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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

OR

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

For the transition period from _____ to _____

Commission file number: 001-16337

OIL STATES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	76-0476605 (I.R.S. Employer Identification No.)
Three Allen Center, 333 Clay Street Suite 4620 Houston, Texas (Address of principal executive offices)	77002 (Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	OIS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of October 23, 2020, the number of shares of common stock outstanding was 61,031,053.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

ITEM 1. *Financial Statements*

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Products	$ 72,598	$ 122,067	$ 258,221	$ 363,360
Services	62,161	141,630	242,477	415,633
	134,759	263,697	500,698	778,993
Costs and expenses:				
Product costs	66,789	90,796	224,623	275,353
Service costs	53,822	110,294	221,673	333,727
Cost of revenues (exclusive of depreciation and amortization expense presented below)	120,611	201,090	446,296	609,080
Selling, general and administrative expense	21,389	31,935	71,505	93,527
Depreciation and amortization expense	24,251	31,366	75,306	94,800
Impairments of goodwill	—	—	406,056	—
Impairments of fixed assets	—	33,697	8,190	33,697
Other operating expense (income), net	(652)	519	(679)	34
	165,599	298,607	1,006,674	831,138
Operating loss	(30,840)	(34,910)	(505,976)	(52,145)
Interest expense, net	(3,549)	(4,352)	(11,232)	(13,721)
Other income, net	6,744	1,190	13,512	2,866
Loss before income taxes	(27,645)	(38,072)	(503,696)	(63,000)
Income tax benefit	7,676	6,204	54,060	6,744
Net loss	$ (19,969)	$ (31,868)	$ (449,636)	$ (56,256)
Net loss per share:				
Basic	$ (0.33)	$ (0.54)	$ (7.52)	$ (0.95)
Diluted	(0.33)	(0.54)	(7.52)	(0.95)
Weighted average number of common shares outstanding:				
Basic	59,871	59,423	59,788	59,362
Diluted	59,871	59,423	59,788	59,362

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss	$ (19,969)	$ (31,868)	$ (449,636)	$ (56,256)
Other comprehensive income (loss):				
Currency translation adjustments	3,357	(5,672)	(12,664)	(5,535)
Comprehensive loss	$ (16,612)	$ (37,540)	$ (462,300)	$ (61,791)

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)

	September 30, 2020	December 31, 2019
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 79,701	$ 8,493
Accounts receivable, net	158,184	233,487
Inventories, net	180,497	221,342
Prepaid expenses and other current assets	14,921	20,107
Total current assets	433,303	483,429
Property, plant, and equipment, net	390,962	459,724
Operating lease assets, net	36,902	43,616
Goodwill, net	76,051	482,306
Other intangible assets, net	211,804	230,091
Other noncurrent assets	31,764	28,701
Total assets	$ 1,180,786	$ 1,727,867
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 25,620	$ 25,617
Accounts payable	36,666	78,368
Accrued liabilities	49,755	48,840
Current operating lease liabilities	7,942	8,311
Income taxes payable	3,501	4,174
Deferred revenue	48,851	17,761
Total current liabilities	172,335	183,071
Long-term debt	163,526	222,552
Long-term operating lease liabilities	30,459	35,777
Deferred income taxes	26,643	38,079
Other noncurrent liabilities	23,485	24,421
Total liabilities	416,448	503,900
Stockholders' equity:		
Common stock, $.01 par value, 200,000,000 shares authorized, 73,301,564 shares and 72,546,321 shares issued, respectively	733	726
Additional paid-in capital	1,119,860	1,114,521
Retained earnings	348,074	797,710
Accumulated other comprehensive loss	(80,410)	(67,746)
Treasury stock, at cost, 12,270,511 and 12,045,065 shares, respectively	(623,919)	(621,244)
Total stockholders' equity	764,338	1,223,967
Total liabilities and stockholders' equity	$ 1,180,786	$ 1,727,867

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands)

Three Months Ended September 30, 2020	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total Stockholders' Equity**
Balance, June 30, 2020	$ 733	$ 1,117,771	$ 368,043	$ (83,767)	$ (623,911)	$ 778,869
Net loss	—	—	(19,969)	—	—	(19,969)
Currency translation adjustments (excluding intercompany advances)	—	—	—	4,624	—	4,624
Currency translation adjustments on intercompany advances	—	—	—	(1,267)	—	(1,267)
Stock-based compensation expense:						
Restricted stock	—	2,089	—	—	—	2,089
Surrender of stock to settle taxes on restricted stock awards	—	—	—	—	(8)	(8)
Balance, September 30, 2020	$ 733	$ 1,119,860	$ 348,074	$ (80,410)	$ (623,919)	$ 764,338

Nine Months Ended September 30, 2020	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total Stockholders' Equity**
Balance, December 31, 2019	$ 726	$ 1,114,521	$ 797,710	$ (67,746)	$ (621,244)	$ 1,223,967
Net loss	—	—	(449,636)	—	—	(449,636)
Currency translation adjustments (excluding intercompany advances)	—	—	—	(4,524)	—	(4,524)
Currency translation adjustments on intercompany advances	—	—	—	(8,140)	—	(8,140)
Stock-based compensation expense:						
Restricted stock	7	5,339	—	—	—	5,346
Surrender of stock to settle taxes on restricted stock awards	—	—	—	—	(2,675)	(2,675)
Balance, September 30, 2020	$ 733	$ 1,119,860	$ 348,074	$ (80,410)	$ (623,919)	$ 764,338

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands)

Three Months Ended September 30, 2019	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total Stockholders' Equity**
Balance, June 30, 2019	$ 726	$ 1,106,340	$ 1,005,130	$ (71,260)	$ (621,208)	$ 1,419,728
Net loss	—	—	(31,868)	—	—	(31,868)
Currency translation adjustments (excluding intercompany advances)	—	—	—	(4,448)	—	(4,448)
Currency translation adjustments on intercompany advances	—	—	—	(1,224)	—	(1,224)
Stock-based compensation expense:						
Restricted stock	—	4,232	—	—	—	4,232
Stock options	—	—	—	—	—	—
Stock repurchases	—	—	—	—	—	—
Surrender of stock to settle taxes on restricted stock awards	—	—	—	—	(76)	(76)
Balance, September 30, 2019	$ 726	$ 1,110,572	$ 973,262	$ (76,932)	$ (621,284)	$ 1,386,344

Nine Months Ended September 30, 2019	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total Stockholders' Equity**
Balance, December 31, 2018	$ 718	$ 1,097,758	$ 1,029,518	$ (71,397)	$ (616,829)	$ 1,439,768
Net loss	—	—	(56,256)	—	—	(56,256)
Currency translation adjustments (excluding intercompany advances)	—	—	—	(4,841)	—	(4,841)
Currency translation adjustments on intercompany advances	—	—	—	(694)	—	(694)
Stock-based compensation expense:						
Restricted stock	8	12,761	—	—	—	12,769
Stock options	—	53	—	—	—	53
Stock repurchases	—	—	—	—	(757)	(757)
Surrender of stock to settle taxes on restricted stock awards	—	—	—	—	(3,698)	(3,698)
Balance, September 30, 2019	$ 726	$ 1,110,572	$ 973,262	$ (76,932)	$ (621,284)	$ 1,386,344

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (449,636)	$ (56,256)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	75,306	94,800
Impairments of goodwill	406,056	—
Impairments of inventories	31,151	—
Impairments of fixed assets	8,190	33,697
Stock-based compensation expense	5,346	12,822
Amortization of debt discount and deferred financing costs	5,937	5,903
Deferred income tax benefit	(16,915)	(11,935)
Gains on extinguishment of 1.50% convertible senior notes	(10,721)	—
Gains on disposals of assets	(2,088)	(2,310)
Other, net	3,732	1,216
Changes in operating assets and liabilities:		
Accounts receivable	67,371	24,993
Inventories	9,174	(6,867)
Accounts payable and accrued liabilities	(39,594)	3,143
Income taxes payable	248	1,948
Deferred revenue	31,114	11,793
Other operating assets and liabilities, net	6,471	2,947
Net cash flows provided by operating activities	131,142	115,894
Cash flows from investing activities:		
Capital expenditures	(11,277)	(45,832)
Proceeds from disposition of property, plant and equipment	8,984	3,619
Other, net	(444)	(1,534)
Net cash flows used in investing activities	(2,737)	(43,747)
Cash flows from financing activities:		
Revolving credit facility borrowings	72,173	175,306
Revolving credit facility repayments	(105,104)	(246,450)
Purchases of 1.50% convertible senior notes	(20,078)	(858)
Other debt and finance lease repayments, net	(337)	(434)
Payment of financing costs	(962)	(18)
Shares added to treasury stock as a result of net share settlements due to vesting of stock awards	(2,675)	(3,698)
Purchases of treasury stock	—	(757)
Net cash flows used in financing activities	(56,983)	(76,909)
Effect of exchange rate changes on cash and cash equivalents	(214)	101
Net change in cash and cash equivalents	71,208	(4,661)
Cash and cash equivalents, beginning of period	8,493	19,316
Cash and cash equivalents, end of period	$ 79,701	$ 14,655
Cash paid (received) for:		
Interest	$ 5,716	$ 8,378
Income taxes, net	(37,393)	(2,522)

The accompanying notes are an integral part of these financial statements.

