amounts						
At 1 January 2010	8,121	296	2,608	607	190	11,822
At 31 December 2010	12,007	237	2,725	663	170	15,802
At 31 December 2011	11,785	188	2,076	234	279	14,562
At 31 December 2012	**5,661**	**—**	**—**	**69**	**185**	**5,915**

Table of Contents

14. Intangible assets (cont.)

Acquisitions 2010

Colombia

On 30 September 2010, the Company acquired the assets and business of Gagie Corporation S.A. for a total of $5,203,000. The acquisition had the following effect on the Group's assets and liabilities on the acquisition date

Assets of Gagie Corporation S.A.

	Recognised values on acquisition $'000
Property, plant and equipment	1,317
Net identifiable assets and liabilities	1,317
Goodwill on acquisition	3,886
Total consideration	5,203
Satisfied by	
Cash	3,850
Deferred consideration	775
Other	578
	5,203

Amortisation and impairment charge

The amortisation and impairment charges are allocated to administrative expenses.

In accordance with IAS 36 'Impairment of assets', the Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. Goodwill is allocated for impairment testing to cash-generating units (CGU) which reflect how it is monitored for internal management purposes. The recoverable amounts of the CGUs are determined from value-in-use calculations. Value-in-use is calculated using pre-tax cash flow projections based on the financial budgets and business plans covering a three-year period, which take into account historical trends and market conditions, which have been approved by the Board.

The key assumptions for the value in use calculations are those regarding the discount rates and growth rates for the period. Management estimates its annual discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business, equivalent to a pre-tax discount rate which was 15% (2011: 15%, 2010: 10%).

Cash flows for 2013-15 assume a growth at a rate based on expected outturn by territory and subsequent cash flows have been assumed to grow between 0% to 5% per annum for a further 3 to 15 years reflecting expected long-term growth rates in the countries in which the Group operates. During 2012, as a result of a change in customer base and termination of contracts acquired on acquisition, the goodwill in the Colombian branch was impaired by $3,886,000 (2011: $Nil, 2010: $Nil). Further, goodwill related to the Venezuela entity was impaired by $867,000 and other goodwill impaired by $252,000. These impairment losses are reflected in administrative expenses in the consolidated income statement.

Further, at 31 December 2012 development costs and patents relating to whipstocks were impaired by $1,583,000.

The Group's impairment review is sensitive to changes in the key assumptions used. The major assumptions that result in significant sensitivities are the revenue growth and the discount rate. Given the Group's sensitivity analysis, a reasonably possible change in a single assumption will not result in further impairment. Goodwill is allocated primarily to the rental division.

15. Tangible assets

	Buildings and short leasehold	Assets under construction	Plant and oilfield equipment	Motor vehicles	Fixtures, fittings & office equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or deemed cost						
At 1 January 2010	7,009	3,004	206,960	1,884	3,627	222,484
Additions	2,442	690	46,550	680	1,055	51,417
Transfers	3,004	(3,004)	—	—	—	—
Disposals	(27)	—	(8,628)	(36)	(139)	(8,830)
Exchange movements	(112)	—	(2,771)	(83)	(45)	(3,011)
At 31 December 2010	12,316	690	242,111	2,445	4,498	262,060
Additions	523	49	33,645	514	418	35,149
Transfers	333	(690)	357	—	—	—
Disposals	(16)	—	(19,203)	(224)	(260)	(19,703)
Exchange movements	(561)	—	(1,216)	(62)	(77)	(1,916)
At 31 December 2011	12,595	49	255,694	2,673	4,579	275,590
Reclassified as held for sale	(4,164)	(46)	(12,000)	(295)	(314)	(16,819)
Additions	368	286	21,927	446	420	23,447
Transfers	—	(218)	218	—	—	—
Disposals	(387)	—	(47,710)	(350)	(416)	(48,863)
Exchange movements	254	—	260	(37)	17	494
At 31 December 2012	**8,666**	**71**	**218,389**	**2,437**	**4,286**	**233,849**
Depreciation and impairment losses						
At 1 January 2010	1,537	—	47,902	673	1,482	51,594
Depreciation for the year	964	—	20,885	526	950	23,325
Disposals	—	—	(2,391)	(9)	(67)	(2,467)
Exchange movements	(47)	—	(1,150)	(66)	(34)	(1,297)
At 31 December 2010	2,454	—	65,246	1,124	2,331	71,155
Depreciation for the year	1,481	—	22,742	468	687	25,378
Disposals	42	—	(8,260)	(120)	(237)	(8,575)
Exchange movements	(133)	—	(396)	(38)	(50)	(617)
At 31 December 2011	3,844	—	79,332	1,434	2,731	87,341
On assets reclassified as held for sale	(1,850)	—	(3,882)	(165)	(183)	(6,080)
Depreciation for the year	1,446	—	24,515	593	707	27,261
Impairment in year	1,880	—	17,600	—	—	19,480
Disposals	(18)	—	(23,196)	(226)	(337)	(23,777)
Exchange movements	(74)	—	171	(33)	16	80
At 31 December 2012	**5,228**	**—**	**94,540**	**1,603**	**2,934**	**104,305**
Carrying amounts						
At 1 January 2010	5,472	3,004	159,058	1,211	2,145	170,890
At 31 December 2010	9,862	690	176,865	1,321	2,167	190,905
At 31 December 2011	8,751	49	176,362	1,239	1,848	188,249
At 31 December 2012	**3,438**	**71**	**123,849**	**834**	**1,352**	**129,544**

Table of Contents

15. Tangible assets (cont.)

The impairment loss on tangible assets of $19,480,000 arose in connection with the reassessment of the jars rental asset product line (10,180,000) and general plant and equipment (9,300,000).

The net book value of plant and equipment disposals of $24,514,000 includes losses of $8,711,000 and $2,635,000 relating to country exits.

Leased plant and machinery

The Group leases equipment under a number of finance lease arrangements. At 31 December 2012, the net carrying amount of leased plant and machinery was $1,985,000 (2011: $2,757,000, 2010: $7,326,000).

Security

At each balance sheet date all tangible fixed assets were subject to a fixed or floating charge over bank borrowings.

16. Investment in joint ventures

	2012 $'000	2011 $'000	2010 $'000
Interests in joint venture (share of net assets)			
At 1 January	4,976	3,485	2,692
Exchange adjustments	28	141	108
Investment in Indonesian JV	(893)	893	—
Dividend received from joint venture	(1,000)	(350)	(200)
Share of profit for the year	796	807	885
At 31 December	3,907	4,976	3,485

The Company has a 50% interest in Shenhzen Weisheng ITS Tubular Equipment Company Limited, a company registered in China. Additional information relating to the performance of this joint venture is given below:

	2012 $'000	2011 $'000	2010 $'000
Fixed assets	1,103	1,190	1,077
Current assets	3,792	3,803	3,392
Share of gross assets	4,895	4,993	4,469
Liabilities due within one year	988	911	984
Share of gross liabilities	988	911	984
Share of net assets	3,907	4,082	3,485
Share of turnover	7,607	6,269	5,989
Share of profit before tax	1,076	1,076	1,148
Share of taxation	(280)	(269)	(263)
Share of profit after tax	796	807	885

During 2011 the Company made an initial investment of $893,000 in an unincorporated JV in Indonesia. The JV did not proceed and at 31 December 2012, the assets included in the initial investment were reclassified as held for sale.

Table of Contents

17. Derivative financial instruments

	2012 $'000	2011 $'000	2010 $'000
Financial asset:			
Interest rate swap	—	—	106
Financial liability:			
Interest rate swap			
– Non-current liabilities	—	(3,494)	—
	—	(3,494)	106

On 15 November 2010, the Group entered into a three-year swap with a notional principal value of $120,000,000, effective 20 August 2011. The fixed interest rate is 1.43% in year one, 1.77% in year two and 2.19% in the final year. Floating rates are linked to US LIBOR plus a lending margin. Gains and losses on the interest rate swap have been recognised in other gains and losses in the Consolidated Income Statement.

18. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the asset or liability has arisen. Deferred tax in relation to UK companies is provided at 23% (2011: 25%, 2010: 27%).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. These earnings are expected to be reinvested with no tax charge arising from them in the foreseeable future.

Deferred tax assets and liabilities are only offset where this is a legally enforceable right of offset, they relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis. The deferred tax balances are analysed below:

	Assets			Liabilities		
	2012 $'000	2011 $'000	2010 $'000	2012 $'000	2011 $'000	2010 $'000
Tangible assets	(2,490)	(10,662)	(8,942)	4,803	4,531	4,795
Retirement benefit obligations	(12)	(18)	(22)	(6)	(16)	(15)
Provisions/accruals	—	(13)	2,382	—	—	—
Financial liability	—	(873)	—	—	—	—
Inventories	(3)	—	(106)	—	—	—
Other items	(4)	—	(4)	6	—	—
Tax losses carried forward	(3,677)	(1,979)	(2,221)	—	(1,091)	(1,274)
Trade debts		—	(695)	(19)	—	—
Deferred tax (assets)/liabilities	(6,186)	(13,545)	(9,608)	4,784	3,424	3,506
Net deferred tax assets	(1,402)	(10,121)	(6,102)			

Deferred tax assets are recognised to the extent that they are expected to unwind as a result of future taxable profits. These deferred tax assets are determined by most recently available projections for the three years ended 31 December 2015. Taxable profits beyond that period are not considered for the purposes of recognising deferred tax assets.

18. Deferred tax (cont.)

Deferred tax impact of movements in temporary differences during the year — 2012

	Balance 1 January 2012 $'000	Foreign exchange $'000	Discontinued operations $'000	Recognised income statement $'000	Balance 31 December 2012 $'000
Tangible assets	(6,131)	17	—	8,427	2,313
Retirement benefit obligations	(34)	1	—	15	(18)
Provisions/accruals	(13)	—	—	13	—
Financial liability	(873)	—	—	873	—
Inventories	—	—	—	(3)	(3)
Other items	—	—	—	2	2
Tax losses carried forward	(3,070)	—	—	(607)	(3,677)
Trade debts	—	—	—	(19)	(19)
	(10,121)	18	—	8,701	(1,402)

Deferred tax impact of movements in temporary differences during the year — 2011

	Balance 1 January 2011 $'000	Foreign exchange $'000	Discontinued operations $'000	Recognised income statement $'000	Balance 31 December 2011 $'000
Tangible assets	(4,147)	(39)	350	(2,295)	(6,131)
Retirement benefit obligations	(37)	(4)	—	7	(34)
Provisions/accruals	2,382	(2)	—	(2,393)	(13)
Financial liability	—	—	—	(873)	(873)
Inventories	(106)	—	—	106	—
Other items	(4)	—	—	4	—
Tax losses carried forward	(3,495)	—	184	241	(3,070)
Trade debts	(695)	—	—	695	—
	(6,102)	(45)	534	(4,508)	(10,121)

Deferred tax impact of movements in temporary differences during the year — 2010

	Balance 1 January 2010 $'000	Foreign exchange $'000	Discontinued operations $'000	Recognised income statement $'000	Balance 31 December 2010 $'000
Tangible assets	(480)	(39)	1,725	(5,353)	(4,147)
Retirement benefit obligations	(2)	—	—	(35)	(37)
Provisions/accruals	(351)	(2)	—	2,735	2,382
Inventories	—	—	—	(106)	(106)
Other items	—	—	—	(4)	(4)
Tax losses carried forward	(1,839)	—	—	(1,656)	(3,495)
Trade debts	(46)	—	(708)	59	(695)
	(2,718)	(41)	1,017	(4,360)	(6,102)

18. Deferred tax (cont.)

Unrecognised deferred tax asset

As at 31 December 2012

Deferred tax assets have not been recognised in respect of the following items:

	2012 $'000
– Deductible temporary differences	6,027
– Tax losses	2,144
	8,171

19. Inventories

	2012 $'000	2011 $'000	2010 $'000
Raw materials and consumables	8,962	12,212	11,817
Work in progress	486	4,128	2,652
Stock in transit	906	1,001	3,719
Finished products for resale	667	3,969	4,969
	11,021	21,310	23,157

20. Trade and other receivables

	2012 $'000	2011 $'000	2010 $'000
Trade receivables	37,202	46,800	42,382
Amounts owed by joint ventures	10	10	10
Prepayments and accrued income	8,415	5,561	5,160
Deposits and advances	2,981	654	2,019
Other receivables	6,018	8,186	8,264
Amounts falling due within one year	54,626	61,211	57,835
Amounts falling due after one year	—	—	27
	54,626	61,211	57,862

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 26. Under the normal course of business, the Group does not charge interest on its overdue receivables. Management consider that the carrying amount of trade and other receivables approximate to their fair value.

21. Share capital

	2012 $'000	2011 $'000	2010 $'000
Authorised			
199,960,294 (2011: 199,960,294, 2010: 199,960,294) Ordinary shares of £0.01 each	3,917	3,917	3,917
39,706 (2011: 39,706, 2010: 39,706) A Ordinary shares of £0.01 each	1	1	1
8,668 (2011: 8,668, 2010: 8,668) Ordinary B shares of £0.01 each	—	—	—
	3,918	3,918	3,918
Allotted, called-up and fully paid			
70,588 (2011: 70,588, 2010: 70,588) Ordinary shares of £0.01 each	1	1	1
39,706 (2011: 39,706, 2010: 36,368) A Ordinary shares of £0.01 each	1	1	1
8,668 (2011: 8,668, 2010: 8,668) Ordinary B shares of £0.01 each	—	—	—
Equity share capital	2	2	2
Non-equity investment — A Ordinary shares	57,352	52,571	49,801

A Ordinary shares

On 26 September 2009, the Company issued 29,752 A Ordinary shares and options to purchase 3,342 A Ordinary shares for aggregate gross proceeds of $45,000,000. In conjunction with the same transaction, 6,612 of Ordinary shares were re-designated as A Ordinary shares and were sold for $10,000,000 by an existing investor to the new investors of A Ordinary shares. The options had an aggregate exercise price of $3,225,000 and an expiration date of one year from the issuance date of the 2009 audited accounts. The options were exercised on 18 February 2011, prior to exercise such options were measured at fair value through profit and loss at each reporting date.

The A Ordinary shares also carry an entitlement to a non-discretionary cumulative dividend of 10% of the principal amount issued. Such dividends are payable on 30 June each year for the first five years from the date of issuance, being 26 September 2009 with payment being deferred and accrued at the Company's discretion each year. The A Ordinary shares may be redeemed at the issue price at any time after 30 September 2016 at the option of either the holder or the Company. The A Ordinary shares may also be redeemed by the holder on demand in the event that the Group's lenders seek to enforce repayment of the Group's borrowings as a result of a breach of any loan covenants. The A Ordinary shares are also convertible at the option of the holder on a one for one basis into ordinary shares at any time. The A Ordinary shares represent a compound financial liability and the options, as they related to a financial liability in the A Ordinary shares, represent a derivative financial liability.

At the date of issue of the A Ordinary shares the fair value of the liability component was estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount was recorded as a liability on an amortised cost basis using the effective interest rate method. The equity component of the A Ordinary shares, determined by deducting the amount of the liability component from the proceeds allocated to the A Ordinary shares upon issuance, was recognised and included in equity.

Ordinary B shares

In 2010 8,668 Ordinary B shares of £0.01 each were issued at par. These shares have full voting rights, except there are no voting rights if there is a proposal for winding-up, resolution for a reduction in capital or rights attaching to the A Ordinary shares: or an event defined in the Memorandum and Articles of Association of the Company has occurred and is continuing unremedied or unwaived. There is no dividend entitlement.

Table of Contents

22. Share premium account

	2012 $'000	2011 $'000	2010 $'000
As at 1 January and at 31 December	2,468	2,468	2,468

23. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 26.

	2012 $'000	2011 $'000	2010 $'000
Non-current liabilities			
Secured bank borrowings	—	169,414	—
Shareholder loans	—	3,300	—
Obligations under hire-purchase contracts	392	823	1,257
	392	173,537	1,257
Current liabilities			
Secured bank loan and overdraft	174,327	—	166,339
Shareholder loans	6,309	—	1,800
Obligations under hire-purchase contracts	568	826	1,870
	181,204	826	170,009
Total loans and borrowings	181,596	174,363	171,266
Amount due for settlement within 12 months	181,204	826	170,009
Amount due for settlement after 12 months	392	173,537	1,257

The bank loans and overdraft are secured by a bond and floating charge over certain assets of the Group. In addition, the bank holds a cross-guarantee over all sums, incorporating rights of offset between certain Group companies.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2012		31 December 2011		31 December 2010	
	Currency	Nominal interest rate	Date of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Revolving credit facility	US Dollar	US LIBOR +2.5% –6%	30/09/2013	125,000	174,327	172,350	169,414	168,000	166,312
Bank overdraft	Trinidadian Dollar	Prime lending rate +2%	31/12/2011	—	—	—	—	27	27
Shareholder loans	US Dollar	—	—	—	—	—	—	1,800	1,800
Shareholder loans	US Dollar	10%	—	6,309	6,309	3,300	3,300	—	—
				131,309	180,636	175,650	172,714	169,827	168,139

The Group's ongoing banking facilities were amended in December 2011 and included an extension of the scheduled maturity date to 30 September 2013 (previously 31 August 2012), an increase in the applied interest margin and agreement to a further arrangement fee of $3,062,500, being 1.75% of total facilities.