1. Organization and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Oil States International, Inc. and its subsidiaries (referred to in this report as "we" or the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission") pertaining to interim financial information. Certain information in footnote disclosures normally included with financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to these rules and regulations. The unaudited financial statements included in this report reflect all the adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair statement of the results of operations for the interim periods covered and for the financial condition of the Company at the date of the interim balance sheet. Results for the interim periods are not necessarily indicative of results for the full year. Certain prior-year amounts in the Company's unaudited condensed consolidated financial statements have been reclassified to conform to the current year presentation.

As further discussed in Note 13, "Commitments and Contingencies," the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic and the related economic, business and market disruptions continues to evolve and its future effects remain uncertain. The actual impact of these developments on the Company will depend on many factors, many of which are beyond management's control and knowledge. It is therefore difficult for management to assess or predict with precision the broad future effect of this health crisis on the global economy, the energy industry or the Company. During the first nine months of 2020, the Company recorded asset impairments, severance and facility closure charges in response to these recent developments, as further discussed in Note 3, "Asset Impairments and Other Charges." As additional information becomes available, events or circumstances change and strategic operational decisions are made by management, further adjustments may be required which could have a material adverse impact on the Company's consolidated financial position, results of operations and cash flows.

The preparation of condensed consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include, but are not limited to, goodwill and other asset impairments, revenue and income recognized over time, valuation allowances recorded on deferred tax assets, reserves on inventory, allowances for doubtful accounts, and potential future adjustments related to contractual indemnification and other agreements. Actual results could materially differ from those estimates.

The financial statements included in this report should be read in conjunction with the Company's audited financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2019.

2. Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the "FASB"), which are adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

In August 2020, the FASB issued updated guidance to simplify the accounting for convertible instruments and contracts in an entity's own equity. This new guidance will eliminate the current requirement that the carrying value of convertible debt instruments, including the Company's 1.50% convertible senior notes due 2023 (the "Notes"), be allocated between the debt and equity components. As permitted under the standard, the Company plans to adopt the new guidance on January 1, 2021 using the modified retrospective transition method. Upon initial evaluation, the Company believes the key changes upon adoption will be to increase the carrying value of the debt component of the Notes and reduce the reported level of interest expense recognized over the remaining life of the Notes. Based on the $157.4 million principal amount of the Notes outstanding as of September 30, 2020, the Company estimates that the adoption of the standard on January 1, 2021 will result in a $12.2 million increase in the net carrying value of the Notes, a $3.7 million decrease in deferred income taxes and an $8.5 million net decrease in stockholders' equity. Beginning on January 1, 2021, the effective interest rate associated with the Notes is expected to decrease from approximately 6% to approximately 2%, which compares to the contractual cash interest rate of 1.50%.

In June 2016, the FASB issued guidance on credit impairment for short-term receivables which, as amended, introduces the recognition of management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The Company adopted this guidance on January 1, 2020, using the optional transition method of recognizing any cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings. The cumulative impact of the adoption of the new standard was not material to the Company's consolidated financial statements. Prior periods were not retrospectively adjusted.

3. Asset Impairments and Other Charges

In March of 2020, the spot price of West Texas Intermediate ("WTI") crude oil declined over 50% in response to current and expected material reductions in global demand stemming from the global response to the COVID-19 pandemic, coupled with announcements by Saudi Arabia and Russia of plans to increase crude oil production. Following this unprecedented collapse in crude oil prices, the spot price of Brent and WTI crude oil closed at $15 and $21 per barrel, respectively, on March 31, 2020. Crude oil prices further declined in April of 2020 to record low levels, and while the spot price of Brent and WTI crude oil increased to an average of $43 and $41 per barrel, respectively, in the third quarter of 2020, these average prices continue to be depressed versus historical price levels.

Demand for most of the Company's products and services depends substantially on the level of capital expenditures by the oil and natural gas industry. The decline in oil prices has, and is expected to continue to, result in further near-term reductions to most of the Company's customers' drilling, completion and production activities and their related spending on products and services, particularly in the U.S. shale play regions. These conditions may also result in a material adverse impact on certain customers' liquidity and financial position, leading to further spending reductions, delays in the collection of amounts owed and in certain instances, non-payment of amounts owed.

Consistent with oilfield service industry peers, the Company's stock price declined dramatically during the first quarter of 2020, with its market capitalization falling substantially below the carrying value of stockholders' equity.

Following these March 2020 events, the Company immediately implemented significant cost reduction initiatives. The Company also assessed the carrying value of goodwill, long-lived and other assets based on the industry outlook regarding overall demand for and pricing of its products and services, other market considerations and the financial condition of the Company's customers. As a result of these events, actions and assessments, the Company recorded the following charges during the first quarter of 2020 (in thousands):

	Completion Services	Drilling Services	Downhole Technologies	Offshore/ Manufactured Products	Pre-tax Total	Tax	After-tax Total
Impairments of goodwill	$ 127,054	$ —	$ 192,502	$ 86,500	$ 406,056	$ 19,600	$ 386,456
Impairments of fixed assets	—	5,198	—	—	5,198	1,092	4,106
Impairments of inventories (Note 4)	8,981	—	—	16,249	25,230	4,736	20,494
Severance and facility closure costs	331	217	—	112	660	139	521

During the second and third quarters of 2020, the Company further reduced its workforce and closed additional facilities in the United States and continued to assess the carrying value of its assets based on the industry outlook regarding demand for and pricing of its products and services, and recorded the following charges (in thousands):

	Completion Services	Downhole Technologies	Offshore/ Manufactured Products	Corporate	Pre-tax Total	Tax	After-tax Total
Second quarter 2020							
Impairments of fixed assets	$ 2,992	$ —	$ —	$ —	$ 2,992	$ 628	$ 2,364
Severance and facility closure costs	3,544	1,315	322	216	5,397	1,133	4,264
Third quarter 2020							
Impairments of inventories (Note 4)	$ —	$ 5,921	$ —	$ —	$ 5,921	$ 1,243	$ 4,678
Severance and facility closure costs	—	—	288	—	288	60	228

Goodwill

The Company has three reporting units – Completion Services, Downhole Technologies and Offshore/Manufactured Products – with goodwill balances totaling $482.3 million as of December 31, 2019. Goodwill is allocated to each reporting unit from acquisitions made by the Company. In accordance with current accounting guidance, the Company does not amortize goodwill, but rather assesses goodwill for impairment annually and when an event occurs or circumstances change that indicate the carrying amounts may not be recoverable. If the carrying amount of a reporting unit exceeds its fair value, goodwill is considered impaired and an impairment loss is recorded. Given the significance of the March 2020 events described above, the Company performed a quantitative assessment of goodwill for impairment as of March 31, 2020. This interim assessment indicated that the fair value of each of the reporting units was less than their respective carrying amounts.

Management utilizes, depending on circumstances, a combination of valuation methodologies including a market approach and an income approach, as well as guideline public company comparables. The valuation techniques used in the March 31, 2020 assessment were consistent with those used during the December 1, 2019 assessment, except for the Completion Services reporting unit where the income approach was used to estimate its fair value – with the market approach used only to validate the results in 2020. The fair values of each of the Company's reporting units were determined using significant unobservable inputs (Level 3 fair value measurements). This approach estimates fair value by discounting the Company's forecasts of future cash flows by a discount rate (expected return) that a market participant is expected to require.

Significant assumptions and estimates used in the income approach include, among others, estimated future net annual cash flows and discount rates for each reporting unit, current and anticipated market conditions, estimated growth rates and historical data. These estimates rely upon significant management judgment, particularly given the continued uncertainties regarding the COVID-19 pandemic and its impact on activity levels and commodity prices as well as future global economic growth.

Based on this quantitative assessment as of March 31, 2020, the Company concluded that goodwill recorded in the Completion Services and Downhole Technologies businesses was fully impaired while goodwill recorded in the Offshore/Manufactured Products business was partially impaired. The Company therefore recognized non-cash goodwill impairment charges totaling $406.1 million in the first quarter of 2020. These impairment charges did not impact the Company's liquidity position, debt covenants or cash flows.

The discount rates used to value the Company's reporting units as of March 31, 2020 ranged between 16.8% and 18.5%. Holding all other assumptions and inputs used in the discounted cash flow analysis constant, a 50 basis point increase in the discount rate assumption for the Offshore/Manufactured Products reporting unit would have increased the goodwill impairment charge by approximately $10 million.

A summary of changes in the carrying values of goodwill by reporting unit in the first nine months of 2020 is presented in Note 4, "Details of Selected Balance Sheet Accounts."

Long-lived Assets

The Company also assesses the carrying value of long-lived assets, including property, plant and equipment, operating lease assets and other intangible assets held by each of its four reporting units. As a result of the March 2020 assessment, the Company concluded that property and equipment held by the Drilling Services reporting unit was further impaired and recognized a non-cash fixed asset impairment charge of $5.2 million in the first quarter of 2020. During the second quarter of 2020, the Company concluded that certain facilities held for sale by the Completion Services reporting unit were impaired and recognized a non-cash fixed asset impairment charge of $3.0 million to reduce the carrying value of the facilities to their estimated realizable value based on the current market environment.

The Company performed a qualitative assessment of goodwill and long-lived assets as of September 30, 2020 and concluded that no further impairment evaluation was required. As a result, no material impairments of goodwill or long-lived assets were recorded in the third quarter of 2020.

Should, among other events and circumstances, global economic and industry conditions further deteriorate, the COVID-19 pandemic business and market disruptions worsen, the outlook for future operating results and cash flow for any of the Company's reporting units decline, income tax rates increase or regulations change, costs of equity or debt capital increase, valuations for comparable public companies or comparable acquisition valuations decrease, or management implement strategic decisions based on industry conditions, the Company may need to recognize additional impairment losses in future periods.

4. Details of Selected Balance Sheet Accounts

Additional information regarding selected balance sheet accounts as of September 30, 2020 and December 31, 2019 is presented below (in thousands):

	September 30, 2020	December 31, 2019
Accounts receivable, net:		
Trade	$ 114,204	$ 178,813
Unbilled revenue	25,461	28,341
Contract assets	25,276	26,034
Other	3,443	9,044
Total accounts receivable	168,384	242,232
Allowance for doubtful accounts	(10,200)	(8,745)
	$ 158,184	$ 233,487
Allowance for doubtful accounts as a percentage of total accounts receivable	6 %	4 %

	September 30, 2020	December 31, 2019
Deferred revenue (contract liabilities)	$ 48,851	$ 17,761

For the nine months ended September 30, 2020, the $0.8 million net decrease in contract assets was primarily attributable to $22.8 million transferred to accounts receivable, which was substantially offset by $22.0 million in revenue recognized during the period. Deferred revenue (contract liabilities) increased by $31.1 million in 2020, primarily reflecting $46.4 million in new customer billings which were not recognized as revenue during the period, partially offset by the recognition of $15.2 million of revenue that was deferred at the beginning of the period.

As of September 30, 2020, accounts receivable, net in the United States, the United Kingdom and Singapore represented 62%, 17% and 12%, respectively, of the respective total. No other country or single customer accounted for more than 10% of the Company's total accounts receivable as of September 30, 2020.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company's customers to make required payments. Determination of the collectability of amounts due from customers requires us to make judgments regarding future events and trends. Allowances for doubtful accounts are established through an assessment of the Company's portfolio on an individual customer and consolidated basis taking into account current and expected future market conditions and trends. This process consists of a thorough review of historical collection experience, current aging status of the customer accounts, and financial condition of the Company's customers as well as political and economic factors in countries of operations and other customer-specific factors. Based on a review of these factors, the Company establishes or adjusts allowances for trade and unbilled receivables as well as contract assets. If a customer receivable is deemed to be uncollectible, the receivable is charged-off against allowance for doubtful accounts. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. The following provides a summary of activity in the allowance for doubtful accounts for the nine months ended September 30, 2020 and 2019 (in thousands):

	2020	2019
Allowance for doubtful accounts – January 1	$ 8,745	$ 6,701
Provisions	2,787	1,222
Write-offs	(2,490)	(894)
Other	1,158	(58)
Allowance for doubtful accounts – September 30	10,200	6,971

	September 30, 2020	December 31, 2019
Inventories, net:		
Finished goods and purchased products	$ 96,753	$ 107,691
Work in process	23,390	21,963
Raw materials	102,621	110,719
Total inventories	222,764	240,373
Allowance for excess or obsolete inventory	(42,267)	(19,031)
	$ 180,497	$ 221,342

The Company recorded an impairment charge of $5.9 million in the third quarter of 2020 to reduce the carrying value of inventories within the Downhole Technologies segment to their estimated net realizable value based on changes in expectations regarding the near-term utility, customer demand and market pricing of certain goods.

The Company recorded impairment charges totaling $25.2 million in the first quarter of 2020 to reduce the carrying value of inventories to their estimated net realizable value following the March 2020 decline in crude oil prices, which reduced the near-term utility of certain goods within the Offshore/Manufactured Products and Completion Services operations.

	September 30, 2020	December 31, 2019
Property, plant and equipment, net:		
Land	$ 34,046	$ 37,507
Buildings and leasehold improvements	264,434	273,384
Machinery and equipment	238,579	246,826
Completion Services equipment	507,769	510,737
Office furniture and equipment	35,419	45,309
Vehicles	82,161	97,264
Construction in progress	7,777	13,281
Total property, plant and equipment	1,170,185	1,224,308
Accumulated depreciation	(779,223)	(764,584)
	$ 390,962	$ 459,724

For the three months ended September 30, 2020 and 2019, depreciation expense was $18.0 million and $24.6 million, respectively. Depreciation expense was $56.6 million and $74.5 million for the nine months ended September 30, 2020 and 2019, respectively.

During the third quarter of 2019, the Company made the strategic decision to reduce the scope of its Drilling Services reporting unit (adjusting from 34 rigs to 9 rigs) due to the ongoing weakness in customer demand for vertical drilling rigs in the U.S. land market, particularly the Permian Basin, which resulted in the recognition of a $33.7 million non-cash fixed asset impairment charge.

As discussed in Note 3, "Asset Impairments and Other Charges," during the first quarter of 2020 the Drilling Services reporting unit recognized a non-cash impairment charge of $5.2 million to further reduce the carrying value of the business's fixed assets to their estimated realizable value. Additionally, in the second quarter of 2020, the Completion Services reporting unit recognized a non-cash impairment charge of $3.0 million to reduce the carrying value of certain facilities to their estimated realizable value.

	September 30, 2020	December 31, 2019
Other noncurrent assets:		
Deferred compensation plan	$ 22,767	$ 22,268
Other	8,997	6,433
	$ 31,764	$ 28,701

	September 30, 2020	December 31, 2019
Accrued liabilities:		
Accrued compensation	$ 20,146	$ 27,428
Insurance liabilities	8,079	9,108
Accrued taxes, other than income taxes	12,427	3,424
Accrued interest	2,052	2,387
Accrued commissions	1,934	1,481
Other	5,117	5,012
	$ 49,755	$ 48,840

Goodwill:	Well Site Services					
	Completion Services	Drilling Services	Subtotal	Downhole Technologies	Offshore/ Manufactured Products	Total
Balance as of December 31, 2019						
Goodwill	$ 221,582	$ 22,767	$ 244,349	$ 357,502	$ 162,750	$ 764,601
Accumulated impairment losses	(94,528)	(22,767)	(117,295)	(165,000)	—	(282,295)
	127,054	—	127,054	192,502	162,750	482,306
Goodwill impairments[(1)]	(127,054)	—	(127,054)	(192,502)	(86,500)	(406,056)
Foreign currency translation	—	—	—	—	(199)	(199)
Balance as of September 30, 2020	$ —	$ —	$ —	$ —	$ 76,051	$ 76,051

(1) See Note 3, "Asset Impairments and Other Charges" for discussion of first quarter 2020 goodwill impairments.