Table of Contents

23. Loans and borrowings (cont.)

The interest margin on the revised facilities varies according to the overall debt leverage. A margin of 6% over US LIBOR is payable if the leverage covenant (being the ratio of EBITDA/bank borrowings) is greater than 4.00 and a reducing scale applies if the ratio falls below this level.

The Group breached certain bank covenants in September 2012 and advised the lenders on 18 October 2012. On 2 November 2012, following disclosure of the covenant breaches, Lime Rock Partners, holder of the A Ordinary shares, issued a liquidity request to the board of directors. As a result the A Ordinary shares (Note 21) are due and payable and are presented as a current liability at 31 December 2012. In November 2012, the board appointed a corporate restructuring officer, as requested by the Group's lenders.

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2012 $'000	Interest 2012 $'000	Present value of minimum lease payments 2012 $'000	Future minimum lease payments 2011 $'000	Interest 2011 $'000	Present value of minimum lease payments 2011 $'000	Future minimum lease payments 2010 $'000	Interest 2010 $'000	Present value of minimum lease payments 2010 $'000
Less than one year	588	20	568	836	10	826	1,965	95	1,870
Between one and five years	447	55	392	913	90	823	1,330	73	1,257
	1,035	75	960	1,749	100	1,649	3,295	168	3,127

24. Other creditors due after more than one year

	2012 $'000	2011 $'000	2010 $'000
Other creditors more than one year	—	—	250

25. Other payables

	2012 $'000	2011 $'000	2010 $'000
Other tax and social security	5,090	2,716	1,003
Other payables	9,513	4,799	3,488
Shareholder loans	6,309	—	1,800
Accruals	31,347	27,541	18,456
	52,259	35,056	24,747

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

Management consider that the carrying amount of trade and other payables approximates to their fair value.

Accruals include $19,872,000 (2011: $13,238,000, 2010: $7,035,000) in respect of dividends on A Ordinary shares.

26. Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy is to hedge exposures wherever practicable in order to minimise any potential adverse impact on the Group's financial performance.

Risk management is carried out by the Group management. Group management, together with the Group's business units identify, evaluate and where appropriate, hedge financial risks. The Group's management cover specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and investment of excess cash.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currencies. The Group also has a number of subsidiary companies whose revenue and expenses are denominated in currencies other than the US Dollar. In order to protect the Group's balance sheet from movements in exchange rates, wherever practicable, the Group finances its net investment in non-US Dollar subsidiaries primarily by means of borrowings denominated in the appropriate currency. Other strategies, including the payment of dividends, are used to minimise the amount of net assets exposed to foreign currency revaluation.

The Group monitors the economic and political situation in the countries in which it operates to ensure appropriate action is taken to mitigate any foreign currency exposure.

The Group's main foreign exchange risk primarily relates to movements in the Group's key transactional currencies which are described in this note, to the US Dollar. Movements in those currencies impact the translation of non-dollar profit earned and the translation of non-dollar denominated net assets.

If the average rate of subsidiary functional currencies to the US Dollar had been 10% higher during 2012, post-tax loss for the year would have been $0.7 million lower (2011: $1.1 million lower). If the average rate for non-US Dollar denominated entities had been weakened by 10% during 2012, post-tax loss for the year would have been $0.7 million higher (2011: $1.1 million higher). If the closing rate for non-US Dollar denominated entities was strengthened or weakened by 10% at 31 December 2012, exchange differences in equity would have been $2.7 million (2011: $2.6 million) higher or lower respectively.

26. Financial instruments (cont.)

The carrying amount of the Group's net trade payables were denominated in the following principal currencies:

	2012 $'000	2011 $'000	2010 $'000
US Dollar	11,418	8,876	17,631
Sterling	2,634	2,435	1,913
Indian Rupee	815	793	838
Venezuelan Bolivar	162	60	76
Egyptian Pound	78	48	12
Euro	152	208	1,431
Pakistan Rupee	1,901	1,507	34
Singapore Dollar	77	104	2
Saudi Riyal	138	523	—
Trinidad Dollar	450	300	60
Malaysian Ringgit	544	366	—
Mexican Peso	240	245	156
Peruvian Nuevo Sol	95	221	57
Kazakhstan Tenge	67	196	332
United Arab Emirates Dirham	—	375	219
Colombian Peso	2,112	684	83
Others	44	38	47
Group balance sheet exposure	20,927	16,979	22,891

The following significant exchange rates applied during the year:

	Average rate			Reporting date spot rate		
	2012 $	2011 $	2010 $	2012 $	2011 $	2010 $
Sterling	0.631	0.6236	0.6188	0.6188	0.6471	0.6242
Indian Rupee	53.5269	47.0408	45.2009	54.839	54.4026	45.3348
Iranian Rial	12174.2	10,611.4	10,388	12.285	11,171.7	10,654
Venezuelan Bolivar	4.2997	4.2997	4.2997	4.2997	4.2997	4.2997
Egyptian Pound	6.0677	5.9439	5.8807	6.1663	6.0340	5.9511
Euro	0.7777	0.7189	0.7134	0.7566	0.7723	0.6949
Pakistan Rupee	93.2637	86.3283	84.8002	97.35	89.8769	86.0300
Singapore Dollar	1.2494	1.257	1.2582	1.2238	1.2990	1.2357
Saudi Riyal	3.7502	3.7503	3.7482	3.7504	3.7502	3.7496
Trinidad Dollar	6.25	6.2500	6.2500	6.25	6.2500	6.2500
Malaysian Ringgit	3.087	3.0528	3.2115	3.0512	3.1717	3.1018
Mexican Peso	13.1464	12.4317	11.8840	13.01385	13.9875	11.7838
Peruvian Nuevo Sol	2.6375	2.7540	2.7519	2.5525	2.6963	2.7470
Kazakhstan Tenge	149.098	146.651	144.0390	150.325	147.8960	146.1000
United Arab Emirates Dirham	3.6730	3.6730	3.6724	3.67295	3.6730	3.6728
Colombian Peso	1798.000	1827.49	1877.32	1767.5000	1929.09	1950.47

Credit risk

The Group's credit risk primarily relates to its trade receivables. The amounts presented in the financial statements are net of provisions for doubtful balances. Exposure to credit risk is actively managed by assessing the creditworthiness of individual customers in each operating location. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

26. Financial instruments (cont.)

The Group's major customers are typically national oil companies and large companies which have strong credit ratings assigned by international credit rating agencies. Where a customer does not have sufficiently strong credit ratings, alternative forms of security such as letters of credit may be obtained. The Group has a broad customer base and management believe that no further credit risk provision is required in excess of the provision for impairment of trade receivables.

Management review trade receivables across the Group based on receivable days calculations to assess performance. A table showing trade receivables and receivable days is shown below.

Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is a relevant metric.

	Carrying amount		
	2012 $'000	2011 $'000	2010 $'000
Trade receivables	37,202	46,800	42,382
Cash and cash equivalents	8,345	12,012	8,756
	45,547	58,812	51,138

Financial assets exclude amounts owed by joint ventures, prepayments and accrued income, deposits and advances, other debtors and other non-current receivables.

The carrying amount of the Group's net trade receivables was denominated in the following principal currencies:

	Carrying amount		
	2012 $'000	2011 $'000	2010 $'000
US Dollar	24,945	29,164	24,945
Sterling	3,787	2,990	4,395
Indian Rupee	899	787	1,132
Venezuelan Bolivar	173	688	1,021
Euro	2,953	9,614	9,060
Pakistan Rupee	1,785	1,805	610
Peruvian Nuevo Sol	35	369	—
Trinidad Dollar	424	51	—
Mexican Peso	33	7	—
UAE Dirhams	42	264	82
Kazakhstan Tenge	597	777	795
Colombian Peso	1,104	—	—
Others	425	284	342
	37,202	46,800	42,382

26. Financial instruments (cont.)

The ageing of trade receivables, including amounts falling due after one year, at the reporting date was:

	Gross 2012 $'000	Provision for impairment 2012 $'000	Past due but not impaired $'000	Gross 2011 $'000	Provision for impairment 2011 $'000	Past due but not impaired $'000	Gross 2010 $'000	Provision for impairment 2010 $'000	Past due but not impaired $'000
Current	12,974	—	—	18,458	—	—	15,485	—	—
Accrued income with current date	—	—	—	3,220	—	—	877	—	—
31-60 days	7,883	14	7,869	10,648	—	10,648	11,038	—	11,038
61-90 days	5,808	—	5,808	3,713	—	3,713	5,070	—	5,070
91-120 days	5,733	1	5,732	2,771	36	2,735	2,607	35	2,572
Over 120 days	20,948	16,129	4,819	13,135	5,109	8,026	14,281	6,941	7,340
	53,346	16,144	24,228	51,945	5,145	25,122	49,358	6,976	26,020
Net value of trade receivables		37,202			46,800			42,382	

The average credit period taken on sales is 98 days (2011: 104 days, 2010: 120 days). The provision levels for the various operations are determined by references to past experience and assessment of individual debt recoverability. The provision for impairment at 31 December 2012 includes $8,039,000 related to the cessation of activities in certain Middle Eastern territories.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2012 $'000	2011 $'000	2010 $'000
Balance at 1 January	5,145	6,976	5,004
Foreign exchange movement	2	(6)	3
Net provision created/(released)	10,997	(1,825)	1,969
Balance at 31 December	16,144	5,145	6,976

26. Financial instruments (cont.)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and including the impact of netting agreements:

Non-derivative financial liabilities

2012	Carrying amount $'000	Contractual cash flows $'000	1-6 months $'000	7-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Secured bank loans	174,327	175,027	175,027	—	—	—	—
Finance lease liabilities	960	1,035	308	280	289	158	—
Shareholder loans	6,309	6,309	6,309	—	—	—	—
Trade and other payables	70,284	70,284	70,284	—	—	—	—
	251,880	252,655	251,928	280	289	158	—

2011	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Secured bank loans	169,414	190,838	4,149	4,362	182,327	—	—
Finance lease liabilities	1,649	1,749	465	370	526	388	—
Shareholder loans	3,300	3,944	—	—	3,944	—	—
Trade and other payables	54,866	54,866	54,866	—	—	—	—
	229,229	251,397	59,480	4,732	186,797	388	—

2010	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Secured bank loans and overdraft	166,339	168,339	168,339	—	—	—	—
Finance lease liabilities	3,127	3,295	1,189	776	670	660	—
Shareholder loans	1,800	1,800	—	—	1,800	—	—
Trade and other payables	48,544	48,544	48,294	—	250	—	—
	219,810	221,978	217,822	776	2,720	660	—

Interest rate risk

The Group has interest rate risk arising from its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk.

The Group has no significant interest-bearing assets other than cash and cash equivalents of a working capital nature. Therefore the Group's income and operating cash flows arising from such assets are substantially independent of changes in market interest rates.

The Group monitors its exposure to interest rate risk as part of its overall financial risk management. On 15 November 2010 the Group entered into a three-year swap with a notional principal value of $120 million, effective 20 August 2011. The notional principal amount of the outstanding interest rate swap contract at 31 December 2012 was $Nil (2011: $3,494,000, 2010: $Nil). The fixed interest rate is 1.43% in year one, 1.77% in year two and 2.19% in the final year. Floating rates are linked to US LIBOR plus a lending margin. Gains and losses on the interest rate swap have been accounted for through the income statement.

26. Financial instruments (cont.)

Profile

	Carrying amount		
	2012 $'000	2011 $'000	2010 $'000
Fixed-rate instruments			
Finance leases	960	1,649	3,127
Shareholder loans	6,309	3,300	1,800
Other loans	—	—	27
Financial liability	—	3,494	—
Financial liabilities at 31 December	7,269	8,443	4,954
Variable-rate instruments			
Financial instruments at 31 December	174,327	169,414	166,312

Fair-value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair-value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair-value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair-value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments carried at fair value recognised in the statement of financial position as at 31 December 2011 and 2010 are measured in accordance with Level 2. At 31 December 2012, no fair values are presented due to the circumstances of the Holding Company entering administration on 19 April 2013, as described in Note 2.

Fair-value sensitivity analysis for fixed-rate instruments

Fixed instruments consist of bank borrowings, shareholder loans and finance leases. As these are fixed-rate financial instruments, no sensitivity analysis has been presented.

Cash flow sensitivity analysis for variable-rate instruments

If average interest rates had been 1% higher or lower during 2012, post-tax loss and net assets would have been $1,747,000 higher or lower respectively (2011: $1,745,000, 2010: $1,270,000).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011 and 2010.

26. Financial instruments (cont.)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying amount* 2012 $'000	Carrying amount 2011 $'000	Fair value 2011 $'000	Carrying amount 2010 $'000	Fair value 2010 $'000
Trade receivables	37,202	46,800	46,800	42,382	42,382
Shareholder loans	(6,309)	(3,300)	(3,300)	(1,800)	(1,800)
Cash and cash equivalents	8,345	12,012	12,012	8,756	8,756
Secured bank loans and overdraft	(174,327)	(169,414)	(172,350)	(166,339)	(154,460)
A Ordinary shares	(57,352)	(52,571)	(52,571)	(49,801)	(51,006)
Finance lease liabilities	(960)	(1,649)	(1,602)	(3,127)	(2,882)
Trade and other payables	(30,440)	(21,778)	(21,778)	(26,379)	(26,379)
Interest rate swap	—	(3,494)	(3,494)	106	106
	(223,841)	(193,394)	(196,283)	(196,202)	(185,283)

The fair value of borrowings have been calculated by discounting expected future cash flows at prevailing interest rates.

* No fair values as at 31 December 2012 are presented due to the circumstances of the Holding Company entering administration on 19 April 2013 as described in Note 2.

Interest rates for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the rates applicable to the borrowings at the relevant balance sheet date, and were as follows:

	2012 %	2011 %	2010 %
Loans and borrowings	—	6.3	4.3
Leases	9.7	5.7	10.2

27. Operating lease commitments

	Property		
	2012 $'000	2011 $'000	2010 $'000
Total commitments under non-cancellable operating leases expiring:			
Less than one year	1,143	890	2,948
Between one and five years	4,500	3,597	8,778
More than five years	17,949	12,373	11,603
	23,592	16,860	23,329

	Land		
	2012 $'000	2011 $'000	2010 $'000
Total commitments under non-cancellable operating leases expiring:			
Less than one year	—	187	1,396
Between one and five years	403	668	4,782
More than five years	5,530	6,613	4,352
	5,933	7,468	10,530

27. Operating lease commitments (cont.)

	Other		
	2012 $'000	2011 $'000	2010 $'000
Total commitments under non-cancellable operating leases expiring:			
Less than one year	29	6	348
Between one and five years	1,655	1,938	1,254
More than five years	—	—	200
	1,684	1,944	1,802

28. Contingent liabilities

The Group provides performance bonds and guarantees in the normal course of its business. As at 31 December the value of performance bonds and guarantees issued is as follows:

	2012 $'000	2011 $'000	2010 $'000
Performance bonds and guarantees	3,558	4,215	4,998

The bank loans and overdraft are secured by a bond and floating charge over certain assets of the Group. In addition, the bank holds a cross-guarantee over all sums, incorporating rights of offset between certain Group companies.

The Group is investigating certain of its operations regarding its compliance with potentially applicable international trade and anti-corruption laws, including those of the United Kingdom. Based on the knowledge and information available at this time management does not consider financial loss probable and no provision has been made in these financial statements.

29. Capital commitments

At 31 December 2012 the Group had entered into contracts to purchase property, plant and equipment totalling $3,769,000 (2011: $2,363,000, 2010: $5,373,000) in respect of which delivery and settlement was expected to take place in the following financial year.

30. Events after the balance sheet date

In the period prior to ITS Tubular Services (Holdings) Ltd being placed into administration International Tubulars FZE concluded the cessation of operations in Iran, leaving trapped assets abandoned in Iran. The Group was demonstrably committed to this course of action as at 31 December, and accordingly full provision for impairment of $11,217,000 is included in the financial statements at 31 December 2012 (Note 7).

On the 27 March 2013 ITS Tubular Services (Holdings) Ltd incorporated a 100% subsidiary International Tubular Services (UK) Ltd.

In April 2013, International Tubulars FZE abandoned all operations in Sudan. This course of action was not determined and committed until after 31 December 2012 and the financial statements do not include the costs and write down associated with this decision, estimated to be $2,938,000. Based on the condition and circumstances surrounding the Sudan assets and receivables at 31 December 2012, a provision for impairment of $2,113,000.

30. Events after the balance sheet date (cont.)

On 4 April 2013, the Group concluded the sale of the business and assets of ITS Threading and Manufacturing Inc and ITS Precision Manufacturing Inc to OFS International LLC for $14.9 million. The associated assets and liabilities are classified as held for sale at 31 December 2012 (Note 13).

On 19 April 2013, ITS Tubular Services (Holdings) Limited was placed into Administration.

On 20 April 2013, certain assets of ITS Tubular Services (Holdings) Limited were transferred by the Administrator to International Tubular Services Limited for $88.7 million.

On 22 April 2013, Parker Drilling Company acquired 100% of the issued share capital of International Tubular Services Limited and certain other subsidiaries from ITS Tubular Services (Holdings) Limited for a total sum of $125 million, with $24 million of that being placed in Escrow, contingent on the successful conclusion of a number of post-completion matters.

On 29 April 2013 the ITS Scomi joint venture was dissolved. ITS Scomi PTE Ltd (renamed ITS Energy Services PTE Ltd) and its subsidiaries (being [i] ITS Scomi (Asia Pacific) PTE Ltd now renamed ITS Energy Services (Asia Pacific) PTE Ltd; and [ii] ITS Scomi Sdn Bhd now renamed ITS Energy Services Sdn Bhd) are now 100% owned by International Tubular Services Limited.