Other Intangible Assets:	September 30, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 168,271	$ 52,598	$ 115,673	$ 168,278	$ 44,296	$ 123,982
Patents/Technology/Know-how	75,741	24,617	51,124	85,919	30,791	55,128
Noncompete agreements	16,010	13,542	2,468	17,125	11,061	6,064
Tradenames and other	53,708	11,169	42,539	53,708	8,791	44,917
	$ 313,730	$ 101,926	$ 211,804	$ 325,030	$ 94,939	$ 230,091

For the three months ended September 30, 2020 and 2019, amortization expense was $6.2 million and $6.8 million, respectively. Amortization expense was $18.7 million and $20.3 million for the nine months ended September 30, 2020 and 2019, respectively.

5. Net Loss Per Share

The table below provides a reconciliation of the numerators and denominators of basic and diluted net loss per share for the three and nine months ended September 30, 2020 and 2019 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerators:				
Net loss	$ (19,969)	$ (31,868)	$ (449,636)	$ (56,256)
Less: Income attributable to unvested restricted stock awards	—	—	—	—
Numerator for basic net loss per share	(19,969)	(31,868)	(449,636)	(56,256)
Effect of dilutive securities:				
Unvested restricted stock awards	—	—	—	—
Numerator for diluted net loss per share	$ (19,969)	$ (31,868)	$ (449,636)	$ (56,256)
Denominators:				
Weighted average number of common shares outstanding	61,028	60,493	60,928	60,400
Less: Weighted average number of unvested restricted stock awards outstanding	(1,157)	(1,070)	(1,140)	(1,038)
Denominator for basic and diluted net loss per share	59,871	59,423	59,788	59,362
Net loss per share:				
Basic	$ (0.33)	$ (0.54)	$ (7.52)	$ (0.95)
Diluted	(0.33)	(0.54)	(7.52)	(0.95)

The calculation of diluted net loss per share for the three and nine months ended September 30, 2020 excluded 560 thousand shares and 595 thousand shares, respectively, issuable pursuant to outstanding stock options, due to their antidilutive effect. The calculation of diluted net loss per share for the three and nine months ended September 30, 2019 excluded 643 thousand shares and 665 thousand shares, respectively, issuable pursuant to outstanding stock options, due to their antidilutive effect. Additionally, shares issuable upon conversion of the 1.50% convertible senior notes were excluded for the three and nine month periods ended September 30, 2020 and 2019, due to their antidilutive effect.

6. Long-term Debt

As of September 30, 2020 and December 31, 2019, long-term debt consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Revolving credit facility due January 2022[(1)]	$ 17,682	$ 50,534
1.50% convertible senior notes due February 2023[(2)]	141,692	167,594
Promissory note	25,000	25,000
Other debt and finance lease obligations	4,772	5,041
Total debt	189,146	248,169
Less: Current portion	(25,620)	(25,617)
Total long-term debt	$ 163,526	$ 222,552

(1) Presented net of $1.3 million and $1.4 million of unamortized debt issuance costs as of September 30, 2020 and December 31, 2019, respectively.

(2) The outstanding principal amount of the 1.50% convertible senior notes was $157.4 million and $192.3 million as of September 30, 2020 and December 31, 2019, respectively.

Revolving Credit Facility due January 2022

The Company's senior secured revolving credit facility (the "Revolving Credit Facility") is governed by an amended and restated credit agreement with Wells Fargo Bank, N.A., as administrative agent for the lenders party thereto, and the lenders and other financial institutions from time to time party thereto, dated as of January 30, 2018 (the "Credit Agreement"), which matures on January 30, 2022. Prior to June 17, 2020, the Revolving Credit Facility provided for $350.0 million in lender commitments, including $50.0 million available for the issuance of letters of credit.

On June 17, 2020, the Company entered into an omnibus amendment to the Credit Agreement (as amended, the "Amended Credit Agreement"). Lender commitments under the Amended Credit Agreement were reduced to $200.0 million in exchange for the suspension of the financial covenants described below from July 1, 2020 through March 30, 2021. During the financial covenant suspension period, borrowing availability under the Revolving Credit Facility (as amended, the "Amended Revolving Credit Facility") is limited to 85% of the lesser of (i) $200.0 million or (ii) a borrowing base, calculated monthly, equal to the sum of 70% of the consolidated net book value of eligible receivables and 20% of the consolidated net book value of eligible inventory (the "Borrowing Base").

As of September 30, 2020, the Company had $19.0 million of borrowings outstanding under the Amended Revolving Credit Facility and $31.2 million of outstanding letters of credit. The total amount available to be drawn as of October 1, 2020 was $83.8 million, calculated based on 85% of the current Borrowing Base less outstanding borrowings and letters of credit.

Prior to June 17, 2020, amounts outstanding under the Revolving Credit Facility accrued interest at LIBOR plus a margin of 1.75% to 3.00%, or at a base rate plus a margin of 0.75% to 2.00%, in each case based on a ratio of the Company's total net funded debt to consolidated EBITDA (as defined in the Credit Agreement). The Company was also required to pay a quarterly commitment fee of 0.25% to 0.50%, based on the Company's ratio of total net funded debt to consolidated EBITDA, on the unused commitments under the Credit Agreement. Effective June 17, 2020, borrowings outstanding under the Amended Revolving Credit Facility bear interest at LIBOR plus a margin of 2.50% to 3.75%, or at a base rate plus a margin of 1.50% to 2.75%, in each case based on a ratio of the Company's total net funded debt to consolidated EBITDA. The Company must also pay a quarterly commitment fee of 0.50%, based on unused commitments under the Amended Credit Agreement. The Company expensed $0.5 million of previously deferred financing costs in the second quarter of 2020, which is included in interest expense, net, as a result of the amendment of the Credit Agreement.

The Amended Credit Agreement contains customary financial covenants and restrictions. Specifically, except for the period from July 1, 2020 through March 30, 2021, the Company must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA to consolidated interest expense, of at least 3.0 to 1.0, a maximum senior secured leverage ratio, defined as the ratio of senior secured debt to consolidated EBITDA, of no greater than 2.25 to 1.0 and a total net leverage ratio, defined as the ratio of total net funded debt to consolidated EBITDA, of no greater than 3.75 to 1.0.

The various components used in the calculation of these ratios are defined in the Amended Credit Agreement. Consolidated EBITDA and consolidated interest expense, as defined, exclude non-cash goodwill, fixed asset and inventory impairment charges, gains or losses on the extinguishment of debt, debt discount amortization, stock-based compensation expense and other non-cash charges.

Borrowings under the Amended Credit Agreement are secured by a pledge of substantially all of the Company's assets and the assets of its domestic subsidiaries. The Company's obligations under the Amended Credit Agreement are guaranteed by its significant domestic subsidiaries. The Amended Credit Agreement also contains negative covenants that limit the Company's ability to accumulate cash in excess of $45.0 million in the United States, borrow additional funds, encumber assets, pay dividends, sell assets, repurchase shares of common stock and enter into other significant transactions.

Under the Amended Credit Agreement, the occurrence of specified change of control events involving the Company would constitute an event of default that would permit the banks to, among other things, accelerate the maturity of the facility and cause it to become immediately due and payable in full.

1.50% Convertible Senior Notes due February 2023

On January 30, 2018, the Company issued $200 million aggregate principal amount of the Notes pursuant to an indenture, dated as of January 30, 2018 (the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee.

During the three months ended September 30, 2020, the Company purchased $17.2 million principal amount of the outstanding Notes for $9.5 million in cash. The net carrying amount of the liability component of these Notes totaled $15.4 million. In connection with extinguishment of these Notes, the Company recognized non-cash gains totaling $5.9 million during the third quarter of 2020, which is included within other income, net.

During the nine months ended September 30, 2020, the Company purchased $34.9 million principal amount of the outstanding Notes for $20.1 million in cash. The net carrying amount of the liability component of these Notes totaled $30.8 million. In connection with extinguishment of these Notes, the Company recognized non-cash gains totaling $10.7 million during the first nine months of 2020, which is included within other income, net. Since September 2019, the Company has purchased $42.6 million principal amount of the outstanding notes for $26.8 million in cash.

The initial carrying amount of the Notes recorded in the consolidated balance sheet was less than the $200 million principal amount of the Notes, in accordance with the currently applicable accounting principles, reflective of the estimated fair value of a similar debt instrument that does not have a conversion feature. The Company recorded the value of the conversion feature as a debt discount, which is amortized as interest expense over the term of the Notes, with a similar amount allocated to additional paid-in capital. As a result of this amortization, interest expense currently recognized on the Notes for accounting purposes, reflecting an effective interest rate of approximately 6%, is greater than cash interest the Company is obligated to pay. Reported interest expense associated with the Notes for the three and nine months ended September 30, 2020 was $2.3 million and $7.2 million, respectively, while the related contractual cash interest expense totaled $0.6 million and $2.0 million, respectively. Reported interest expense associated with the Notes for the three and nine months ended September 30, 2019 was $2.6 million and $7.7 million, respectively, while the related contractual cash interest expense totaled $0.8 million and $2.3 million, respectively.

The following table presents the carrying amount of the Notes in the consolidated balance sheets as of September 30, 2020 and December 31, 2019 (in thousands):

	September 30, 2020	December 31, 2019
Principal amount of the liability component	$ 157,369	$ 192,250
Less: Unamortized discount	13,667	21,544
Less: Unamortized issuance costs	2,010	3,112
Net carrying amount of the liability component	$ 141,692	$ 167,594
Net carrying amount of the equity component	$ 25,683	$ 25,683

See Note 2, "Recent Accounting Pronouncement," for discussion of the FASB's recent revision to accounting guidance for convertible instruments, which will change the Company's method of accounting for the Notes upon its adoption of the standard effective January 1, 2021.

The Notes bear interest at a rate of 1.50% per year until maturity. Interest is payable semi-annually in arrears on February 15 and August 15 of each year. In addition, additional interest and special interest may accrue on the Notes under certain circumstances as described in the Indenture. The Notes will mature on February 15, 2023, unless earlier repurchased, redeemed or converted. The initial conversion rate is 22.2748 shares of the Company's common stock per $1,000 principal amount of Notes (equivalent to an initial conversion price of approximately $44.89 per share of common stock). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances as described in the Indenture. The Company's intent is to repay the principal amount of the Notes in cash and settle the conversion feature in shares of the Company's common stock.

Noteholders may convert their Notes, at their option, only in the following circumstances: (1) if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of the Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company's common stock, as described in the Indenture; or (4) if the Company calls the Notes for redemption, or at any time from, and including, November 15, 2022 until the close of business on the second scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, based on the applicable conversion rate(s). If the Company elects to deliver cash or a combination of cash and shares of common stock, then the consideration due upon conversion will be based on a defined observation period.

The Notes will be redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or after February 15, 2021, at a cash redemption price equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price per share of common stock exceeds 130% of the conversion price on each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice.

If specified change in control events involving the Company as defined in the Indenture occur, then noteholders may require the Company to repurchase their Notes at a cash repurchase price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest. Additionally, the Indenture contains certain events of default, including certain defaults by the Company with respect to other indebtedness of at least $40.0 million. As of September 30, 2020, none of the conditions allowing holders of the Notes to convert, or requiring the Company to repurchase the Notes, had been met.

Promissory Note

In connection with the 2018 acquisition of GEODynamics, Inc. ("GEODynamics"), the Company issued a $25.0 million promissory note that bears interest at 2.50% per annum and was scheduled to mature on July 12, 2019. Payments due under the promissory note are subject to set off, in part or in full, against certain indemnification claims related to matters occurring prior to the Company's acquisition of GEODynamics. The Company has provided notice to and asserted indemnification claims against the seller of GEODynamics. As a result, the maturity date of the note is extended until these indemnity claims are resolved. The Company expects that the amount ultimately paid in respect of such note to be reduced by these indemnification claims. See Note 13, "Commitments and Contingencies," for additional discussion.

7. Fair Value Measurements

The Company's financial instruments consist of cash and cash equivalents, investments, receivables, payables and debt instruments. The Company believes that the carrying values of these instruments, other than the Notes, on the accompanying consolidated balance sheets approximate their fair values. The estimated fair value of the Notes as of September 30, 2020 was $89.7 million based on quoted market prices (a Level 1 fair value measurement), which compares to the $157.4 million principal amount of the Notes. See Note 2, "Recent Accounting Pronouncements."

8. Stockholders' Equity

The following table provides details with respect to the changes to the number of shares of common stock, $0.01 par value, outstanding during the first nine months of 2020 (in thousands):

Shares of common stock outstanding – December 31, 2019	60,501
Restricted stock awards, net of forfeitures	755
Shares withheld for taxes on vesting of stock awards and transferred to treasury	(225)
Shares of common stock outstanding – September 30, 2020	61,031

As of September 30, 2020 and December 31, 2019, the Company had 25,000,000 shares of preferred stock, $0.01 par value, authorized, with no shares issued or outstanding.

The Company historically maintained a share repurchase program, which was allowed to expire on July 29, 2020.

9. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, reported as a component of stockholders' equity, increased from $67.7 million at December 31, 2019 to $80.4 million at September 30, 2020, due to changes in currency exchange rates. Accumulated other comprehensive loss is primarily related to fluctuations in the currency exchange rates compared to the U.S. dollar which are used to translate certain of the international operations of the Company's reportable segments. For the nine months ended September 30, 2020 and 2019, currency translation adjustments recognized as a component of other comprehensive loss were primarily attributable to the United Kingdom and Brazil. As of September 30, 2020, the exchange rates for the British pound and the Brazilian real compared to the U.S. dollar weakened by 2% and 29%, respectively, compared to the exchange rates at December 31, 2019, contributing to other comprehensive loss of $12.7 million reported for the nine months ended September 30, 2020. During the first nine months of 2019, the exchange rate for the British pound and the Brazilian real compared to the U.S. dollar weakened by 4% and 7%, respectively, compared to the exchange rate at December 31, 2018, contributing to other comprehensive loss of $5.5 million reported for the nine months ended September 30, 2019.

10. Long-Term Incentive Compensation

The following table presents a summary of activity for stock options, service-based restricted stock awards and performance-based stock unit awards for the nine months ended September 30, 2020 (in thousands):

	Stock Options	Service-based Restricted Stock	Performance-based Stock Units
Outstanding – December 31, 2019	636	1,064	248
Granted	—	686	181
Vested	—	(540)	(125)
Forfeited	(86)	(55)	—
Outstanding – September 30, 2020	550	1,155	304
Weighted average grant date fair value (2020 awards)	$ —	$ 10.02	$ 11.15

The restricted stock program consists of a combination of service-based restricted stock and performance-based stock units. Service-based restricted stock awards generally vest on a straight-line basis over their term, which is generally three years. Performance-based restricted stock awards generally vest at the end of a three-year period, with the number of shares ultimately issued under the program dependent upon achievement of predefined specific performance measures.

In the event the predefined targets are exceeded for any performance-based award, additional shares up to a maximum of 200% of the target award may be granted. Conversely, if actual performance falls below the predefined target, the number of shares vested is reduced. If the actual performance falls below the threshold performance level, no restricted shares will vest. The performance measure for outstanding awards is the Company's EBITDA growth rate over a three-year period.

During the first quarters of 2020 and 2019, the Company issued conditional long-term cash incentive awards ("Cash Awards") of approximately $2.0 million and $1.4 million, respectively, with the ultimate dollar amount to be awarded ranging from zero to a maximum of $4.0 million for the 2020 Cash Award and from zero to a maximum of $2.7 million for the 2019 Cash Award. The performance measure for these Cash Awards is relative total stockholder return compared to a peer group of companies measured over a three-year period. The ultimate dollar amount to be awarded for the 2020 and 2019 Cash Awards is limited to their targeted award value ($2.0 million and $1.4 million, respectively) if the Company's total stockholder return is negative over the performance period. The obligation related to the Cash Awards is classified as a liability and recognized over the vesting period.

Stock-based compensation expense recognized during the three and nine months ended September 30, 2020 totaled $2.1 million and $5.3 million, respectively. Stock-based compensation expense recognized during the three and nine months ended September 30, 2019 totaled $4.2 million and $12.8 million, respectively. As of September 30, 2020, there was $11.3 million of pre-tax compensation costs related to service-based and performance-based stock awards, which will be recognized in future periods as vesting conditions are satisfied.