On 6 June 2013 a Petition to appoint PwC as interim liquidators of ITS Global Services Ltd was lodged at Aberdeen Sheriff Court.

On 24 June 2013 a Sale & Purchase Agreement was entered into between ITS Tubular Services (Holdings) Ltd (in administration) and Grupo CRB Corp, in respect of the sale of the shares in Servicios ITS Latinamericana S.A., Servicios Internationales Tubular Services S.A., ITS Energy Services Perú S.A., ITS Locação e Serviços Ltda, International Tubular Services (UK) Limited and ITS Energy Services Spain S.L.U. for a consideration of US$6.00. The entities posted a combined after tax net loss of $3,362,436 and net liabilities of $4,911,828 in the year ended 31 Dec 2012. ITS Locação e Serviços Ltda, International Tubular Services (UK) Limited and ITS Energy Services Spain S.L.U. are dormant companies. Grupo CRB Corp is a company controlled by J A Chandler, a director of several ITS Group companies.

31. Restatement of prior periods

The financial statements for each of the years ended 31 December 2011 and 2010 have been restated to give accounting recognition to the issuance of 6,612 A Ordinary shares in September 2009 arising on the redesignation of 6,612 Ordinary shares for a deemed consideration of $10,000,000.

As discussed in Note 21 at that time a further 29,752 A Ordinary shares of $0.01 and warrants to subscribe for a further 3,342 A Ordinary Shares, which were only exercisable in the event that the Group did not meet an EBITDA threshold for the year ended 31 December 2009 were also issued for an aggregate cash consideration of $45,000,000, net of direct issue costs of $1,377,138. The number of A Ordinary shares in issue was increased in February 2011 through exercise of all of the warrants for a total consideration of $3,225,000.

The financial statements for 2011 and 2010 have been restated to reflect a reassessment of the fair value of the debt and equity components of the total consideration of $55,000,000 associated with the A Ordinary Shares, which represent a compound financial instrument. The debt component of the A Ordinary shares has been calculated using a discount rate of 11%, which is deemed to approximate to the cost of an equivalent subordinated debt instrument at the date of issuance in 2009.

31. Restatement of prior periods (cont.)

The impact on the financial statements arising from the restatement is summarised as follows:

	2011				2010			
	As previously reported $'000	Adjustments brought forward from 2010 $'000	Adjustments $'000	As restated $'000	As previously reported $'000	Adjustments brought forward from 2009 $'000	Adjustments $'000	As restated $'000
At 31 December								
Retained earnings	40,278	(13,823)	202	26,657	46,721	(10,000)	(3,823)	32,898
A Ordinary shares (non-current liability)	46,738	6,236	(403)	52,571	43,565	2,413	3,823	49,801
Equity attributable to equity holders of the parent	31,166	(6,235)	403	25,332	40,548	(2,413)	(3,823)	34,312
For the year ended 31 December								
Finance expense	(17,423)	—	209	(17,214)	(14,246)	—	(3,823)	(18,069)
Loss before taxation	(8,041)	—	209	(7,832)	(8,464)	—	(3,823)	(12,287)

The A Ordinary shares were issued in September 2009 and the opening balances as at 1 January 2010 are restated for the initial recognition on the issuance of 6,612 A Ordinary shares in September 2009 arising on the conversion and cancellation of 6,612 Ordinary shares for a deemed consideration of $10,000,000 and recognition of the equity component of 36,364 A Ordinary shares of $7,587,124.

32. Related party transactions

The following balances relate to transactions carried out with Group undertakings:

	Group		
	2012 $'000	2011 $'000	2010 $'000
Receivable from joint venture	10	10	10

During the year, the Group incurred rent of $1,841,000 (2011: $1,737,000, 2010: $1,438,000) to Blue Properties, a partnership jointly owned by a director, R G Kidd and A & E Investments, a company controlled by R G Kidd. Further, the Group purchased inspection services of $313,000 (2011: $314,000, 2010: $262,000) from Independent Inspection Services Inc, a company controlled by R G Kidd. In addition, the Group sold oilfield equipment for $605,000 (2011: $834,000, 2010: $Nil) to Downhole Solutions, a company controlled by R G Kidd. The balance due by ITS Tubular Services (Holdings) Limited to Downhole Solutions at 31 December 2012, amounted to $402,000 (2011: $76,000, 2010: $Nil).

During the year, R G Kidd advanced the Group a 10% loan, totalling $2,607,000 (2011: $1,000,000, 2010: $1,800,000). This is included in loans and borrowings (Note 23). In 2011, Limerock Partners advanced the Group a 10% loan, totalling $500,000, included in loans and borrowings (Note 23). For the advances received from R G Kidd and Limerock, there are no set repayment terms.

Table of Contents

33. Subsidiary undertakings

Related party transactions were effected at arm's length.

Details of investments in which the Group and the Company holds more than 20% of the nominal value of any class of share capital are as follows:

Company	Country of registration or incorporation	Shares held Class	%
International Tubular Services Limited [1]***	Scotland	Ordinary	100
International Tubular Services (Pakistan) Limited [2]***	Scotland	Ordinary	100
ITS Netherlands BV [1]	Netherlands	Ordinary	100
ITS India Private Limited [1]***	India	Ordinary	100
International Tubulars Services- Egypt (ITS Egypt) [1]	Egypt	Ordinary	66
International Tubulars FZE [1]	United Arab Emirates	Ordinary	100
Technology Specialists for Tubes Manufacturing [1]	Iraq	Ordinary	100
International Tubulars (M.E.) W.L.L. [1]	United Arab Emirates	Ordinary	49
ITS Arabia Limited [1]	Saudi Arabia	Ordinary	70
ITS Scomi Pte. Limited [1]*	Singapore	Ordinary	75
ITS Scomi (Asia-Pacific) Ltd. [1]***	Singapore	Ordinary	75
ITS Scomi Sdn Bhd [1]***	Malaysia	Ordinary	25
ITS Indonesia Pte Ltd [1]*	Singapore	Ordinary	100
ITS-Energy Services Cyprus Limited [2]***	Cyprus	Ordinary	100
ITS Energy Services Peru S.A. [2]***	Peru	Ordinary	100
ITS Energy Services, formerly ITS Cayman [1]	Cayman Islands	Ordinary	100
ITS Holdings Inc [2]*	USA	Ordinary	100
ITS Rental & Sales Inc [1]	USA	Ordinary	100
ITS Threading & Manufacturing Inc [3]	USA	Ordinary	100
ITS Precision Manufacturing Inc [3]	USA	Ordinary	100
Servicios ITS Latinamericana S.A. [2]	Venezuela	Ordinary	100
International Tubular Services De Mexico S de Rl de CV [1]	Mexico	Ordinary	100
Servicios de personal ITS S de RL de CV [1]****	Mexico	Ordinary	100
ITS Locação e Serviços Ltda [2]****	Brazil	Ordinary	100
Servicios Internacionales Tubular Services S.A. [2]	Ecuador	Ordinary	100
Shenzhen Weisheng ITS Tubular Equipment Co. Ltd [1]	China	Ordinary	50
ITS Energy Services Ltd, formerly Trinpet- ITS Limited [1]***	Trinidad	Ordinary	100
International Tubular Services Kish (PJSCO) [2]	Iran	Ordinary	100
ITS Energyservices Spain, S.L. [2]	Spain	Ordinary	100
ITS Oilfield Supply Ltd [2]***	Scotland	Ordinary	100
ITS Global Services Ltd [2]** ***	Scotland	Ordinary	100

The Group undertook preliminary steps to establish a joint venture in Indonesia. This entity was never legally formed and the Group reabsorbed certain assets as its intended investment in the joint venture in 2011. In 2012, it was concluded that the joint venture would not proceed and these assets were reclassified as held for sale at 31 December 2012, (Note 13).

The principal activity of all Group companies is the rental, inspection, sale and repair and manufacture of oilfield equipment, with the exception of those marked * which are holding companies, ** which is dormant and **** which are service companies. Companies under direct control of the holding company are marked ***.

1 On 19 April 2013, ITS Tubular Services (Holdings) Limited was placed in administration. On 22 April 2013, PD International Holdings CV acquired certain companies from the administrators.

2 Those companies not acquired by Parker Drilling Company remained subsidiaries of ITS Tubular Services (Holdings) Limited on 22 April 2013, and are under the control of the administrators. These companies are in the process of being sold or wound up. Refer to Note 30 for further details.

34. Control

3 The business and assets of these entities were classified as held for sale at 31 December 2012.

The Group was controlled in the current and previous period, by one of its directors, R G Kidd, by virtue of the controlling interest in the issued share capital. On 19 April 2013, an Administrator was appointed to the ultimate holding company under the terms of the 2006 Companies Act.

Table of Contents

Until , 2014 all dealers that effect transactions in the exchange notes, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.

Parker Drilling Company

Preliminary Prospectus

Offer to Exchange

$225,000,000 7.500% Senior Notes due 2020
which have been registered under
the Securities Act of 1933

for any and all outstanding

$225,000,000 unregistered
7.500% Senior Notes due 2020
issued on July 30, 2013

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers

Section 145 of the General Corporation Law of the State of Delaware empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. A Delaware corporation may indemnify directors, officers, employees and other agents of such corporation in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the person to be indemnified has been adjudged to be liable to the corporation. Where a director, officer, employee or agent of the corporation is successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above or in defense of any claim, issue or matter therein, the corporation must indemnify such person against the expenses (including attorneys' fees) which he or she actually and reasonably incurred in connection therewith.

The By-laws of Parker Drilling Company contain provisions that provide for indemnification of officers and directors to the fullest extent permitted by, and in the manner permissible under, the General Corporation Law of the State of Delaware.

As permitted by Section 102(b)(7) of the General Corporation Law of the State of Delaware, Parker Drilling Company's Certificate of Incorporation contains a provision eliminating the personal liability of a director to Parker Drilling Company or its stockholders for monetary damages for breach of fiduciary duty as a director, subject to certain exceptions.

Parker Drilling Company has entered into indemnification agreements with certain of its officers and directors that provide for indemnification of such officers and directors to the fullest extent permitted by, and in the manner permissible under, the General Corporation Law of the State of Delaware.

Parker Drilling Company maintains policies insuring its officers and directors against certain civil liabilities, including liabilities under the Securities Act.

Pursuant to the registration rights agreement, Parker Drilling Company has agreed to indemnify holders of the private notes against certain liabilities. Also pursuant to the registration rights agreement, Parker Drilling Company and certain broker-dealers, including certain persons associated with such broker-dealers, have agreed to indemnify each other against certain liabilities.

Table of Contents

Item 21. ***Exhibits and Financial Statement Schedules***

(a) Exhibits

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Parker Drilling Company, as amended on May 16, 2007 (incorporated by reference to Exhibit 3.1 to Parker Drilling Company's Quarterly Report on Form 10-Q filed on November 9, 2007).
3.2	Parker Drilling Company By-Laws, effective as amended March 11, 2011 (incorporated by reference to Exhibit 3.2 to Parker Drilling Company's Current Report on Form 8-K filed on March 16, 2011).
4.1	Indenture, dated March 22, 2010, among Parker Drilling Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 22, 2010).
4.2	First Supplemental Indenture, dated June 21, 2013, among Parker Drilling Company, as Guarantor and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2013).
4.3	Form of 9.125% Senior Note due 2018 (incorporated by reference to Exhibit 4.1 to Parker Drilling Company's Current Report on Form 8-K filed on March 22, 2010).
4.4	Registration Rights Agreement, dated March 22, 2010, by and among Parker Drilling Company, the guarantors named therein, Bank of America Securities LLC, RBS Securities Inc., Barclays Capital Inc., Credit Suisse Securities (USA), Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., Natixis Bleichroeder LLC and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 22, 2010).
4.5	Indenture, dated July 30, 2013, among Parker Drilling Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Parker Drilling Company's Current Report on Form 8-K filed on July 31, 2013).
4.6	Form of 7.500% Senior Note due 2020 (incorporated by reference to Exhibit 4.1 to Parker Drilling Company's Current Report on Form 8-K filed on July 31, 2013).
4.7	Registration Rights Agreement, dated as of July 30, 2013, among Parker Drilling Company, the guarantors named therein and the initial purchasers named therein (incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K, filed on July 31, 2013).
5.1*	Opinion of Baker Botts L.L.P.
5.2*	Opinion of Conner & Winters LLP.
5.3*	Opinion of Greenberg Traurig LLP.
5.4*	Opinion of Jones Walker LLP.
10.1	Amended and Restated Credit Agreement dated as of December 14, 2012, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, the several banks and other financial institutions or entities from time to time parties thereto, NATIXIS, New York Branch, Wells Fargo Bank, N.A., and Whitney Bank as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Sole Lead Arranger and Book Manager (incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Annual Report on Form 10-K filed on March 1, 2013).
10.2	First Amendment to Amended and Restated Credit Agreement, dated as of July 19, 2013, among Parker Drilling Company, as Borrower, certain Subsidiaries of the Borrower, as Guarantors, the Lenders party thereto, and Bank of America N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to Parker Drilling Company's Current Report on Form 8-K filed on July 22, 2013).

Exhibit Number	Description
10.3	Parker Drilling Company Incentive Compensation Plan, dated December 17, 2008, and as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10(b) to Parker Drilling Company's Annual Report on Form 10-K filed on March 2, 2009).
10.4	Parker Drilling Company Incentive Compensation Plan (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.4 to Parker Drilling Company's Annual Report on Form 10-K filed on March 1, 2011).
10.5	Parker Drilling 2005 Long Term Incentive Plan 2005 LTIP (incorporated by reference to Annex E to Parker Drilling Company's Definitive Proxy Statement filed on March 25, 2005).
10.6	Amendment No. 1 to the Parker Drilling Company 2005 LTIP (incorporated by reference to Annex B to Parker Drilling Company's Definitive Proxy Statement filed on March 21, 2008).
10.7	Amendment No. 2 to the Parker Drilling Company 2005 LTIP (incorporated by reference to Exhibit 10(j) to Parker Drilling Company's Annual Report on Form 10-K filed on March 2, 2009).
10.8	Form of Parker Drilling Company Restricted Stock Agreement under the 2005 LTIP (incorporated by reference to Exhibit 10.2 to Parker Drilling Company's Current Report on Form 8-K filed on May 3, 2005).
10.9	Form of Parker Drilling Company Performance Based Restricted Stock Agreement under the 2005 LTIP (incorporated by reference to Exhibit 10.3 to Parker Drilling Company's Current Report on Form 8-K filed on May 3, 2005).
10.10	Parker Drilling Company 2010 Long-Term Incentive Plan, as amended and restated as of May 8, 2013 (incorporated be reference to Appendix A to Parker Drilling's Definitive Proxy Statement filed on March 28, 2013).
10.11	Form of Indemnification Agreement entered into between Parker Drilling Company and each director and executive officer of Parker Drilling Company (incorporated by reference to Exhibit 10(g) to Parker Drilling's Annual Report on Form 10-K filed on March 20, 2003).
10.12	Employment Agreement between Mr. Robert L. Parker, Jr. and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.1 to Parker Drilling's Current Report on Form 8-K filed on March 25, 2011).
10.13	First Amendment dated August 29, 2011 to First Amended and Restated Employment Agreement between Mr. Robert L. Parker Jr. and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.1 to Parker Drilling's Current Report on Form 8-K filed on August 30, 2011).
10.14	Retirement and Separation Agreement, dated November 1, 2013, between Parker Drilling Company and Robert L. Parker, Jr. (incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K filed on November 4, 2013).
10.15	Employment Agreement, dated as of September 17, 2012, by and between Parker Drilling Company and Gary Rich (incorporated by reference to Exhibit 10.1 to Parker Drilling's Current Report on Form 8-K filed on September 24, 2012).
10.16	Form of Restricted Stock Unit Incentive Agreement between Parker Drilling Company and Gary Rich (incorporated by reference to Exhibit 10.2 to Parker Drilling's Current Report on Form 8-K filed on September 24, 2012).
10.17	Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.2 to Parker Drilling's Current Report on Form 8-K filed on March 25, 2011).