11. Income Taxes

The income tax benefit for the three and nine month periods ended September 30, 2020 was calculated using a discrete approach. This methodology was used because changes in the Company's results of operations and non-deductible expenses can materially impact the estimated annual effective tax rate. For the three months ended September 30, 2020, the Company's income tax benefit was $7.7 million on a pre-tax loss of $27.6 million, which includes certain non-deductible expenses and discrete tax benefits. This compares to an income tax benefit of $6.2 million on a pre-tax loss of $38.1 million, which includes certain non-deductible expenses, for the three months ended September 30, 2019.

For the nine months ended September 30, 2020, the Company's income tax benefit was $54.1 million on a pre-tax loss of $503.7 million, which included non-cash goodwill charges (approximately $313.1 million) and other expenses that are not deductible for income tax purposes. The impact of these non-deductible expenses was partially offset by a $16.4 million discrete tax benefit related to the carryback of U.S. net operating losses under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. This compares to an income tax benefit of $6.7 million on a pre-tax loss of $63.0 million, which includes certain non-deductible expenses, for the nine months ended September 30, 2019.

12. Segments and Related Information

The Company operates through three reportable segments: Well Site Services, Downhole Technologies and Offshore/Manufactured Products. The Company's reportable segments represent strategic business units that generally offer different products and services. They are managed separately because each business often requires different technologies and marketing strategies.

Financial information by business segment for the three and nine months ended September 30, 2020 and 2019 is summarized in the following tables (in thousands).

	Revenues	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
Three Months Ended September 30, 2020					
Well Site Services –					
Completion Services	$ 34,893	$ 12,914	$ (14,330)	$ 1,579	$ 248,715
Drilling Services	2,479	16	458	—	5,166
Total Well Site Services	37,372	12,930	(13,872)	1,579	253,881
Downhole Technologies[(1)]	18,713	5,701	(12,594)	78	294,768
Offshore/Manufactured Products	78,674	5,401	3,875	686	541,661
Corporate	—	219	(8,249)	19	90,476
Total	$ 134,759	$ 24,251	$ (30,840)	$ 2,362	$ 1,180,786

	Revenues	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
Three Months Ended September 30, 2019					
Well Site Services –					
Completion Services	$ 103,966	$ 17,024	$ 1,719	$ 6,088	$ 496,684
Drilling Services[(2)]	12,034	3,164	(36,495)	538	21,464
Total Well Site Services	116,000	20,188	(34,776)	6,626	518,148
Downhole Technologies	42,882	5,309	659	4,045	700,789
Offshore/Manufactured Products	104,815	5,680	11,139	3,147	673,947
Corporate	—	189	(11,932)	437	41,080
Total	$ 263,697	$ 31,366	$ (34,910)	$ 14,255	$ 1,933,964

	Revenues	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
Nine months ended September 30, 2020					
Well Site Services –					
Completion Services(3)	$ 153,994	$ 41,032	$ (176,408)	$ 6,440	$ 248,715
Drilling Services(4)	7,179	302	(5,338)	114	5,166
Total Well Site Services	161,173	41,334	(181,746)	6,554	253,881
Downhole Technologies(5)	74,743	16,904	(216,395)	2,892	294,768
Offshore/Manufactured Products(6)	264,782	16,505	(82,202)	2,208	541,661
Corporate	—	563	(25,633)	(377)	90,476
Total	$ 500,698	$ 75,306	$ (505,976)	$ 11,277	$ 1,180,786

	Revenues	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
Nine months ended September 30, 2019					
Well Site Services –					
Completion Services	$ 307,928	$ 51,558	$ (2,282)	$ 24,971	$ 496,684
Drilling Services(2)	32,430	9,729	(43,655)	2,452	21,464
Total Well Site Services	340,358	61,287	(45,937)	27,423	518,148
Downhole Technologies	143,912	15,631	3,251	11,121	700,789
Offshore/Manufactured Products	294,723	17,240	26,207	6,413	673,947
Corporate	—	642	(35,666)	875	41,080
Total	$ 778,993	$ 94,800	$ (52,145)	$ 45,832	$ 1,933,964

(1) Operating loss includes a non-cash inventory impairment charge of $5.9 million to reduce the carrying of the Downhole Technologies reporting unit's inventory to its estimated realizable value.

(2) Operating loss includes a non-cash fixed asset impairment charge of $33.7 million to reduce the carrying value of the Drilling Services reporting unit's fixed assets to their estimated realizable value.

(3) Operating loss includes a non-cash goodwill impairment charge of $127.1 million to reduce the carrying value of the Completion Services reporting unit to its estimated fair value, a non-cash inventory impairment charge of $9.0 million to reduce the carrying value of the Completion Services reporting unit's inventory to its estimated realizable value and a non-cash fixed asset impairment charge of $3.0 million to reduce the carrying value of certain of the Completion Services reporting unit's facilities to their estimated realizable value.

(4) Operating loss includes a non-cash fixed asset impairment charge of $5.2 million to further reduce the carrying value of the Drilling Services reporting unit's fixed assets to their estimated realizable value.

(5) Operating loss includes a non-cash goodwill impairment charge of $192.5 million to reduce the carrying value of the Downhole Technologies reporting unit to its estimated fair value and a non-cash inventory impairment charge of $5.9 million to reduce the carrying value of the Downhole Technologies reporting unit's inventory to its estimated realizable value.

(6) Operating loss includes a non-cash goodwill impairment charge of $86.5 million to reduce the carrying value of the Offshore/Manufactured Products reporting unit to its estimated fair value and a non-cash inventory impairment charge of $16.2 million to reduce the carrying value of the Offshore/Manufactured Products reporting unit's inventory to its estimated net realizable value.

See Note 3, "Asset Impairments and Other Charges" and Note 4, "Details of Selected Balance Sheet Accounts," for further discussion of these and other charges recorded during the first nine months of 2020 and 2019.

The following tables provide supplemental disaggregated revenue from contracts with customers by business segment for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Well Site Services		Downhole Technologies		Offshore/Manufactured Products		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Three months ended September 30								
Major revenue categories -								
Project-driven products	$ —	$ —	$ —	$ —	$ 41,004	$ 39,474	$ 41,004	$ 39,474
Short-cycle:								
Completion products and services	34,893	103,966	18,713	42,882	3,664	26,710	57,270	173,558
Drilling services	2,479	12,034	—	—	—	—	2,479	12,034
Other products	—	—	—	—	4,200	7,988	4,200	7,988
Total short-cycle	37,372	116,000	18,713	42,882	7,864	34,698	63,949	193,580
Other products and services	—	—	—	—	29,806	30,643	29,806	30,643
	$ 37,372	$ 116,000	$ 18,713	$ 42,882	$ 78,674	$ 104,815	$ 134,759	$ 263,697

	Well Site Services		Downhole Technologies		Offshore/Manufactured Products		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Nine months ended September 30								
Major revenue categories -								
Project-driven products	$ —	$ —	$ —	$ —	$ 129,157	$ 105,236	$ 129,157	$ 105,236
Short-cycle:								
Completion products and services	153,994	307,928	74,743	143,912	22,080	80,250	250,817	532,090
Drilling services	7,179	32,430	—	—	—	—	7,179	32,430
Other products	—	—	—	—	19,254	21,472	19,254	21,472
Total short-cycle	161,173	340,358	74,743	143,912	41,334	101,722	277,250	585,992
Other products and services	—	—	—	—	94,291	87,765	94,291	87,765
	$ 161,173	$ 340,358	$ 74,743	$ 143,912	$ 264,782	$ 294,723	$ 500,698	$ 778,993

No customer individually accounted for 10% of the Company's consolidated revenue for the nine months ended September 30, 2020 and 2019.

Revenues from products and services transferred to customers over time accounted for approximately 62% and 67% of consolidated revenues for the nine months ended September 30, 2020 and 2019, respectively. The balance of revenues for the respective periods relates to products and services transferred to customers at a point in time. As of September 30, 2020, the Company had $157 million of remaining backlog related to contracts with an original expected duration of greater than one year. Approximately 14% of this remaining backlog is expected to be recognized as revenue over the remaining three months of 2020, with an additional 38% in 2021 and the balance thereafter.

13. Commitments and Contingencies

The impact of the recent COVID-19 pandemic and related economic, business and market disruptions continues to evolve and its future effects remain uncertain. The most direct and immediate impact that the Company has experienced and expects to continue to experience from the COVID-19 pandemic is decreased demand for its products and services due to lower activity levels by its customers resulting from the precipitous decline in crude oil prices. The overall impact of the pandemic and oil price collapse on the Company and its customers will depend on many factors, many of which are beyond management's control and knowledge. In response to public health concerns related to COVID-19, many federal, state, local and other authorities around the world have imposed mandatory regulations directing individuals to stay at home and have limited their ability to travel domestically or internationally. In certain cases, when travel is permitted, a multi-week quarantine period is required before an individual can work in the area. Additionally, rules and regulations regarding employer responsibilities continue to be promulgated. Facility closures, quarantines, travel restrictions, and possible future workforce shortages may, among numerous other impacts, result in delays by the Company in fulfilling its existing contractual obligations to its customers, which could result in adverse financial consequences. Additionally, the Company procures a variety of raw materials and component products, including steel, in the manufacture of its products from companies which may be impacted by similar challenges. The Company continues to monitor the effect of COVID-19 on its employees, customers, critical suppliers and other stakeholders. The ultimate magnitude and duration of the COVID-19 pandemic, resulting governmental restrictions placing limitations on the mobility and ability to work of the worldwide population, and the related impact on crude oil prices and the U.S. and global economy and capital markets remains uncertain.

Following the Company's acquisition of GEODynamics in January 2018, the Company determined that certain steel products historically imported by GEODynamics from China for use in its manufacturing process may potentially be subject to anti-dumping and countervailing duties based on clarifications/decisions rendered by the U.S. Department of Commerce and the U.S. Court of International Trade. Following these findings, the Company commenced an internal review of this matter and ceased further purchases of these potentially affected Chinese products. As part of the Company's internal review, the Company engaged trade counsel and decided to voluntarily disclose this matter to U.S. Customs and Border Protection in September 2018. In connection with the acquisition of GEODynamics, the seller of GEODynamics (the "Seller") agreed to indemnify and hold the Company harmless against certain claims related to matters such as this, and the Company has provided notice to and asserted indemnification claims against the Seller. Additionally, the Company's agreements with the Seller allow the Company to set off payments due under the $25.0 million promissory note (see Note 6, "Long-term Debt") issued to the Seller in respect of indemnification claims. Such note was scheduled to mature on July 12, 2019, but, because the Company has provided notice to and asserted indemnification claims, the maturity date of the note is extended until the resolution of such claim. Although, as explained below, the Seller now claims the note has matured, the Company believes its position is correct and expects that the amount ultimately paid in respect of such note will be reduced as a result of any payments made to U.S. Customs and Border Protection associated with these indemnification claims.

In August 2020, the Seller filed a breach of contract suit against the Company and one of its wholly-owned subsidiaries alleging that payments due under the promissory note discussed above have not been repaid in accordance with the terms of the note. Additionally, the Seller alleges in this suit that it is entitled to approximately $19 million in U.S. federal income tax carryback claims received by the Company under the provisions of the CARES Act legislation enacted in March 2020. The Company denies the validity of these breach of contract claims and plans to vigorously defend against this lawsuit.

Additionally, in the ordinary course of conducting its business, the Company becomes involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state and local levels.

The Company is a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its commercial operations, products, employees and other matters, including occasional claims by individuals alleging exposure to hazardous materials as a result of the Company's products or operations. Some of these claims relate to matters occurring prior to the acquisition of businesses, and some relate to businesses the Company has sold. In certain cases, the Company is entitled to indemnification from the sellers of businesses and, in other cases, the Company has indemnified the buyers of businesses. Although the Company can give no assurance about the outcome of pending legal and administrative proceedings and the effect such outcomes may have on the Company, management believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by indemnity or insurance, will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q and other statements we make contain certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of important factors, including incorrect or changed assumptions. For a discussion of known material factors that could affect our results, please refer to "Part I, Item 1. Business," "Part I, Item 1A. Risk Factors," "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk" included in our 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2020 as well as "Part II. Item 1A. Risk Factors" included in this Quarterly Report on Form 10-Q.

You can typically identify "forward-looking statements" by the use of forward-looking words such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," "forecast," "proposed," "should," "seek," and other similar words. Such statements may relate to our future financial position, budgets, capital expenditures, projected costs, plans and objectives of management for future operations and possible future strategic transactions. Actual results frequently differ from assumed facts and such differences can be material, depending upon the circumstances.

While we believe we are providing forward-looking statements expressed in good faith and on a reasonable basis, there can be no assurance that actual results will not differ from such forward-looking statements. The following are important factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, our Company:

- *public health crises, such as the Coronavirus Disease 2019 ("COVID-19") outbreak at the beginning of 2020, which has negatively impacted the global economy, and correspondingly, the price of crude oil;*
- *the level of supply of and demand for oil and natural gas;*
- *fluctuations in current and future prices of oil and natural gas;*
- *the cyclical nature of the oil and natural gas industry;*
- *the level of exploration, drilling and completion activity;*
- *the financial health of our customers;*
- *political, economic and legal efforts to restrict or eliminate certain oil and natural gas exploration, development and production activities due to concerns over the threat of climate change;*
- *the availability of and access to attractive oil and natural gas field prospects by our customers, which may be affected by governmental actions or actions of other parties which may restrict drilling and completion activities;*
- *the level of offshore oil and natural gas developmental activities;*
- *general global economic conditions;*
- *the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and pricing;*
- *global weather conditions and natural disasters;*
- *changes in tax laws and regulations;*
- *the impact of tariffs and duties on imported raw materials and exported finished goods;*
- *impact of environmental matters, including future regulatory efforts to adopt environmental or climate change regulations that may result in increased operating costs or reduced commodity demand globally;*
- *our ability to timely obtain critical permits for constructing or operating our facilities and find and retain skilled personnel;*
- *negative outcome of litigation, threatened litigation or government proceedings;*
- *our ability to develop new competitive technologies and products;*
- *fluctuations in currency exchange rates;*
- *physical, digital, cyber, internal and external security breaches;*
- *the availability and cost of capital;*
- *our ability to protect our intellectual property rights;*
- *our ability to complete the integration of acquired businesses and achieve the expected accretion in earnings; and*
- *the other factors identified in "Part I, Item 1A. Risk Factors" in our 2019 Annual Report on Form 10-K and "Part II, Item 1A. Risk Factors" included in this Quarterly Report on Form 10-Q.*

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

In addition, in certain places in this Quarterly Report on Form 10-Q, we refer to information and reports published by third parties that purport to describe trends or developments in the energy industry. We do so for the convenience of our stockholders and in an effort to provide information available in the market that will assist our investors in better understanding the market environment in which we operate. However, we specifically disclaim any responsibility for the accuracy and completeness of such information and undertake no obligation to update such information.

ITEM 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion and analysis should be read together with our condensed consolidated financial statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q and our consolidated financial statements and notes to those statements included in our 2019 Annual Report on Form 10-K in order to understand factors, such as business combinations, charges and credits and financing transactions, which may impact comparability from period to period.

We provide a broad range of products and services to the oil and gas industry through our Well Site Services, Downhole Technologies and Offshore/Manufactured Products business segments. Demand for our products and services is cyclical and substantially dependent upon activity levels in the oil and gas industry, particularly our customers' willingness to invest capital in the exploration for and development of crude oil and natural gas reserves. Our customers' capital spending programs are generally based on their cash flows and their outlook for near-term and long-term commodity prices, economic growth, commodity demand and estimates of resource production. As a result, demand for our products and services is sensitive to future expectations with respect to crude oil and natural gas prices.

Recent Developments

In March of 2020, the spot price of West Texas Intermediate ("WTI") crude oil declined over 50% in response to actual and forecasted reductions in global demand due to the COVID-19 pandemic coupled with announcements by Saudi Arabia and Russia of plans to increase crude oil production in an effort to protect market share. OPEC, its members and other state-controlled oil companies agreed to reduce production following the crude oil price collapse and many operators shut-in production in the United States in an effort to address collapsing demand. As a result of these actions by producers, crude oil prices have recovered some of their losses since reaching record low levels in April of 2020. However, during the third quarter of 2020, the spot price of Brent and WTI crude oil averaged $43 and $41 per barrel – down 31% and 27%, respectively, from the comparable prior-year quarterly averages. The ultimate magnitude and duration of the COVID-19 pandemic, the timing and extent of governmental restrictions placing limitations on the mobility and ability to work of the worldwide population, and the related impact on crude oil prices, the global economy and capital markets remains uncertain. While it is difficult for management to assess or predict with precision the broad future effect of this pandemic on the global economy, the energy industry or the Company, management expects that the pandemic will continue to adversely affect demand for our products and services over the balance of 2020 and into 2021.