Exhibit Number	Description
10.18	First Amendment dated August 29, 2011 to Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.4 to Parker Drilling's Current Report on Form 8-K filed on August 30, 2011)..
10.19	Employment Agreement dated May 3, 2013 between Parker Drilling Company and Christopher Weber (incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K filed on May 14, 2013).
10.20	Form of Restricted Stock Unit Incentive Agreement between Parker Drilling Company and Christopher Weber (incorporated by reference to Exhibit 10.2 to Parker Drilling Company's Current Report on Form 8-K filed on May 14, 2013).
10.21	Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr. dated April 12, 2006 (incorporated by reference to Exhibit 10.1 to Parker Drilling's Current Report on Form 8-K filed on April 12, 2006).
10.22	Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr., effective as of May 1, 2008. (incorporated by reference to Exhibit 10(t) to Parker Drilling's Annual Report on Form 10-K filed on March 2, 2009).
10.23	Second Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr., dated May 1, 2009 (incorporated by reference to Exhibit 10(n)(3) to Parker Drilling's Annual Report on Form 10-K filed on March 3, 2010).
10.24	Third Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr. dated May 1, 2010. (incorporated by reference to Exhibit 10.28 to Parker Drilling's Annual Report on Form 10-K filed on March 1, 2011).
10.25	Termination of Split Dollar Life Insurance Agreement between Parker Drilling Company, Robert L. Parker Sr., and Robert L. Parker Sr. and Catherine M. Parker Family Trust dated April 12, 2006 (incorporated by reference to Exhibit 10.2 to Parker Drilling's Current Report on Form 8-K filed on April 12, 2006).
10.26	Sale and Purchase Agreement, dated April 22, 2013, among ITS Tubular Services (Holdings) Limited, as Seller, Ian David Green, John Bruce Cartwright and Graham Douglas Frost, as joint administrators of the Seller, ITS Holdings, Inc. and PD International Holdings C.V., Parker Drilling Offshore Corporation and Parker Drilling Company (incorporated by reference to Exhibit 2.1 to Parker Drilling Company's Current Report on Form 8-K filed on April 23, 2013).
12.1*	Computation of Ratio of Earnings to Fixed Charges.
21.1	Significant Subsidiaries of Parker Drilling Company (incorporated by reference to Exhibit 21 to Parker Drilling's Annual Report on Form 10-K filed on March 1, 2013).
23.1*	Consent of KPMG LLP.
23.2*	Consent of Deloitte LLP.
23.3*	Consent of Baker Botts L.L.P. (included in their opinion filed as Exhibit 5.1).
24.1*	Power of attorney.
25.1*	Form T-1 Statement of Eligibility Under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A.
99.1*	Form of Letter of Transmittal.
99.2*	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees.
99.3*	Form of Broker's Letter to Clients.

* Filed herewith.

Table of Contents

(b) Financial Statement Schedules

PARKER DRILLING COMPANY AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

Classifications	Balance at beginning of year	Charged to cost and expenses	Charged to other accounts	Deductions	Balance at end of year
Year ended December 31, 2012					
Allowance for doubtful accounts and notes	$ 1,544	$ 4,264	$ 3,195	$ (886)	$ 8,117
Allowance for obsolete rig materials and supplies	$ 316	—	$ —	$ (4)	$ 312
Deferred tax valuation allowance	$ 6,467	$ (1,662)	$ —	$ —	$ 4,805
Year ended December 31, 2011					
Allowance for doubtful accounts and notes	$ 7,020	$ 2,258	$(2,034)	$ (5,700)	$ 1,544
Allowance for obsolete rig materials and supplies	$ 309	$ 26	$ —	$ (19)	$ 316
Deferred tax valuation allowance	$ 5,532	$ 2,542	$(1,607)	$ —	$ 6,467
Year ended December 31, 2010					
Allowance for doubtful accounts and notes	$ 4,095	$ 3,244	$ (211)	$ (108)	$ 7,020
Allowance for obsolete rig materials and supplies	$ —	$ 309	$ —	$ —	$ 309
Deferred tax valuation allowance	$ 5,194	$ 338	$ —	$ —	$ 5,532

Item 22. ***Undertakings***

1. (a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than

registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, each undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) Each undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, each registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(8) Each undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(9) Each undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on January 23, 2014.

PARKER DRILLING COMPANY

By: /S/ CHRISTOPHER T. WEBER
Name: Christopher T. Weber
Title: Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities indicated on January 23, 2014.

Signature	Title
* Gary G. Rich	President, Chief Executive Officer and Director (*Principal Executive Officer*)
/S/ CHRISTOPHER T. WEBER Christopher T. Weber	Senior Vice President and Chief Financial Officer (*Principal Financial Officer*)
* Philip A. Schlom	Corporate Controller (*Principal Accounting Officer*)
* Robert L. Parker Jr.	Executive Chairman of the Board
* Jonathan M. Clarkson	Director
* George J. Donnelly	Director
* Robert W. Goldman	Director
* Gary R. King	Director
* Richard D. Paterson	Director
* Roger B. Plank	Director

Table of Contents

Signature	Title
* R. Rudolph Reinfrank	Director
* Peter C. Wallace	Director

*By: /s/ Christopher T. Weber
Name: Christopher T. Weber
Title: Attorney-in-Fact

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on January 23, 2014.

ANACHORETA, INC.

ITS RENTAL AND SALES, INC.

PARDRIL, INC.

PARKER AVIATION, INC.

PARKER DRILLING ARCTIC OPERATING, INC.

PARKER DRILLING COMPANY NORTH AMERICA, INC.

PARKER DRILLING COMPANY OF NIGER

PARKER DRILLING COMPANY OF OKLAHOMA, INCORPORATED

PARKER DRILLING COMPANY OF SOUTH AMERICA, INC.

PARKER DRILLING MANAGEMENT SERVICES, INC.

PARKER DRILLING OFFSHORE CORPORATION

PARKER NORTH AMERICA OPERATIONS, INC.

PARKER TECHNOLOGY, INC.

By: /S/ DAVID W. TUCKER
Name: David W. Tucker
Title: Vice President and Treasurer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities indicated on January 23, 2014.

Signature	Title
/s/ GARY G. RICH Gary G. Rich	President and Director (*Principal Executive Officer*)
/s/ DAVID W. TUCKER David W. Tucker	Vice President and Treasurer (*Principal Financial and Accounting Officer*)
/s/ CHRISTOPHER T. WEBER Christopher T. Weber	Vice President and Director

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on January 23, 2014.

PARKER TECHNOLOGY, L.L.C.

PARKER TOOLS, LLC

PARKER-VSE, LLC

QUAIL USA, LLC

By: /S/ DAVID W. TUCKER
Name: David W. Tucker
Title: Vice President and Treasurer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities indicated on January 23, 2014.

Signature	Title
/s/ GARY G. RICH Gary G. Rich	President and Manager (*Principal Executive Officer*)
/s/ DAVID W. TUCKER David W. Tucker	Vice President and Treasurer (*Principal Financial and Accounting Officer*)
/s/ CHRISTOPHER T. WEBER Christopher T. Weber	Vice President and Manager

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on January 23, 2014.

PARKER DRILLING OFFSHORE USA, L.L.C.

By: /S/ DAVID W. TUCKER
Name: David W. Tucker
Title: Vice President and Treasurer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities indicated on January 23, 2014.

Signature	Title
/s/ GARY G. RICH Gary G. Rich	President and Director of Parker Drilling Offshore Corporation, its sole member (*Principal Executive Officer*)
/s/ DAVID W. TUCKER David W. Tucker	Vice President and Director of Parker Drilling Offshore Corporation, its sole member (*Principal Financial and Accounting Officer*)
/s/ CHRISTOPHER T. WEBER Christopher T. Weber	Vice President and Director of Parker Drilling Offshore Corporation, its sole member

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on January 23, 2014.

QUAIL TOOLS, L.P.

By: Quail USA, LLC, its general partner

By: /S/ DAVID W. TUCKER
Name: David W. Tucker
Title: Vice President and Treasurer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities indicated on January 23, 2014.

Signature	Title
/s/ GARY G. RICH Gary G. Rich	President and Director of Parker Drilling Offshore Corporation, the sole member of Quail USA, LLC, its general partner (*Principal Executive Officer*)
/s/ DAVID W. TUCKER David W. Tucker	Vice President and Treasurer of Parker Drilling Offshore Corporation, the sole member of Quail USA, LLC, its general partner (*Principal Financial and Accounting Officer*)
/s/ CHRISTOPHER T. WEBER Christopher T. Weber	Vice President and Director of Parker Drilling Offshore Corporation, the sole member of Quail USA, LLC, its general partner

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Parker Drilling Company, as amended on May 16, 2007 (incorporated by reference to Exhibit 3.1 to Parker Drilling Company's Quarterly Report on Form 10-Q filed on November 9, 2007).
3.2	Parker Drilling Company By-Laws, effective as amended March 11, 2011 (incorporated by reference to Exhibit 3.2 to Parker Drilling Company's Current Report on Form 8-K filed on March 16, 2011).
4.1	Indenture, dated March 22, 2010, among Parker Drilling Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 22, 2010).
4.2	First Supplemental Indenture, dated June 21, 2013, among Parker Drilling Company, as Guarantor and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2013).
4.3	Form of 9.125% Senior Note due 2018 (incorporated by reference to Exhibit 4.1 to Parker Drilling Company's Current Report on Form 8-K filed on March 22, 2010).
4.4	Registration Rights Agreement, dated March 22, 2010, by and among Parker Drilling Company, the guarantors named therein, Bank of America Securities LLC, RBS Securities Inc., Barclays Capital Inc., Credit Suisse Securities (USA), Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., Natixis Bleichroeder LLC and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 22, 2010).
4.5	Indenture, dated July 30, 2013, among Parker Drilling Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Parker Drilling Company's Current Report on Form 8-K filed on July 31, 2013).
4.6	Form of 7.500% Senior Note due 2020 (incorporated by reference to Exhibit 4.1 to Parker Drilling Company's Current Report on Form 8-K filed on July 31, 2013).
4.7	Registration Rights Agreement, dated as of July 30, 2013, among Parker Drilling Company, the guarantors named therein and the initial purchasers named therein (incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K, filed on July 31, 2013).
5.1*	Opinion of Baker Botts L.L.P.
5.2*	Opinion of Conner & Winters LLP.
5.3*	Opinion of Greenberg Traurig LLP.
5.4*	Opinion of Jones Walker LLP.
10.1	Amended and Restated Credit Agreement dated as of December 14, 2012, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, the several banks and other financial institutions or entities from time to time parties thereto, NATIXIS, New York Branch, Wells Fargo Bank, N.A., and Whitney Bank as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Sole Lead Arranger and Book Manager (incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Annual Report on Form 10-K filed on March 1, 2013).
10.2	First Amendment to Amended and Restated Credit Agreement, dated as of July 19, 2013, among Parker Drilling Company, as Borrower, certain Subsidiaries of the Borrower, as Guarantors, the Lenders party thereto, and Bank of America N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to Parker Drilling Company's Current Report on Form 8-K filed on July 22, 2013).
10.3	Parker Drilling Company Incentive Compensation Plan, dated December 17, 2008, and as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10(b) to Parker Drilling Company's Annual Report on Form 10-K filed on March 2, 2009).

Exhibit Number	Description
10.4	Parker Drilling Company Incentive Compensation Plan (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.4 to Parker Drilling Company's Annual Report on Form 10-K filed on March 1, 2011).
10.5	Parker Drilling 2005 Long Term Incentive Plan 2005 LTIP (incorporated by reference to Annex E to Parker Drilling Company's Definitive Proxy Statement filed on March 25, 2005).
10.6	Amendment No. 1 to the Parker Drilling Company 2005 LTIP (incorporated by reference to Annex B to Parker Drilling Company's Definitive Proxy Statement filed on March 21, 2008).
10.7	Amendment No. 2 to the Parker Drilling Company 2005 LTIP (incorporated by reference to Exhibit 10(j) to Parker Drilling Company's Annual Report on Form 10-K filed on March 2, 2009).
10.8	Form of Parker Drilling Company Restricted Stock Agreement under the 2005 LTIP (incorporated by reference to Exhibit 10.2 to Parker Drilling Company's Current Report on Form 8-K filed on May 3, 2005).
10.9	Form of Parker Drilling Company Performance Based Restricted Stock Agreement under the 2005 LTIP (incorporated by reference to Exhibit 10.3 to Parker Drilling Company's Current Report on Form 8-K filed on May 3, 2005).
10.10	Parker Drilling Company 2010 Long-Term Incentive Plan, as amended and restated as of May 8, 2013 (incorporated be reference to Appendix A to Parker Drilling's Definitive Proxy Statement filed on March 28, 2013).
10.11	Form of Indemnification Agreement entered into between Parker Drilling Company and each director and executive officer of Parker Drilling Company (incorporated by reference to Exhibit 10(g) to Parker Drilling's Annual Report on Form 10-K filed on March 20, 2003).
10.12	Employment Agreement between Mr. Robert L. Parker, Jr. and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.1 to Parker Drilling's Current Report on Form 8-K filed on March 25, 2011).
10.13	First Amendment dated August 29, 2011 to First Amended and Restated Employment Agreement between Mr. Robert L. Parker Jr. and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.1 to Parker Drilling's Current Report on Form 8-K filed on August 30, 2011).
10.14	Retirement and Separation Agreement, dated November 1, 2013, between Parker Drilling Company and Robert L. Parker, Jr. (incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K filed on November 4, 2013).
10.15	Employment Agreement, dated as of September 17, 2012, by and between Parker Drilling Company and Gary Rich (incorporated by reference to Exhibit 10.1 to Parker Drilling's Current Report on Form 8-K filed on September 24, 2012).
10.16	Form of Restricted Stock Unit Incentive Agreement between Parker Drilling Company and Gary Rich (incorporated by reference to Exhibit 10.2 to Parker Drilling's Current Report on Form 8-K filed on September 24, 2012).
10.17	Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.2 to Parker Drilling's Current Report on Form 8-K filed on March 25, 2011).
10.18	First Amendment dated August 29, 2011 to Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.4 to Parker Drilling's Current Report on Form 8-K filed on August 30, 2011).
10.19	Employment Agreement dated May 3, 2013 between Parker Drilling Company and Christopher Weber (incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K filed on May 14, 2013).

Table of Contents

Exhibit Number	Description
10.20	Form of Restricted Stock Unit Incentive Agreement between Parker Drilling Company and Christopher Weber (incorporated by reference to Exhibit 10.2 to Parker Drilling Company’s Current Report on Form 8-K filed on May 14, 2013).
10.21	Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr. dated April 12, 2006 (incorporated by reference to Exhibit 10.1 to Parker Drilling’s Current Report on Form 8-K filed on April 12, 2006).
10.22	Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr., effective as of May 1, 2008. (incorporated by reference to Exhibit 10(t) to Parker Drilling’s Annual Report on Form 10-K filed on March 2, 2009).
10.23	Second Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr., dated May 1, 2009 (incorporated by reference to Exhibit 10(n)(3) to Parker Drilling’s Annual Report on Form 10-K filed on March 3, 2010).
10.24	Third Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr. dated May 1, 2010. (incorporated by reference to Exhibit 10.28 to Parker Drilling’s Annual Report on Form 10-K filed on March 1, 2011).
10.25	Termination of Split Dollar Life Insurance Agreement between Parker Drilling Company, Robert L. Parker Sr., and Robert L. Parker Sr. and Catherine M. Parker Family Trust dated April 12, 2006 (incorporated by reference to Exhibit 10.2 to Parker Drilling’s Current Report on Form 8-K filed on April 12, 2006).
10.26	Sale and Purchase Agreement, dated April 22, 2013, among ITS Tubular Services (Holdings) Limited, as Seller, Ian David Green, John Bruce Cartwright and Graham Douglas Frost, as joint administrators of the Seller, ITS Holdings, Inc. and PD International Holdings C.V., Parker Drilling Offshore Corporation and Parker Drilling Company (incorporated by reference to Exhibit 2.1 to Parker Drilling Company’s Current Report on Form 8-K filed on April 23, 2013).
12.1*	Computation of Ratio of Earnings to Fixed Charges.
21.1	Significant Subsidiaries of Parker Drilling Company (incorporated by reference to Exhibit 21 to Parker Drilling’s Annual Report on Form 10-K filed on March 1, 2013).
23.1*	Consent of KPMG LLP.
23.2*	Consent of Deloitte LLP.
23.3*	Consent of Baker Botts L.L.P. (included in their opinion filed as Exhibit 5.1).
24.1*	Power of attorney.
25.1*	Form T-1 Statement of Eligibility Under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A.
99.1*	Form of Letter of Transmittal.
99.2*	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees.
99.3*	Form of Broker’s Letter to Clients.

* Filed herewith.

EXHIBIT 5.1

ONE SHELL PLAZA
910 LOUISIANA
HOUSTON, TEXAS
77002-4995
TEL +1 713.229.1234
FAX +1 713.229.1522
BakerBotts.com

ABU DHABI
AUSTIN
BEIJING
BRUSSELS
DALLAS
DUBAI
HONG KONG
HOUSTON
LONDON
MOSCOW
NEW YORK
PALO ALTO
RIO DE JANEIRO
RIYADH
WASHINGTON

January 23, 2014

Parker Drilling Company
5 Greenway Plaza, Suite 100
Houston, Texas 77046

Ladies and Gentlemen:

As set forth in the Registration Statement on Form S-4 (the "Registration Statement") of Parker Drilling Company, a Delaware corporation (the "Company"), and certain of the Company's subsidiaries, filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the registration under the Act of (i) the offering and issuance of $225.0 million aggregate principal amount of the Company's 7.500% Senior Notes due 2020 (the "Exchange Notes"), to be offered by the Company in exchange (the "Exchange Offer") for a like principal amount of the Company's issued and outstanding 7.500% Senior Notes due 2020 (the "Private Notes") and (ii) the guarantees (the "Guarantees") of certain subsidiaries of the Company listed in the Registration Statement as guarantors (the "Subsidiary Guarantors") of the Exchange Notes and the Private Notes, certain legal matters in connection with the Exchange Notes are being passed upon for the Company and the Subsidiary Guarantors by us. The Exchange Notes are to be issued under an Indenture, dated as of July 30, 2013 (the "Indenture"), among the Company, the Subsidiary Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). At your request, this opinion is being furnished to you for filing as Exhibit 5.1 to the Registration Statement.

In our capacity as your counsel in the connection referred to above, we have examined (i) the Restated Certificate of Incorporation of the Company, as amended to date, and the Bylaws of the Company, as amended to date, (ii) the Certificate of Incorporation, Certificate of Formation or Certificate of Limited Partnership and the Bylaws, Limited Liability Company Agreement or Limited Partnership Agreement, as applicable, each as amended to date, of each of the Subsidiary Guarantors, (iii) the Indenture, (iv) the Registration Statement, (v) the originals, or copies certified or otherwise identified, of corporate records of the Company and the Subsidiary Guarantors and (vi) certificates of public officials and of representatives of the Company and the Subsidiary Guarantors, statutes and other instruments and documents as a basis for the opinions hereinafter expressed.

In giving this opinion, we have relied, to the extent we deemed appropriate, on certificates of officers of the Company and the Subsidiary Guarantors and of public officials with respect to the accuracy of the material factual matters contained in such certificates and we have assumed, without independent investigation, that all signatures on documents we have examined are genuine, all documents submitted to us as originals are authentic, all documents submitted to us as certified or photostatic copies of original documents conform to the original documents and all these original documents are authentic, and all information submitted to us was accurate and complete.

In connection with this opinion, we have assumed that (i) the Registration Statement, and any amendments thereto (including post-effective amendments), will have become effective under the Act; (ii) the Indenture will have been qualified under the Trust Indenture Act of 1939, as amended, and (iii) the Exchange Notes will have been duly executed, authenticated and delivered in accordance with the provisions of the Indenture and issued in exchange for Private Notes pursuant to, and in accordance with the terms of, the Exchange Offer as contemplated in the Registration Statement.

On the basis of the foregoing, and subject to the assumptions, limitations and qualifications set forth herein, we are of the opinion that:

1. The Exchange Notes, when issued, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except as that enforcement is subject to (a) any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights generally, (b) general principles of equity and public policy (regardless of whether that enforceability is considered in a proceeding in equity or at law) or (c) any implied covenants of good faith and fair dealing.

2. The Guarantees of the Subsidiary Guarantors remain the valid and legally binding obligations of the Subsidiary Guarantors, enforceable against the Subsidiary Guarantors in accordance with their terms, except as that enforcement is subject to (a) any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights generally, (b) general principles of equity and public policy (regardless of whether that enforceability is considered in a proceeding in equity or at law) or (c) any implied covenants of good faith and fair dealing.

The opinions set forth above are limited to the federal laws of the United States of America, the Delaware Limited Liability Company Act, the Delaware Revised Uniform Limited Partnership Act, the General Corporation Law of the State of Delaware and the laws of the States of Texas, New York, Louisiana, Nevada and Oklahoma, in each case as of the date hereof. With respect to all matters of Louisiana law, we have, with your approval, relied upon the opinion, dated January 23, 2014, of Jones Walker LLP, and our opinion is subject to the same

assumptions, qualifications and limitations with respect to such matters as are contained in such opinion of Jones Walker LLP. With respect to all matters of Nevada law, we have, with your approval, relied upon the opinion, dated January 23, 2014, of Greenberg Traurig, LLP, and our opinion is subject to the same assumptions, qualifications and limitations with respect to such matters as are contained in such opinion of Greenberg Traurig, LLP. With respect to all matters of Oklahoma law, we have, with your approval, relied upon the opinion, dated January 23, 2014, of Conner & Winters, LLP, and our opinion is subject to the same assumptions, qualifications and limitations with respect to such matters as are contained in such opinion of Conner & Winters, LLP.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to us under "Legal Matters" in the prospectus forming a part of the Registration Statement. In giving this consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Baker Botts L.L.P.

KBR/KR/SEB

Exhibit 5.2

January 23, 2014

Parker Drilling Company
5 Greenway Plaza, Suite 100
Houston, Texas 77046

Ladies and Gentlemen:

We have acted as Oklahoma counsel to Parker Drilling Company, a Delaware corporation (the "Company"), and advised the Company in connection with the Registration Statement on Form S-4 filed on the date hereof (the "Registration Statement") by the Company and the additional registrants named therein with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act"), relating to an offer to exchange an aggregate principal amount of up to $225,000,000 of the Company's 7.500% Senior Notes due 2020 (the "Exchange Notes"), which are being registered under the Securities Act, for an equal principal amount of the Company's outstanding 7.500% Senior Notes due 2020 (the "Original Notes").

The Original Notes were, and the Exchange Notes will be, issued as "Additional Notes" under an Indenture, dated as of July 30, 2013 (the "Indenture"), between the Company, the subsidiary guarantors named therein (the "Guarantors") and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Exchange Notes will be unconditionally and irrevocably guaranteed (the "Guarantees") as to payment of principal, premium, if any, and interest by each of the Guarantors pursuant to the Indenture.

In connection with the opinion set forth below, we have examined (i) the Registration Statement; (ii) the Indenture; (iii) the articles or certificate of incorporation, articles of organization or certificate of limited partnership, as the case may be, and the bylaws, operating agreement or limited partnership agreement, as the case may be, and other constituent documents of each of the Guarantors listed on Schedule I hereto (the "Oklahoma Guarantors"); and (vi) certain resolutions adopted by the Board of Directors or other governing body of each of the Oklahoma Guarantors (or of its manager or general partner). We also have made such investigations of law and examined originals or copies of such other documents and records as we have deemed necessary and relevant as a basis for the opinion hereinafter expressed. With your approval, we have relied as to certain matters on information obtained from public officials, officers of the Oklahoma Guarantors and other sources believed by us to be responsible. In the course of the foregoing investigations and examinations, we have assumed (i) the genuineness of all signatures on, and the authenticity of, all documents and records submitted to us as originals and the conformity to original documents and records of all documents and records submitted to us as electronic copies, telecopies, photocopies or conformed copies, and (ii) the truthfulness of all statements of fact set forth in the documents and records examined by us.

Based on the foregoing and subject to the qualifications, limitations and assumptions set forth herein, and having due regard for such legal considerations as we deem relevant, we are of the opinion that:

1. Each of the Oklahoma Guarantors has been duly incorporated, formed or organized, as the case may be, and is an existing corporation, limited liability company or limited partnership, as the case may be, in good standing under the laws of Oklahoma.

2. The Indenture has been duly authorized, executed and delivered by each of the Oklahoma Guarantors.

3. The Guarantees have been duly authorized by each of the Oklahoma Guarantors.

This opinion is based on and limited to the laws of the State of Oklahoma and the relevant federal law of the United States of America. We express no opinion with respect to the law of any other jurisdiction.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act.

We understand that Baker Botts L.L.P. intends to rely upon this opinion for purposes of the opinion such firm expects to deliver in connection with the Registration Statement, and we hereby consent to such reliance as though this opinion were addressed to such firm.

Very truly yours,

/s/ Conner & Winters, LLP

SCHEDULE I

Oklahoma Guarantors

Name of Subsidiary	**State of Incorporation or Formation**	**Type of Entity**
Pardril, Inc.	Oklahoma	Corporation
Parker Aviation Inc.	Oklahoma	Corporation
Parker Drilling Company of Niger	Oklahoma	Corporation
Parker Drilling Company of Oklahoma, Incorporated	Oklahoma	Corporation
Parker Drilling Company of South America, Inc.	Oklahoma	Corporation
Parker Drilling Offshore USA, L.L.C.	Oklahoma	Limited liability company
Parker Technology, Inc.	Oklahoma	Corporation
Parker Tools, LLC	Oklahoma	Limited liability company
Quail Tools, L.P.	Oklahoma	Limited partnership
Quail USA, LLC	Oklahoma	Limited liability company

January 23, 2014

Parker Drilling Company
5 Greenway Plaza
Suite 100
Houston, Texas 77046

ALBANY
AMSTERDAM
ATLANTA
AUSTIN
BERLIN**
BOSTON
BRUSSELS**
CHICAGO
DALLAS
DELAWARE
DENVER
FORT LAUDERDALE
HOUSTON
LAS VEGAS
LONDON*
LOS ANGELES
MIAMI
MILAN**
NEW JERSEY
NEW YORK
ORANGE COUNTY
ORLANDO
PALM BEACH COUNTY
PHILADELPHIA
PHOENIX
ROME**
SACRAMENTO
SAN FRANCISCO
SHANGHAI
SILICON VALLEY
TALLAHASSEE
TAMPA
TOKYO**
TYSONS CORNER
WASHINGTON, D.C.
WHITE PLAINS
ZURICH**
*OPERATES AS GREENBERG TRAURIG MAHER LLP
**STRATEGIC ALLIANCE

Re: Registration Statement on Form S-4
$225,000,000 Principal Amount of
7.500% Senior Notes due 2020

Ladies and Gentlemen:

We have acted as special Nevada counsel to Anachoreta, Inc., Parker Drilling Company North America, Inc., Parker Drilling Management Services, Inc., Parker Drilling Offshore Corporation, Parker North America Operations, Inc., each a Nevada corporation, and Parker-VSE, LLC, a Nevada limited-liability company (collectively, the “Nevada Guarantors”), in connection with the registration under the Securities Act of 1933, as amended (the “Act”), of (i) $225,000,000 principal amount of 7.500% Senior Notes due 2020 (the “Exchange Notes”) of Parker Drilling Company, a Delaware corporation (the “Issuer”), to be issued in exchange for the Issuer’s outstanding 7.500% Senior Notes due 2020 (the “Private Notes”) pursuant to the Indenture dated as of July 30, 2013 (the “Indenture”), among the Issuer, certain subsidiaries of the Issuer, including the Nevada Guarantors (collectively, the “Guarantors”), and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and (ii) the Guarantees (the “Guarantees”) of each of the Guarantors endorsed upon the Exchange Notes.

In rendering the opinions set forth below, we have reviewed (a) the Registration Statement on Form S-4 filed on the date hereof (the “Registration Statement”), (b) the Indenture, (c) the respective constituent documents of the Nevada Guarantors as amended to date, (d) certain records of the corporate proceedings of the Nevada Guarantors, (e) certificates of public officials, and (f) such records, documents, statutes and decisions as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with the original of all documents submitted to us as copies thereof and the truthfulness of all statements of fact set forth in the documents and records examined by us.

We have assumed for purposes of this opinion that the Indenture was duly authorized, executed and delivered by the Trustee and that the Trustee has the requisite organizational and legal power and authority to perform its obligations under the Indenture.

Based upon the foregoing and in reliance thereon, and subject to the qualifications, limitations and assumptions set forth herein, and having due regard for such legal considerations as we deem relevant, we are of the opinion that:

1. Each of the Nevada Guarantors has been duly incorporated and is an existing corporation in good standing under the laws of Nevada.

2. The Indenture has been duly authorized, executed and delivered by each of the Nevada Guarantors.

3. The Guarantees have been duly authorized by each of the Nevada Guarantors.

We express no opinion herein as to the effect or applicability of the laws of any jurisdiction other than the federal laws of the United States of America and laws of the State of Nevada.

Please note that we are opining only as to the matters expressly set forth herein, and no opinion should be inferred as to any other matter. This opinion is for your benefit in connection with the Registration Statement and may be relied upon by you and by persons entitled to rely upon it pursuant to the applicable provisions of the Act. This opinion may be relied upon by Baker Botts L.L.P.

Sincerely,

/s/ GREENBERG TRAURIG, LLP

Baker Botts L.L.P.

GREENBERG TRAURIG, LLP

Exhibit 5.4

January 23, 2014

Parker Drilling Company
5 Greenway Plaza, Suite 100
Houston, Texas 77046

Ladies and Gentlemen:

We have acted as special Louisiana counsel to Parker Drilling Company, a Delaware corporation (the "Company"), in connection with the Registration Statement on Form S-4 filed on the date hereof (the "Registration Statement") by the Company and the additional registrants named therein with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), relating to an offer to exchange an aggregate principal amount of up to $225,000,000 of 7.500% Senior Notes due 2020 of the Company (the "Exchange Notes"), which will have been registered under the Securities Act, for an equal principal amount of the Company's outstanding 7.500% Senior Notes due 2020 (the "Original Notes").

The Original Notes were, and the Exchange Notes will be, issued under an Indenture, dated as of July 30, 2013 (the "Indenture"), among the Company, the guarantors named therein (the "Guarantors") and The Bank of New York Mellon Trust Company, N.A., as Trustee. Pursuant to the Indenture, the Exchange Notes will be unconditionally and irrevocably guaranteed (the "Guarantee") as to payment of principal, premium, if any, and interest by each of the Guarantors pursuant to the Indenture.

In connection with the opinion set forth below, we have examined originals or certified copies of (i) the Registration Statement; (ii) the Indenture; (iii) the articles of organization and operating agreement of Parker Technology, L.L.C., a Louisiana limited liability company (the "Louisiana Guarantor"), each as amended to the date hereof; (iv) certificates of good standing and existence for the Louisiana Guarantor issued by the Louisiana Secretary of State dated as of January 15, 2014; and (v) certain resolutions of the board of managers of the Louisiana Guarantor dated as of July 24, 2013. We also have made such investigations of law and examined originals or copies of such other documents and records as we have deemed necessary and relevant as a basis for the opinion hereinafter expressed. With your approval, we have relied as to certain matters on information and certificates obtained from public officials, officers of the Louisiana Guarantor and other sources believed by us to be responsible. In the course of the foregoing investigations and examinations, we have assumed (i) the genuineness of all signatures

on, and the authenticity of, all documents and records submitted to us as originals and the conformity to original documents and records of all documents and records submitted to us as copies, (ii) the truthfulness of all statements of fact set forth in the documents and records examined by us and (iii) the legal capacity of all natural persons.

Based on the foregoing and subject to the qualifications, limitations and assumptions set forth herein, and having due regard for such legal considerations as we deem relevant, we are of the opinion that:

1. The Louisiana Guarantor has been duly organized and is an existing limited liability company in good standing under the laws of the State of Louisiana.

2. The Indenture has been duly authorized, executed and delivered by the Louisiana Guarantor.

3. The Guarantee has been duly authorized by the Louisiana Guarantor.

The foregoing opinion is based on and is limited to the internal laws of the State of Louisiana and the relevant federal laws of the United States of America. We express no opinion with respect to the law of any other jurisdiction.

This letter is limited to the specific issues addressed herein, and no opinion may be inferred or implied beyond that expressly stated herein. This letter speaks only as of the date hereof. We assume no obligation to revise or supplement this letter should the presently applicable laws be changed by legislative action, judicial decision or otherwise.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder. Other than the addressee hereof, no person may rely on this opinion except that Baker Botts L.L.P. may rely upon this opinion as though this opinion was addressed to them.

Very truly yours,

/s/ Jones Walker LLP

Exhibit 12.1

Parker Drilling Company
Computation of Ratio of Earnings to Fixed Charges

	Nine Months Ended September 30, 2013	Fiscal Year Ended December 31,				
		2012	2011	2010	2009	2008
Pretax Income	35,684,184	71,191,709	(65,217,811)	11,751,804	9,826,774	29,670,000
Fixed Charges	35,606,185	43,782,341	41,864,658	40,294,016	35,426,257	34,353,024
Amortization of Capitalized Interest	2,444,112	1,886,832	1,556,952	1,819,086	1,974,592	1,711,599
Capitalized Interest	(1,732,284)	(10,240,245)	(19,271,105)	(13,488,684)	(5,975,973)	(5,087,024)
Earnings Before Income Tax & Fixed Charges	72,002,197	106,620,637	(41,067,307)	40,376,222	41,251,650	60,647,599
Interest Expense	33,873,901	33,542,096	22,593,553	26,805,332	29,450,284	29,266,000
Capitalized Interest	1,732,284	10,240,245	19,271,105	13,488,684	5,975,973	5,087,024
Total Fixed Charges	35,606,185	43,782,341	41,864,658	40,294,016	35,426,257	34,353,024
Ratio of Earnings to Fixed Charges	2.0x	2.4x	(1)	1.0x	1.2x	1.8x

(1) For the year ended December 31, 2011, earnings were deficient to cover fixed charges by $41.1 million, which was primarily due to a pre-tax, non-cash charge to earnings of $170.0 million related to the impairment of our two Alaska rigs.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Parker Drilling Company:

We consent to the use of our reports dated March 1, 2013 with respect to the consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and the effectiveness of internal control over financial reporting as of December 31, 2012, included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Houston, Texas
January 23, 2014

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the use in this Registration Statement of Parker Drilling Company on Form S-4 of our report dated 8 July 2013 related to the financial statements of ITS Tubular Services (Holdings) Limited as of and for the years ended December 31, 2012, 2011 and 2010, (which report expresses an unmodified opinion and includes emphases-of-matter paragraphs relating to a prior year restatement and going concern), appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/S/ Deloitte LLP
Aberdeen, Scotland, UK
23 January 2014

EXHIBIT 24.1

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below, being a director or officer of Parker Drilling Company, a Delaware corporation, hereby constitutes and appoints Gary G. Rich and Christopher T. Weber, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him in his name, place and stead, in any and all capacities, (i) to sign a Registration Statement under the Securities Act of 1933, as amended, on Form S-4, any amendments thereto, and all post-effective amendments and supplements thereto (collectively, the "Registration Statement") and (ii) to file the Registration Statement, with any exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, in each case, in such forms as they or any of them may approve, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this instrument on this 23rd day of January, 2014.

Signature	Title
/S/ GARY G. RICH Gary G. Rich	President, Chief Executive Officer and Director *(Principal Executive Officer)*
/S/ CHRISTOPHER T. WEBER Christopher T. Weber	Senior Vice President and Chief Financial Officer *(Principal Financial Officer)*
/S/ PHILIP A. SCHLOM Philip A. Schlom	Corporate Controller *(Principal Accounting Officer)*
/S/ ROBERT L. PARKER JR. Robert L. Parker Jr.	Chairman of the Board
/S/ JONATHAN M. CLARKSON Jonathan M. Clarkson	Director
/S/ GEORGE J. DONNELLY George J. Donnelly	Director
/S/ ROBERT W. GOLDMAN Robert W. Goldman	Director
/S/ GARY R. KING Gary R. King	Director
/S/ RICHARD D. PATERSON Richard D. Paterson	Director
/S/ ROGER B. PLANK Roger B. Plank	Director
/S/ R. RUDOLPH REINFRANK R. Rudolph Reinfrank	Director
/S/ PETER C. WALLACE Peter C. Wallace	Director

EXHIBIT 25.1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

**STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE**

☐ **CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)**

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

(Exact name of trustee as specified in its charter)

	95-3571558
(State of incorporation if not a U.S. national bank)	(I.R.S. employer identification no.)
400 South Hope Street. Suite 400 Los Angeles, California	90071
(Address of principal executive offices)	(Zip code)

PARKER DRILLING COMPANY

(Exact name of obligor as specified in its charter)

Delaware	73-0618660
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
5 Greenway Plaza, Suite 100 Houston, TX	77046
(Address of principal executive offices)	(Zip code)

7.500% Senior Notes due 2020

(Title of the Indenture Securities)

1. General information. Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Comptroller of the Currency United States Department of the Treasury	Washington, D.C. 20219
Federal Reserve Bank	San Francisco, California 94105
Federal Deposit Insurance Corporation	Washington, D.C. 20429

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

3-15. Notapplicable.

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

1. A copy of the articles of association of The Bank of New York Mellon Trust Company, N.A. (Exhibit 1 to Form T-1 filed as Exhibit 25.1 to the Registration Statement on Form S-3 File No. 333-121948 and Exhibit 1 to Form T-1 filed as Exhibit 25.1 to the Registration Statement on Form S-3 No. 333-152875).

2. A copy of certificate of authority of the trustee to commence business. (Exhibit 2 to Form T-1 filed as Exhibit 25.1 to the Registration Statement on Form S-3 File No. 333-121948).

3. A copy of the authorization of the trustee to exercise corporate trust powers. (Exhibit 3 to Form T-1 filed as Exhibit 25.1 to the Registration Statement on Form S-3 File No. 333-152875).

4. A copy of the existing by-laws of the trustee. (Exhibit 4 to Form T-1 filed as Exhibit 25.1 to the Registration Statement on Form S-3 File No. 333-152875).

6. The consent of the trustee required by Section 321(b) of the Act.

7. A copy of the latest report of condition of the trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the trustee, The Bank of New York Mellon Trust Company, N.A., a banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Houston, and State of Texas, on the 23rd day of January, 2014.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: /s/ Julie Hoffman-Ramos
Name: Julie Hoffman-Ramos
Title: Vice President

EXHIBIT 6

CONSENT OF THE TRUSTEE

Pursuant to the requirements of Section 321 (b) of the Trust Indenture Act of 1939, and in connection with the proposed issue of Parker Drilling Company's senior notes, The Bank of New York Mellon Trust Company, N.A. hereby consents that reports of examinations by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefore.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.

By: /s/ Julie Hoffman-Ramos
Julie Hoffman-Ramos
Vice President

Houston, Texas
January 23, 2014

EXHIBIT 7

Consolidated Report of Condition of
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
of 400 South Hope Street, Suite 400, Los Angeles, CA 90071

At the close of business September 30, 2013, published in accordance with Federal regulatory authority instructions.

	Dollar amounts in thousands
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	1,319
Interest-bearing balances	241
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	725,987
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold	83,000
Securities purchased under agreements to resell	0
Loans and lease financing receivables:	
Loans and leases held for sale	0
Loans and leases, net of unearned income	0
LESS: Allowance for loan and lease losses	0
Loans and leases, net of unearned income and allowance	0
Trading assets	0
Premises and fixed assets (including capitalized leases)	4,612
Other real estate owned	0
Investments in unconsolidated subsidiaries and associated companies	0
Direct and indirect investments in real estate ventures	0
Intangible assets:	
Goodwill	856,313
Other intangible assets	137,762
Other assets	126,539
Total assets	$ 1,935,773

LIABILITIES	
Deposits:	
In domestic offices	651
Noninterest-bearing	651
Interest-bearing	0
Not applicable	
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money:	
(includes mortgage indebtedness and obligations under capitalized leases)	0
Not applicable	
Not applicable	
Subordinated notes and debentures	0
Other liabilities	242,219
Total liabilities	242,870
Not applicable	

EQUITY CAPITAL	
Perpetual preferred stock and related surplus	0
Common stock	1,000
Surplus (exclude all surplus related to preferred stock)	1,121,790
Not available	
Retained earnings	567,244
Accumulated other comprehensive income	2,869
Other equity capital components	0
Not available	
Total bank equity capital	1,692,903
Noncontrolling (minority) interests in consolidated subsidiaries	0
Total equity capital	1,692,903
Total liabilities and equity capital	1,935,773

I, Cherisse Waligura, CFO of the above-named bank do hereby declare that the Reports of Condition and Income (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

Cherisse Waligura) CFO

We, the undersigned directors (trustees), attest to the correctness of the Report of Condition (including the supporting schedules) for this report date and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

Troy Kilpatrick, President)
Frank P. Sulzberger, Director) Directors (Trustees)
William D. Lindelof, Director)

LETTER OF TRANSMITTAL

To Tender for Exchange

7.500% Senior Notes due 2020

of

Parker Drilling Company

Pursuant to the Prospectus dated ______, 2014

THIS OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON ______, 2014 UNLESS EXTENDED BY THE COMPANY IN ITS SOLE DISCRETION (THE "EXPIRATION DATE"). TENDERS OF PRIVATE NOTES MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

The Exchange Agent for the Exchange Offer is:

The Bank of New York Mellon Trust Company, N. A.

By Mail:	*By Facsimile:*	*By Hand:*	*By Overnight Courier:*
The Bank of New York Mellon Trust Company, N.A. c/o The Bank of New York Mellon 111 Sanders Creek Corporate Center (Bldg) East Syracuse, NY 13057Attention: Dacia Brown-Jones	(732) 667-9408 *Confirm by Telephone:* (315) 414-3349	The Bank of New York Mellon Trust Company, N.A. c/o The Bank of New York Mellon 111 Sanders Creek Corporate Center (Bldg) East Syracuse, NY 13057Attention: Dacia Brown-Jones	The Bank of New York Mellon Trust Company, N.A. c/o The Bank of New York Mellon 111 Sanders Creek Corporate Center (Bldg) East Syracuse, NY 13057Attention: Dacia Brown-Jones

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

HOLDERS WHO WISH TO BE ELIGIBLE TO RECEIVE EXCHANGE NOTES PURSUANT TO THE EXCHANGE OFFER MUST VALIDLY TENDER (AND NOT WITHDRAW) THEIR PRIVATE NOTES TO THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE.

This Letter of Transmittal is to be used by holders ("Holders") of 7.500% Senior Notes due 2020 (the "Private Notes") of Parker Drilling Company (the "Company") to receive 7.500% Senior Notes due 2020 (the "Exchange Notes") of the Company if: (i) certificates representing Private Notes are to be physically delivered to the Exchange Agent herewith by such Holder; (ii) tender of Private Notes is to be made by book-entry transfer to the Exchange Agent's account at The Depository Trust Company ("DTC") pursuant to the procedures set forth under the caption "The Exchange Offer — Book-Entry Transfer" in the Prospectus dated ______, 2014 (the "Prospectus"); or (iii) tender of Private Notes is to be made according to the guaranteed delivery procedures set forth under the caption "The Exchange Offer — Guaranteed Delivery Procedures" in the Prospectus.

The undersigned hereby acknowledges receipt of the Prospectus. All capitalized terms used herein and not defined shall have the meanings ascribed to them in the Prospectus.

DTC participants that are accepting the exchange offer as set forth in the Prospectus and this Letter of Transmittal (which together constitute the "Exchange Offer") must transmit their acceptance to DTC which will edit and verify the acceptance and execute a book-entry delivery to the Exchange Agent's account at DTC. DTC

will then send an agent's message to the Exchange Agent for its acceptance. Delivery of the agent's message by DTC will satisfy the terms of the Exchange Offer as to execution and delivery of a Letter of Transmittal by the participant identified in the agent's message. By tendering Private Notes pursuant to the book-entry procedures established by DTC, the participant agrees to be bound by the terms of this Letter of Transmittal as if such participant had signed and physically delivered such document to the Exchange Agent.

Delivery of documents to DTC does not constitute delivery to the Exchange Agent.

If a Holder wishes to surrender Private Notes pursuant to the Exchange Offer and cannot meet the Expiration Date deadline, or cannot deliver the Private Notes, the Letter of Transmittal or any other documentation on time, then the Holder must surrender the Private Notes according to the guaranteed delivery procedures set forth under the caption "The Exchange Offer — Guaranteed Delivery Procedures" in the Prospectus. See Instruction 2.

The undersigned should complete, execute and deliver this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer.

TENDER OF PRIVATE NOTES

☐ **CHECK HERE IF TENDERED PRIVATE NOTES ARE ENCLOSED HEREWITH**

☐ **CHECK HERE IF TENDERED PRIVATE NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution: ______________________________

DTC Account Number: ______________________________

Transaction Code Number: ______________________________

☐ **CHECK HERE AND ENCLOSE A PHOTOCOPY OF THE NOTICE OF GUARANTEED DELIVERY IF TENDERED PRIVATE NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:**

Name(s) of Registered Holder(s): ______________________________

Window Ticker Number (if any): ______________________________

Date of Execution of Notice of Guaranteed Delivery: ______________________________

Name of Eligible Institution that Guaranteed Delivery: ______________________________

List below the Private Notes to which this Letter of Transmittal relates. The name(s) and address(es) of the registered Holder(s) should be printed, if not already printed below, exactly as they appear on the Private Notes tendered herewith. The Private Notes and the principal amount of Private Notes that the undersigned wishes to tender should be indicated in the appropriate boxes. If the space provided is inadequate, list the certificate number(s) and principal amount(s) on a separately executed schedule and affix the schedule to this Letter of Transmittal.

DESCRIPTION OF PRIVATE NOTES

Name(s) and Address(es) of Registered Holder(s) (Please fill in if blank) See Instruction 3	Certificate Number(s)*	Aggregate Principal Amount Represented**	Principal Amount Tendered**

Total Principal Amount of Private Notes

* **Need not be completed by Holders tendering by book-entry transfer.**

** **Unless otherwise specified, the entire aggregate principal amount represented by the Private Notes described above will be deemed to be rendered. See Instruction 4.**

NOTE: SIGNATURES MUST BE PROVIDED BELOW. PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.

Ladies and Gentlemen:

The undersigned hereby tenders to Parker Drilling Company (the "Company"), upon the terms and subject to the conditions set forth in its Prospectus dated ______, 2014 (the "Prospectus"), receipt of which is hereby acknowledged, and in accordance with this Letter of Transmittal (which together constitute the "Exchange Offer"), the principal amount of Private Notes indicated in the foregoing table entitled "Description of Private Notes" under the column heading "Principal Amount Tendered."

Subject to, and effective upon, the acceptance for purchase of the principal amount of Private Notes tendered herewith in accordance with the terms and subject to the conditions of the Exchange Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company, all right, title and interest in and to all of the Private Notes tendered hereby. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that the Exchange Agent also acts as the agent of the Company) with respect to such Private Notes, with full powers of substitution and revocation (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (i) present such Private Notes and all evidences of transfer and authenticity to, or transfer ownership of, such Private Notes on the account books maintained by DTC to, or upon the order of, the Company, (ii) present such Private Notes for transfer of ownership on the books of the Company, and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Private Notes, all in accordance with the terms and conditions of the Exchange Offer as described in the Prospectus.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Private Notes tendered hereby and that the Company will acquire good, marketable and unencumbered title thereto, free and clear of all security interests, liens, restrictions, charges, encumbrances, conditional sale agreements or other obligations relating to their sale or transfer, and not subject to any adverse claim, when the same are accepted by the Company. The undersigned also warrants that it will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or by the Company to be necessary or desirable to complete the sale, exchange, assignment and transfer of the Private Notes tendered hereby. The undersigned hereby further represents that any Exchange Notes acquired in exchange for Private Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the undersigned, that neither the holder of such Private Notes nor any such other person has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes and that neither the Holder of such Private Notes nor any such other person is an "affiliate", as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Company or a broker-dealer tendering the Private Notes acquired directly from the Company for its own account.

The undersigned also acknowledges that this Exchange Offer is being made in reliance on interpretations by the staff of the Securities and Exchange Commission (the "SEC"), as set forth in no-action letters issued to third parties, that the Exchange Notes issued in exchange for the Private Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the provisions of the Securities Act), provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such Exchange Notes. The Company, however, does not intend to request the SEC to consider, and the SEC has not considered, the Exchange Offer in the context of a no-action letter, and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Offer as in other circumstances. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes and has no arrangement or understanding to participate in a distribution of Exchange Notes. If any Holder is an affiliate of the Company, is engaged in or intends to engage in or has any arrangement or

understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such Holder (i) could not rely on the applicable interpretations of the staff of the SEC and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Private Notes acquired as a result of market-making or other trading activities (a "Participating Broker-Dealer"), it represents that the Private Notes to be exchanged for the Exchange Notes were acquired by it as a result of market-making or other trading activities and acknowledges that it will deliver a prospectus (as amended or supplemented from time to time) in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, such Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The Company has agreed that, subject to the provisions of the Registration Rights Agreement, dated July 30, 2013, among the Company and the initial purchasers, the Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of Exchange Notes received in exchange for Private Notes which were acquired by such Participating Broker-Dealer for its own account as a result of market-making or other trading activities, for a period ending 180 days after the Expiration Date or, if earlier, when a Participating Broker-Dealer is no longer required to deliver a prospectus in connection with market-making or other trading activities. In that regard, each Participating Broker-Dealer by tendering such Private Notes and executing this Letter of Transmittal, agrees that, upon receipt of notice from the Company of the occurrence of any event or the discovery of any fact which makes any statement contained or incorporated by reference in the Prospectus untrue in any material respect or which causes the Prospectus to omit to state a material fact necessary in order to make the statements contained or incorporated by reference therein, in light of the circumstances under which they were made, not misleading, such Participating Broker-Dealer will suspend the sale of Exchange Notes pursuant to the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented Prospectus to the Participating Broker-Dealer or the Company has given notice that the sale of the Exchange Notes may be resumed, as the case may be. If the Company gives such notice to suspend the sale of the Exchange Notes, it shall extend the 180-day period referred to above during which Participating Broker-Dealers are entitled to use the Prospectus in connection with the resale of Exchange Notes by the number of days during the period from and including the date of the giving of such notice to and including the date when Participating Broker-Dealers shall have received copies of the supplemented or amended Prospectus necessary to permit resales of the Exchange Notes or to and including the date on which the Company has given notice that the sale of Exchange Notes may be resumed, as the case may be.

The undersigned understands that tenders of Private Notes may be withdrawn by written or facsimile transmission notice of withdrawal received by the Exchange Agent at any time prior to the Expiration Date. In the event of a termination of the Exchange Offer, the Private Notes tendered pursuant to the Exchange Offer will be returned to the tendering Holders promptly, at no cost, (or, in the case of Private Notes tendered by book-entry transfer, such Private Notes will be credited to the account maintained at DTC from which such Private Notes were delivered). If the waiver of an unsatisfied condition by the Company constitutes a material change to the Exchange Offer, the Company will promptly disclose the waiver by means of a prospectus supplement that will be distributed to the registered Holders, and the Company will extend the Exchange Offer to the extent required by law.

The undersigned understands that the tender of Private Notes pursuant to any of the procedures set forth in the Prospectus and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Exchange Offer. The Company's acceptance for exchange of Private Notes tendered pursuant to any of the procedures described in the Prospectus will constitute a binding agreement between the undersigned and the Company in accordance with the terms and subject to the conditions of the Exchange Offer. The undersigned recognizes that, under certain circumstances set forth in the prospectus, the Company may not be required to accept for exchange any of the Private Notes tendered hereby.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall not be affected by, and shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

The undersigned understands that the delivery and surrender of any Private Notes is not effective, and the risk of loss of the Private Notes does not pass to the Exchange Agent or the Company, until receipt by the Exchange Agent of this Letter of Transmittal, or a manually signed facsimile hereof, properly completed and duly executed, together with all accompanying evidences of authority and any other required documents in form satisfactory to the Company. All questions as to the validity, form, acceptance, withdrawal and eligibility, including time of receipt of surrendered private notes, will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any and all Private Notes not properly surrendered, to reject any Private Notes if acceptance of them would, in the opinion of the Company's counsel, be unlawful and to waive any defects, irregularities or conditions of surrender as to particular Private Notes.

Unless waived, the undersigned must cure any defects or irregularities in connection with surrenders of Private Notes on or before the Expiration Date. Although the Company intends to notify Holders of defects or irregularities in connection with surrenders of Private Notes, neither the Company, the Exchange Agent nor anyone else will be liable for failure to give such notice. Surrenders of Private Notes will not be deemed to have been made until any defects or irregularities have been cured or waived.

Unless otherwise indicated herein under "Special Issuance Instructions," the undersigned hereby requests that any Private Notes representing principal amounts not tendered or not accepted for exchange be issued in the name(s) of the undersigned (and in the case of Private Notes tendered by book-entry transfer, by credit to the account of DTC), and Exchange Notes issued in exchange for Private Notes pursuant to the Exchange Offer be issued to the undersigned. Similarly, unless otherwise indicated herein under "Special Delivery Instructions," the undersigned hereby requests that any Private Notes representing principal amounts not tendered or not accepted for exchange and Exchange Notes issued in exchange for Private Notes pursuant to the Exchange Offer be delivered to the undersigned at the address shown below the undersigned's signature(s). In the event that the "Special Issuance Instructions" box or the "Special Delivery Instructions" box is, or both are, completed, the undersigned hereby requests that any Private Notes representing principal amounts not tendered or not accepted for purchase be issued in the name(s) of, certificates for such Private Notes be delivered to, and Exchange Notes issued in exchange for Private Notes pursuant to the Exchange Offer be issued in the name(s) of, and be delivered to, the person(s) at the address(es) so indicated, as applicable. The undersigned recognizes that the Company has no obligation pursuant to the "Special Issuance Instructions" box or "Special Delivery Instructions" box to transfer any Private Notes from the name of the registered Holder(s) thereof if the Company does not accept for exchange any of the principal amount of such Private Notes so tendered.

☐ **CHECK HERE IF YOU OR ANY BENEFICIAL OWNER FOR WHOM YOU HOLD PRIVATE NOTES IS AN AFFILIATE OF THE COMPANY.**

☐ **CHECK HERE IF YOU OR ANY BENEFICIAL OWNER FOR WHOM YOU HOLD PRIVATE NOTES TENDERED HEREBY IS A BROKER-DEALER WHO ACQUIRED SUCH NOTES DIRECTLY FROM THE COMPANY OR AN AFFILIATE OF THE COMPANY.**

☐ **CHECK HERE AND COMPLETE THE LINES BELOW IF YOU OR ANY BENEFICIAL OWNER FOR WHOM YOU HOLD PRIVATE NOTES TENDERED HEREBY IS A BROKER-DEALER WHO ACQUIRED SUCH NOTES IN MARKET-MAKING OR OTHER TRADING ACTIVITIES. IF THIS BOX IS CHECKED, THE COMPANY WILL SEND 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO TO YOU OR SUCH BENEFICIAL OWNER AT THE ADDRESS SPECIFIED IN THE FOLLOWING LINES.**

Name:

Address:

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if Private Notes in a principal amount not tendered or not accepted for exchange are to be issued in the name of, or Exchange Notes are to be issued in the name of, someone other than the person(s) whose signature(s) appear(s) within this Letter of Transmittal or issued to an address different from that shown in the box entitled "Description of Private Notes" within this Letter of Transmittal.

Issue: ☐ Private Notes
☐ Exchange Notes
(check as applicable)

Name: ______________________________
(Please Print)

Address: ______________________________
(Please Print)

____
(Zip Code)

____

(Tax Identification or Social Security Number)
(See IRS Form W-9 herein)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if Private Notes in a principal amount not tendered or not accepted for exchange or Exchange Notes are to be sent to someone other than the person(s) whose signature(s) appear(s) within this Letter of Transmittal or to an address different from that shown in the box entitled "Description of Private Notes" within this Letter of Transmittal.

Issue: ☐ Private Notes
☐ Exchange Notes
(check as applicable)

Name: ______________________________
(Please Print)

Address: ______________________________
(Please Print)

____
(Zip Code)

____
(Tax Identification or Social Security Number)
(See IRS Form W-9 herein)

PLEASE SIGN HERE
(To be completed by all tendering Holders of Private Notes regardless of whether Private Notes are being physically delivered herewith)

This Letter of Transmittal must be signed by the registered Holder(s) exactly as name(s) appear(s) on certificate(s) for Private Notes or, if tendered by a participant in DTC, exactly as such participant's name appears on a security position listing as owner of Private Notes, or by the person(s) authorized to become registered Holder(s) by endorsements and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5.

Signature(s) of Registered Holder(s) or Authorized Signatory
(See guarantee requirement below)

Dated: __________

Name(s): ____

____
(Please Print)

Capacity (Full Title): ____

Address: ____
(Including Zip Code)

Area Code and Telephone Number: ____

Tax Identification or Social Security Number: ____

(Complete Accompanying IRS Form W-9)

SIGNATURE GUARANTEE
(IF REQUIRED—SEE INSTRUCTIONS 1 AND 5)

Authorized Signature: ____

Name of Firm: ____
[place seal here]

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Exchange Offer

1. *Signature Guarantees.* In the event that signatures on this letter of transmittal or a notice of withdrawal are required to be guaranteed, the guarantee must be made by an Eligible Institution. As used herein and in the Prospectus, "Eligible Institution" means a firm or other entity identified in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, as "an eligible guarantor institution," including (as such terms are defined therein) (1) a bank; (2) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer; (3) a credit union; (4) a national securities exchange, registered securities association or clearing agency; or (5) a savings association. Signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution unless the Private Notes surrendered hereby are surrendered (i) by a registered Holder of Private Notes that has not completed the box titled "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of an Eligible Institution. See Instruction 5.

2. *Delivery of Letter of Transmittal and Private Notes.* This Letter of Transmittal is to be completed by Holders if (i) certificates representing Private Notes are to be physically delivered to the Exchange Agent herewith by such Holders; (ii) tender of Private Notes is to be made by book-entry transfer to the Exchange Agent's account at DTC pursuant to the procedures set forth under the caption "The Exchange Offer — Book-Entry Transfer" in the Prospectus, or (iii) tender of Private Notes is to be made according to the guaranteed delivery procedures set forth under the caption "The Exchange Offer — Guaranteed Delivery Procedures" in the Prospectus. All physically delivered Private Notes, or a confirmation of a book-entry transfer into the Exchange Agent's account at DTC of all Private Notes delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), any required signature guarantees and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at one of its addresses set forth on the cover page hereto on or prior to the Expiration Date, or the tendering Holder must comply with the guaranteed delivery procedures set forth below. **Delivery of documents to DTC does not constitute delivery to the Exchange Agent.**

If a Holder desires to tender Private Notes pursuant to the Exchange Offer and time will not permit this Letter of Transmittal, certificates representing such Private Notes and all other required documents to reach the Exchange Agent, or the procedures for book-entry transfer cannot be completed, on or prior to the Expiration Date, such Holder must tender such Private Notes pursuant to the guaranteed delivery procedures set forth under the caption "The Exchange Offer — Guaranteed Delivery Procedures" in the Prospectus. Pursuant to such procedures:

(i) such tender must be made by or through an Eligible Institution,

(ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the Holder of Private Notes and the principal amount of Private Notes tendered, stating that the tender is being made thereby and guaranteeing that within five New York Stock Exchange ("NYSE") trading days after the Expiration Date, this Letter of Transmittal (or facsimile hereof), together with the certificate(s) for all physically tendered Private Notes, or a book-entry confirmation, and any other documents required by this Letter of Transmittal, will be deposited by the Eligible Institution with the Exchange Agent, and

(iii) a properly executed Letter of Transmittal, as well as the certificate(s) for all physically tendered Private Notes in proper form for transfer or book-entry confirmation, as the case may be, and all other documents required by this Letter of Transmittal, must be received by the Exchange Agent within five NYSE trading days after the Expiration Date. Any Holder of Exchange Notes who wishes to tender his Exchange Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery prior to 5:00 p.m., New York City time, on the Expiration Date. The Exchange Agent will send a notice of guaranteed delivery upon request if Private Notes are surrendered according to the guaranteed delivery procedures set forth above.

The method of delivery of this Letter of Transmittal, the Private Notes and all other required documents, including delivery through DTC, is at the election and risk of the tendering Holder and, except as otherwise provided in this Instruction 2, delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, it is suggested that the Holder use properly insured, registered mail with return receipt requested, and that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to such date.

No alternative, conditional or contingent tenders will be accepted. All tendering Holders, by execution of this Letter of Transmittal (or a facsimile thereof), waive any right to receive any notice of the acceptance of their Private Notes for exchange.

3. *Inadequate Space.* If the space provided herein is inadequate, the certificate numbers and/or the principal amount represented by Private Notes should be listed on a separate signed schedule attached hereto.

4. *Partial Tenders.* (Not applicable to Holders who tender by book-entry transfer). If Holders wish to tender less than the entire principal amount evidenced by a Private Note submitted, such Holders must fill in the principal amount that is to be tendered in the "Principal Amount Tendered" column of the box entitled "Description of Private Notes" on page 4 of this Letter of Transmittal. The minimum permitted tender is $1,000 in principal amount of Private Notes. All other tenders must be in integral multiples of $1,000 in principal amount. In the case of a partial tender of Private Notes, as soon as practicable after the Expiration Date, new certificates for the remainder of the Private Notes that were evidenced by such Holder's old certificates will be sent to such Holder, unless otherwise provided in the appropriate box on this Letter of Transmittal. The entire principal amount that is represented by Private Notes delivered to the Exchange Agent will be deemed to have been tendered, unless otherwise indicated.

5. *Signatures on Letter of Transmittal, Instruments of Transfer and Endorsements.* If this Letter of Transmittal is signed by the registered Holder(s) of the Private Notes tendered hereby, the signatures must correspond exactly with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC whose name is shown as the owner of the Private Notes tendered hereby, the signature must correspond with the name shown on the security position listing as the owner of the Private Notes.

If any of the Private Notes tendered hereby are registered in the name of two or more Holders, all such Holders must sign this Letter of Transmittal. If any of the Private Notes tendered hereby are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or any certificates or bond powers or any Private Note or instrument of transfer is signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Company of such person's authority to so act must be submitted. Unless waived by the Company, such person must submit with this Letter of Transmittal evidence satisfactory to the Company of such person's authority to act in the particular capacity.

When this Letter of Transmittal is signed by the registered Holder(s) of the Private Notes listed herein and transmitted hereby, no endorsements of Private Notes or separate instruments of transfer are required unless Exchange Notes are to be issued, or Private Notes not tendered or exchanged are to be issued, to a person other than the registered Holder(s), in which case signatures on such Private Notes or instruments of transfer must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed other than by the registered Holder of any Private Notes listed in this Letter of Transmittal, then such Private Notes must be endorsed or accompanied by a properly completed bond power. The bond power must authorize the party signing this Letter of Transmittal to tender the Private Notes on behalf of the registered Holder and must be signed by the registered Holder as the registered Holder's name appears on the Private Notes. Signatures on such certificate(s) must be guaranteed by an Eligible Institution.

6. Special Issuance and Delivery Instructions. If certificates for Exchange Notes or unexchanged or untendered Private Notes are to be issued in the name of a person other than the signer of this Letter of Transmittal, or if Exchange Notes or such Private Notes are to be sent to someone other than the signer of this Letter of Transmittal or to an address other than that shown herein, the appropriate boxes on this Letter of Transmittal should be completed. All Private Notes tendered by book-entry transfer and not accepted for payment will be returned by crediting the account at DTC designated herein as the account for which such Private Notes were delivered.

7. *Transfer Taxes.* The Company will pay all transfer taxes, if any, applicable to the transfer of Private Notes to it or its order pursuant to the Exchange Offer. If, however, Exchange Notes and/or substitute Private Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the Holder of the Private Notes tendered hereby, or if tendered Private Notes are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the transfer of Private Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the Holder or any other persons) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering Holder.

Except as provided in this Instruction 7, it will not be necessary for transfer tax stamps to be affixed to the Private Notes specified in this Letter of Transmittal.

8. *Waiver of Conditions.* The conditions of the Exchange Offer may be amended or waived by the Company in whole or in part at any time and from time to time in the Company's sole discretion in the case of any Private Notes tendered.

9 *Backup Withholding.* Each tendering owner of a Private Note (or other payee) that is a U.S. Holder is required to provide the Exchange Agent with a correct taxpayer identification number ("TIN"), generally the owner's social security or federal employer identification number, and with certain other information, on IRS Form W-9, which is provided hereafter under "Important Tax Information," and to certify that the owner (or other payee) is not subject to backup withholding. Failure to provide the information on IRS Form W-9 (or, in the case of a non-U.S. Holder, to provide the information on the appropriate IRS Form W-8, described below) may subject the tendering owner (or other payee) to a $50 penalty imposed by the IRS and 28% federal income tax withholding. A U.S. Holder shall write "applied for" in the space provided in Part I of the form and complete the attached Certificate of Awaiting Taxpayer Identification Number if the Holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. In such case, the Exchange Agent will withhold 28% until a TIN is provided to the Exchange Agent, and if the Exchange Agent is not provided with a TIN within 60 days, such amounts, if any, will be paid over to the IRS. A U.S. Holder who writes "applied for" in Part I in lieu of furnishing his or her TIN should furnish his or her TIN as soon as it is received.

A non-U.S. Holder will generally be exempt from backup withholding if it submits to the Exchange Agent a properly completed IRS Form W-8BEN, IRS Form W-8ECI. IRS Form W-8EXP or IRS Form W-8IMY (as applicable, an "IRS Form W-8"), which the Exchange Agent will provide upon request, signed under penalty of perjury, certifying to that Holder's foreign status.

10. *Broker-dealers Participating in the Exchange Offer.* If no broker-dealer checks the last box on page 8 of this Letter of Transmittal, the Company has no obligation under the Registration Rights Agreement to allow the use of the Prospectus for resales of the Exchange Notes by broker-dealers or to maintain the effectiveness of the Registration Statement of which the Prospectus is a part after the consummation of the Exchange Offer.

11. *Irregularities.* The Company will determine, in its sole discretion, all questions as to the form of documents, validity, eligibility (including time of receipt) and acceptance for exchange of any tender of Private Notes, which determination shall be final and binding on all parties. The Company reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance of which, or exchange for which, may, in the view of counsel to the Company, be unlawful. The Company also reserves the absolute right,

subject to applicable law, to waive any of the conditions of the Exchange Offer set forth in the Prospectus under the caption "The Exchange Offer" or any conditions or irregularity in any tender of Private Notes of any particular Holder whether or not similar conditions or irregularities are waived in the case of other Holders.

The Company's interpretation of the terms and conditions of the Exchange Offer (including this Letter of Transmittal and the instructions hereto) will be final and binding. No tender of Private Notes will be deemed to have been validly made until all irregularities with respect to such tender have been cured or waived. Although the Company intends to notify Holders of defects or irregularities with respect to tenders of Private Notes, neither the Company, any employees, agents, affiliates or assigns of the Company, the Exchange Agent, nor any other person shall be under any duty to give notification of any irregularities in tenders or incur any liability for failure to give such notification.

12. *No Conditional Tenders.* No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders of Private Notes, by execution of this Letter of Transmittal, shall waive any right to receive notice of the acceptance of their Private Notes for exchange.

13. *Mutilated, Lost, Stolen or Destroyed Private Notes.* Any tendering Holder whose Private Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated on the front of this Letter of Transmittal for further instructions. An indemnity may be required by the Exchange Agent or Company in connection with the mutilated, lost, stolen or destroyed Private Note.

14. *Requests for Assistance or Additional Copies.* Any questions or requests for assistance or additional copies of the Prospectus, this Letter of Transmittal or the notice of guaranteed delivery may be directed to the Exchange Agent at the telephone numbers and location listed on the cover page of this Letter of Transmittal. A Holder or owner may also contact such Holder's or owner's broker, dealer, commercial bank or trust company or nominee for assistance concerning the Exchange Offer.

15. *Incorporation of Letter of Transmittal.* This Letter of Transmittal shall be deemed to be incorporated in any tender of Private Notes by any DTC participant effected through procedures established by DTC and, by virtue of such tender, such participant shall be deemed to have acknowledged and accepted this Letter of Transmittal on behalf of itself and the beneficial owners of any Private Notes so tendered. By tendering Private Notes pursuant to book-entry procedures established by DTC, the DTC participant agrees to be bound by the terms of this Letter of Transmittal as if such participant had signed and physically delivered such document to the Exchange Agent.

IMPORTANT: This Letter of Transmittal (or a facsimile hereof), together with certificates representing the Private Notes and all other required documents or the notice of guaranteed delivery, must be received by the Exchange Agent on or prior to the Expiration Date.

IMPORTANT TAX INFORMATION

Under federal income tax law, an owner of Private Notes whose tendered Private Notes are accepted for exchange is required to provide the Exchange Agent with such owner's current TIN on IRS Form W-9 below. If such owner is an individual, the TIN is his or her social security number. If the Exchange Agent is not provided with the correct TIN, the owner or other recipient of Exchange Notes may be subject to a $50 penalty imposed by the IRS. In addition, any interest on Exchange Notes paid to such owner or other recipient may be subject to 28% backup withholding tax.

Certain owners of Notes (including, among others, all corporations and certain foreign individuals) will not be subject to backup withholding if such owners submit to the Exchange Agent a properly completed IRS Form W-8 or IRS Form W-9, as applicable, signed under penalties of perjury certifying to that individual's exempt or foreign status. Failure to provide such certification to the Exchange Agent may subject the tendering owner (or other payee) to a $50 penalty imposed by the IRS and could subject such owner to backup withholding. An IRS Form W-8 can be obtained from the Exchange Agent.

Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the IRS.

Purpose of IRS Form W-9

To prevent backup withholding the owner is required to notify the Exchange Agent with (i) the Holder's correct TIN by completing the IRS Form W-9 provided herein, certifying (1) that the TIN provided on the IRS Form W-9 herein is correct (or that such Holder is awaiting a TIN), (2) that (A) the Holder is exempt from backup withholding, (B) the Holder has not been notified by the IRS that the Holder is subject to backup withholding as a result of failure to report all interest or dividends or (C) the IRS has notified the Holder that the Holder is no longer subject to backup withholding, (3) that the Holder is a U.S. person (including a U.S. resident alien), and (4) that the FATCA codes(s) provided (to indicate that the Holder is exempt from FATCA reporting) on the IRS Form W-9 herein, if any, is correct or (ii) if applicable, an adequate basis for exemption.

What Number to Give the Exchange Agent

The Holder is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the owner of the Private Notes. If the Private Notes are registered in more than one name or are not registered in the name of the actual owner consult the instructions for IRS Form W-9 for additional guidance on which number to report.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES HEREIN IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE CODE; (B) SUCH DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Form **W-9**
(Rev. August 2013)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

Print or type
See **Specific Instructions** on page 2.

Name (as shown on your income tax return)

Business name/disregarded entity name, if different from above

Check appropriate box for federal tax classification:
☐ Individual/sole proprietor ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) u ________

☐ Other (see instructions) u

Exemptions (see instructions):
Exempt payee code (if any)________

Exemption from FATCA reporting code (if any)________

Address (number, street, and apt. or suite no.)

Requester's name and address (optional)

City, state, and ZIP code

List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number
– –

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Employer identification number
–

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here **Signature of U.S. person** u **Date** u

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. The IRS has created a page on IRS.gov for information about Form W-9, at *www.irs.gov/w9*. Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

In the cases below, the following person must give Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States:

 In the case of a disregarded entity with a U.S. owner, the U.S. owner of the disregarded entity and not the entity,

 In the case of a grantor trust with a U.S. grantor or other U.S. owner, generally, the U.S. grantor or other U.S. owner of the grantor trust and not the trust, and

 In the case of a U.S. trust (other than a grantor trust), the U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person or the U.S. branch of a foreign bank that has elected to be treated as a U.S. person, do not use Form W-9. Instead, use the appropriate Form W-8 or Form 8233 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity, give the requester the appropriate completed Form W-8 or Form 8233.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, payments made in settlement of payment card and third party network transactions, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See *Exempt payee code* on page 3 and the separate Instructions for the Requester of Form W-9 for more information.

Also see *Special rules for partnerships* on page 1.

What is FATCA reporting? The Foreign Account Tax Compliance Act (FATCA) requires a participating foreign financial institution to report all United States account holders that are specified United States persons. Certain payees are exempt from FATCA reporting. See *Exemption from FATCA reporting code* on page 3 and the Instructions for the Requester of Form W-9 for more information.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the "Name" line. You may enter your business, trade, or "doing business as (DBA)" name on the "Business name/disregarded entity name" line.

Partnership, C Corporation, or S Corporation. Enter the entity's name on the "Name" line and any business, trade, or "doing business as (DBA) name" on the "Business name/disregarded entity name" line.

Disregarded entity. For U.S. federal tax purposes, an entity that is disregarded as an entity separate from its owner is treated as a "disregarded entity." See Regulation section 301.7701-2(c)(2)(iii). Enter the owner's name on the "Name" line. The name of the entity entered on the "Name" line should never be a disregarded entity. The name on the "Name" line must be the name shown on the income tax return on which the income should be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a single owner that is a U.S. person, the U.S. owner's name is required to be provided on the "Name" line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on the "Business name/disregarded entity name" line. If the owner of the disregarded entity is a foreign person, the owner must complete an appropriate Form W-8 instead of a Form W-9. This is the case even if the foreign person has a U.S. TIN.

Note. Check the appropriate box for the U.S. federal tax classification of the person whose name is entered on the "Name" line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

Limited Liability Company (LLC). If the person identified on the "Name" line is an LLC, check the "Limited liability company" box only and enter the appropriate code for the U.S. federal tax classification in the space provided. If you are an LLC that is treated as a partnership for U.S. federal tax purposes, enter "P" for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter "C" for C corporation or "S" for S corporation, as appropriate. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the "Name" line) is another LLC that is not disregarded for U.S. federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the "Name" line.

Other entities. Enter your business name as shown on required U.S. federal tax documents on the "Name" line. This name should match the

name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name/disregarded entity name" line.

Exemptions

If you are exempt from backup withholding and/or FATCA reporting, enter in the *Exemptions* box, any code(s) that may apply to you. See *Exempt payee code* and *Exemption from FATCA reporting code* on page 3.

Exempt payee code. Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends. Corporations are not exempt from backup withholding for payments made in settlement of payment card or third party network transactions.

Note. If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following codes identify payees that are exempt from backup withholding:

1—An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2)

2—The United States or any of its agencies or instrumentalities

3—A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities

4—A foreign government or any of its political subdivisions, agencies, or instrumentalities

5—A corporation

6—A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States

7—A futures commission merchant registered with the Commodity Futures Trading Commission

8—A real estate investment trust

9—An entity registered at all times during the tax year under the Investment Company Act of 1940

10—A common trust fund operated by a bank under section 584(a)

11—A financial institution

12—A middleman known in the investment community as a nominee or custodian

13—A trust exempt from tax under section 664 or described in section 4947

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 13.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 7
Broker transactions	Exempt payees 1 through 4 and 6 through 11 and all C corporations. S corporations must not enter an exempt payee code because they are exempt only for sales of noncovered securities acquired prior to 2012.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 4
Payments over $600 required to be reported and direct sales over $5,000 [1]	Generally, exempt payees 1 through 5 [2]
Payments made in settlement of payment card or third party network transactions	Exempt payees 1 through 4

[1] See Form 1099-MISC, Miscellaneous Income, and its instructions.

[2] However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

Exemption from FATCA reporting code. The following codes identify payees that are exempt from reporting under FATCA. These codes apply to persons submitting this form for accounts maintained outside of the United States by certain foreign financial institutions. Therefore, if you are only submitting this form for an account you hold in the United States, you may leave this field blank. Consult with the person requesting this form if you are uncertain if the financial institution is subject to these requirements.

A—An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37)

B—The United States or any of its agencies or instrumentalities

C—A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities

D—A corporation the stock of which is regularly traded on one or more established securities markets, as described in Reg. section 1.1472-1(c)(1)(i)

E—A corporation that is a member of the same expanded affiliated group as a corporation described in Reg. section 1.1472-1(c)(1)(i)

F—A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state

G—A real estate investment trust

H—A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940

I—A common trust fund as defined in section 584(a)

J—A bank as defined in section 581

K—A broker

L—A trust exempt from tax under section 664 or described in section 4947(a)(1)

M—A tax exempt trust under a section 403(b) plan or section 457(g) plan

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at *www.ssa.gov*. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at *www.irs.gov/businesses* and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting IRS.gov or by calling 1-800- TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, apply for a TIN and write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: *A disregarded U.S. entity that has a foreign owner must use the appropriate Form W-8.*

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if items 1, 4, or 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt payee code* earlier.

Signature requirements. Complete the certification as indicated in items 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments made in settlement of payment card and third party network transactions, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

	For this type of account:	Give name and SSN of:
1.	Individual	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account [1]
3.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor [2]
4.	a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee [1]
	b. So-called trust account that is not a legal or valid trust under state law	The actual owner [1]
5.	Sole proprietorship or disregarded entity owned by an individual	The owner [3]
6.	Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(i)(A))	The grantor *
	For this type of account:	**Give name and EIN of:**
7.	Disregarded entity not owned by an individual	The owner
8.	A valid trust, estate, or pension trust	Legal entity [4]
9.	Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10.	Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11.	Partnership or multi-member LLC	The partnership
12.	A broker or registered nominee	The broker or nominee
13.	Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14.	Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B))	The trust

[1] List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

[2] Circle the minor's name and furnish the minor's SSN.

[3] You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

[4] List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

***Note.** Grantor also must provide a Form W-9 to trustee of trust.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to *phishing@irs.gov.* You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: *spam@uce.gov* or contact them at *www.ftc.gov/idtheft* or 1-877- IDTHEFT (1-877-438-4338).

Visit IRS.gov to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

YOU SHOULD COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE "APPLIED FOR" IN PART I OF IRS FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate IRS Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that, notwithstanding the information I provided in the IRS Form W-9 (and the fact that I have completed this Certificate of Awaiting Taxpayer Identification Number), 28% of all reportable payments made to me will be withheld until I provide a taxpayer identification number. If I fail to provide a taxpayer identification number within 60 days, such amounts will be paid over to the Internal Revenue Service.

Signature:____ Date: ________ , 20____

NOTE: FAILURE TO COMPLETE AND RETURN THE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW IRS FORM W-9 AND THE INSTRUCTIONS THERETO FOR ADDITIONAL DETAILS.

Exhibit 99.2

PARKER DRILLING COMPANY

OFFER FOR ANY AND ALL OUTSTANDING 7.500% SENIOR NOTES DUE 2020
ISSUED ON JULY 30, 2013 IN EXCHANGE FOR 7.500% SENIOR NOTES DUE 2020
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED,
PURSUANT TO THE PROSPECTUS DATED ______, 2014

THE EXCHANGE OFFER (AS DEFINED BELOW) WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON______, 2014, UNLESS EXTENDED BY THE COMPANY IN ITS SOLE DISCRETION (THE "EXPIRATION DATE"). TENDERS OF PRIVATE NOTES MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

______, 2014

To Brokers, Dealers, Commercial Banks,
Trust Companies and other Nominees:

Parker Drilling Company (the "Company") is offering to exchange (the "Exchange Offer") any and all of its $225,000,000 aggregate principal amount of 7.500% Senior Notes due 2020 (the "Exchange Notes"), the issuance of which has been registered under the Securities Act of 1933, as amended, for a like principal amount of its 7.500% Senior Notes due 2020 issued on July 30, 2013 (the "Private Notes") upon the terms and subject to the conditions set forth in the Prospectus dated ______, 2014 (the "Prospectus") and in the related Letter of Transmittal and the instructions thereto (the "Letter of Transmittal"). Capitalized terms used herein but not defined herein shall have the same meanings given to them in the Prospectus.

Enclosed herewith are copies of the following documents:

1. The Prospectus;

2. The Letter of Transmittal for your use and for the information of our clients, including an Internal Revenue Service Form W-9 for collection of information relating to backup federal income tax withholding;

3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer with respect to Private Notes in certified form or Private Notes accepted for clearance through the facilities of the Depository Trust Company ("DTC") if (i) certificates of Private Notes are not immediately available or all required documents are unlikely to reach the Exchange Agent on or prior to the Expiration Date or (ii) a book-entry transfer cannot be completed on a timely basis;

4. A form of letter which may be sent to your clients for whose account you hold the Private Notes in your name or in the name of a nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer; and

5. Return envelopes addressed to The Bank of New York Mellon Trust Company, N.A., the Exchange Agent for the Exchange Offer.

PLEASE NOTE THAT THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK TIME, ON______, 2014, UNLESS EXTENDED OR EARLIER TERMINATED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE.

The Company has not retained any dealer-manager in connection with the Exchange Offer and will not pay any fee or commission to any broker, dealer, nominee or other person, other than the Exchange Agent, for

soliciting tenders of the Private Notes pursuant to the Exchange Offer. You will be reimbursed by the Company for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients and for handling or tendering for your clients.

Additional copies of the enclosed materials may be obtained by contacting the Exchange Agent as provided in the enclosed Letter of Transmittal.

Very truly yours,

Parker Drilling Company

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF ANY OF THEM WITH RESPECT TO THE EXCHANGE OFFER NOT CONTAINED IN THE PROSPECTUS OR THE LETTER OF TRANSMITTAL.

EXHIBIT 99.3

PARKER DRILLING COMPANY

OFFER FOR ANY AND ALL OUTSTANDING 7.500% SENIOR NOTES DUE 2020
ISSUED ON JULY 30, 2013 IN EXCHANGE FOR 7.500% SENIOR NOTES DUE 2020
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED,
PURSUANT TO THE PROSPECTUS DATED __________, 2014

THE EXCHANGE OFFER (AS DEFINED BELOW) WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON __________, 2014, UNLESS EXTENDED BY THE COMPANY IN ITS SOLE DISCRETION (THE "EXPIRATION DATE"). TENDERS OF PRIVATE NOTES MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

__________, 2014

To Our Clients:

Enclosed for your consideration is a Prospectus dated __________, 2014 (the "Prospectus") and the related Letter of Transmittal and instructions thereto (the "Letter of Transmittal") in connection with the offer of Parker Drilling Company (the "Company") to exchange (the "Exchange Offer") any and all of its $225,000,000 aggregate principal amount of 7.500% Senior Notes due 2020 (the "Exchange Notes"), the issuance of which has been registered under the Securities Act of 1933, as amended, for a like principal amount of its issued and outstanding 7.500% Senior Notes due 2020 issued on July 30, 2013 (the "Private Notes") upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal (the "Letter of Transmittal"). Consummation of the Exchange Offer is subject to certain conditions described in the Prospectus. All capitalized terms used herein but not defined herein shall have the meaning ascribed to them in the Prospectus.

WE ARE THE REGISTERED HOLDER OF PRIVATE NOTES HELD BY US FOR YOUR ACCOUNT. A TENDER OF ANY SUCH PRIVATE NOTES CAN BE MADE ONLY BY US AS THE REGISTERED HOLDER AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER PRIVATE NOTES HELD BY US FOR YOUR ACCOUNT.

Accordingly, we request instructions as to whether you wish us to tender any or all such Private Notes held by us for your account pursuant to the terms and conditions set forth in the Prospectus and the Letter of Transmittal. WE URGE YOU TO READ THE PROSPECTUS AND THE LETTER OF TRANSMITTAL CAREFULLY BEFORE INSTRUCTING US TO TENDER YOUR PRIVATE NOTES.

Your instructions to us should be forwarded as promptly as possible in order to permit us to tender Private Notes on your behalf in accordance with the provisions of the Exchange Offer. THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON __________, 2014, UNLESS EXTENDED OR EARLIER TERMINATED. Private Notes tendered pursuant to the Exchange Offer may be withdrawn only under the circumstances described in the Prospectus and the Letter of Transmittal.

Your attention is directed to the following:

1. The Exchange Offer is for the entire aggregate principal amount of outstanding Private Notes.

2. Consummation of the Exchange Offer is conditioned upon the terms and conditions set forth in the Prospectus under the captions "The Exchange Offer—Terms of The Exchange Offer" and "The Exchange Offer—Conditions of the Exchange Offer."

3. Tendering Holders may withdraw their tender at any time until 5:00 p.m., New York City time, on the Expiration Date.

4. Any transfer taxes incident to the transfer of Private Notes from the tendering Holder to the Company will be paid by the Company, except as provided in the Prospectus and the instructions to the Letter of Transmittal.

5. The Exchange Offer is not being made to, nor will the surrender of Private Notes for exchange be accepted from or on behalf of, Holders of Private Notes in any jurisdiction in which the Exchange Offer or acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction.

6. The acceptance for exchange of Private Notes validly tendered and not withdrawn and the issuance of Exchange Notes will be made as soon as practicable after the Expiration Date.

7. The Company expressly reserves the right, in its reasonable discretion and in accordance with applicable law, (i) to delay accepting any Private Notes, (ii) to terminate the Exchange Offer and not accept any Private Notes for exchange if it determines that any of the conditions to the Exchange Offer, as set forth in the Prospectus, have not occurred or been satisfied, (iii) to extend the Expiration Date of the Exchange Offer and retain all Private Notes tendered in the Exchange Offer other than those Private Notes properly withdrawn, or (iv) to waive any condition or to amend the terms of the Exchange Offer in any manner. In the event of any extension, delay, non-acceptance, termination, waiver or amendment, the Company will as promptly as practicable give written notice of the action to the Exchange Agent and make a public announcement of such action. In the case of an extension, such announcement will be made no later than 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

8. Consummation of the Exchange Offer may have adverse consequences to Holders of Private Notes not tendering such Private Notes pursuant to the Exchange Offer, including that the reduced amount of outstanding Private Notes as a result of the Exchange Offer may adversely affect the trading market, liquidity and market price of the Private Notes.

If you wish to have us tender any or all of the Private Notes held by us for your account, please so instruct us by completing, executing and returning to us the instruction form that follows.

INSTRUCTIONS REGARDING THE EXCHANGE OFFER
WITH RESPECT TO THE
$225,000,000 OF 7.500% SENIOR NOTES DUE 2020
("PRIVATE NOTES")

INSTRUCTIONS

The undersigned acknowledge(s) receipt of your letter and the enclosed documents referred to therein relating to the Exchange Offer of Parker Drilling Company with respect to the Private Notes.

This will instruct you whether to tender the principal amount of Private Notes indicated below held by you for the account of the undersigned pursuant to the terms of and conditions set forth in the Prospectus and the Letter of Transmittal. (check box as applicable)

Box 1 ☐ Please tender the Private Notes held by you for my account, as indicated below.

Box 2 ☐ Please do not tender any Private Notes held by you for my account.

Date: ___________, 2014

Principal Amount of Private Notes to be Tendered:

$ ____
(must be in the principal amount of $1,000 or integral multiples of $1,000 in excess thereof)

____
Signatures(s)*

____

____
Please Print Name(s) Here

____

____

____
Please Type or Print Address

____
Area Code and Telephone Number

____
Taxpayer Identification or Social Security Number

____
My Account Number With You

* UNLESS OTHERWISE INDICATED, SIGNATURE(S) HEREON BY BENEFICIAL OWNER(S) SHALL CONSTITUTE AN INSTRUCTION TO THE NOMINEE TO TENDER ALL ORIGINAL NOTES OF SUCH BENEFICIAL OWNER(S).