Demand for most of our products and services depends substantially on the level of capital expenditures by the oil and natural gas industry. This decline in crude oil prices has resulted in reductions to most of our customers' drilling, completion and production activities and their related spending on products and services, particularly those tied to activity in the U.S. shale play regions. These conditions have and may continue to result in a material adverse impact on certain customers' liquidity and financial position, leading to further spending reductions, delays in the collection of amounts owed and, in certain instances, non-payments of amounts owed. Additionally, future actions among OPEC members and other producing nations as to production levels and prices could result in further declines in crude oil prices, which would prove detrimental, particularly given the weak demand environment for crude oil and associated products caused by the ongoing COVID-19 pandemic.

Following the unprecedented events in March 2020, we immediately began aggressive implementation of the following cost reduction initiatives in an effort to reduce our expenditures to protect the financial health of our company:

- reduced headcount by 32% between December 31, 2019 and September 30, 2020;
- reduced planned capital expenditures for 2020 by over 70% from the 2019 level;
- reduced annual short-term and long-term incentive awards; and
- consolidated and closed certain facilities.

Given the COVID induced economic destruction, we also assessed the carrying value of goodwill and other assets based on the current industry outlook regarding overall demand for and pricing of our products and services. As a result of these events, actions and assessments, we recorded the following charges during the first nine months of 2020:

- non-cash goodwill impairment charges totaling $406.1 million to reduce the carrying value of goodwill;
- non-cash impairment charges of $31.2 million to reduce the carrying value of inventory to its net realizable value;
- non-cash impairment charge of $8.2 million to decrease the carrying value of our Well Site Services segment's fixed assets to their estimated realizable value; and
- employee severance and facility closure costs of $6.3 million.

In addition, as discussed in more detail under "– Revolving Credit Facility due January 2022," we amended our existing revolving credit facility during the second quarter of 2020. In connection with this amendment, the revolving credit facility size was reduced from $350 million to $200 million, with advances subject to a monthly borrowing base calculation, in exchange for the existing financial covenants being suspended from July 1, 2020 through March 30, 2021.

As discussed in more detail under "– 1.50% Convertible Senior Notes due February 2023," during the first nine months of 2020, we purchased a total of $34.9 million principal amount of our 1.50% convertible senior notes for $20.1 million in cash and recognized non-cash gains totaling $10.7 million.

Brent and WTI crude oil and natural gas pricing trends were as follows:

	Average Price(1) for quarter ended				Average Price(1) for year ended December 31
Year	**March 31**	**June 30**	**September 30**	**December 31**	
Brent Crude (per bbl)					
2020	$ 50.27	$ 29.70	$ 42.91		
2019	$ 63.10	$ 69.01	$ 61.95	$ 63.17	$ 64.26
2018	$ 66.86	$ 74.53	$ 75.08	$ 68.76	$ 71.32
WTI Crude (per bbl)					
2020	$ 45.34	$ 27.96	$ 40.89		
2019	$ 54.82	$ 59.88	$ 56.34	$ 56.82	$ 56.98
2018	$ 62.91	$ 68.07	$ 69.70	$ 59.97	$ 65.25
Henry Hub Natural Gas (per MMBtu)					
2020	$ 1.91	$ 1.70	$ 2.00		
2019	$ 2.92	$ 2.57	$ 2.38	$ 2.40	$ 2.56
2018	$ 3.08	$ 2.85	$ 2.93	$ 3.77	$ 3.15

(1) Source: U.S. Energy Information Administration (spot prices).

On October 23, 2020, Brent and WTI crude oil spot prices closed at $40.71 and $39.73 per barrel. Additionally, as presented in more detail below, the U.S. drilling rig count reported on October 23, 2020 was 287 rigs, 13% above the third quarter 2020 average.

Overview

Our Well Site Services segment provides completion services and, to a much lesser extent land drilling services, in the United States (including the Gulf of Mexico) and the rest of the world. U.S. drilling and completion activity and, in turn, our Well Site Services results, are sensitive to near-term fluctuations in commodity prices, particularly WTI crude oil prices, given the short-term, call-out nature of its operations.

Within this segment, our Completion Services business supplies equipment and service personnel utilized in the completion and initial production of new and recompleted wells. Activity for the Completion Services business is dependent primarily upon the level and complexity of completion and workover activity in the areas of operations mentioned above. Well intensity and complexity has increased with the continuing transition to multi-well pads, the drilling of longer lateral wells and increased downhole pressures, along with the increased number of frac stages completed in horizontal wells. Similarly, demand for our Drilling Services operations was historically driven by activity in our primary land drilling markets of the Permian Basin in West Texas and the U.S. Rocky Mountain area. During the third quarter of 2019, we made the strategic decision to reduce the scope of our Drilling Services business (adjusting from 34 rigs to 9 rigs) due to weakness in customer demand for vertical drilling rigs in the U.S. land market. Our drilling operations now focus on serving operators in the U.S. Rocky Mountain region.

Our Downhole Technologies segment is comprised of the GEODynamics, Inc. ("GEODynamics") business we acquired in January 2018. This segment provides oil and gas perforation systems, downhole tools and services in support of completion, intervention, wireline and well abandonment operations. This segment designs, manufactures and markets its consumable engineered products to oilfield service as well as exploration and production companies. Product and service offerings for this segment include innovations in perforation technology through patented and proprietary systems combined with advanced modeling and analysis tools. This expertise has led to the optimization of perforation hole size, depth, and quality of tunnels, which are key factors for maximizing the effectiveness of hydraulic fracturing. Additional offerings include proprietary toe valve and frac plug products, which are focused on zonal isolation for hydraulic fracturing of horizontal wells, and a broad range of consumable products, such as setting tools and bridge plugs, that are used in completion, intervention and decommissioning applications. Demand drivers for the Downhole Technologies segment include continued trends toward longer lateral lengths, increased frac stages and more perforation clusters to target increased unconventional well productivity, which requires ongoing technological and product developments.

Demand for short-cycle completion products and services within each of our segments is highly correlated to changes in the total number of wells drilled in the United States, total footage drilled, the number of drilled wells that are completed and changes in the drilling rig count. The following table sets forth a summary of the U.S. drilling rig count, as measured by Baker Hughes Company, as of and for the periods indicated.

U.S. drilling rig count		**Average for the**			
	As of October 23, 2020	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
		2020	**2019**	**2020**	**2019**
Land – Oil	197	167	733	370	782
Land – Natural gas and other	76	74	160	90	177
Offshore	14	13	27	17	25
Total	287	254	920	477	984

The U.S. energy industry is primarily focused on crude oil and liquids-rich exploration and development activities in shale plays utilizing horizontal drilling and completion techniques. As of September 30, 2020, land-based, oil-directed drilling accounted for 70% of the total U.S. rig count – with the balance largely natural gas related. With the unprecedented decline in crude oil prices in March and April of 2020, drilling and completion activity in the United States collapsed during the second and third quarters of 2020 – with the active drilling rig count declining 467 rigs, or 64%, from March 31, 2020 to 261 rigs as of September 30, 2020. As a result, the average U.S. rig count for the three months ended September 30, 2020 decreased by 666 rigs, or 72%, compared to the average for the three months ended September 30, 2019.

Our Offshore/Manufactured Products segment provides technology-driven, highly-engineered products and services for offshore oil and natural gas production systems and facilities, as well as certain products and services to the offshore and land-based drilling and completion markets. This segment is particularly influenced by global deepwater drilling and production spending, which are primarily driven by our customers' longer-term commodity demand forecasts and outlook for crude oil and natural gas prices. Approximately 49% of Offshore/Manufactured Products revenues in the first nine months of 2020 were driven by our customers' capital spending for products used in exploratory and developmental drilling, greenfield offshore production infrastructure, and subsea pipeline tie-in and repair system applications, along with upgraded equipment for existing offshore drilling rigs and other vessels (referred to herein as "project-driven products"). Deepwater oil and gas development projects typically involve significant capital investments and multi-year development plans. Such projects are generally undertaken by larger exploration, field development and production companies (primarily international oil companies ("IOCs") and state-run national oil companies ("NOCs")) using relatively conservative crude oil and natural gas pricing assumptions. Given the long lead times associated with field development, we believe some of these deepwater projects, once approved for development, are generally less susceptible to short-term fluctuations in the price of crude oil and natural gas. Customers have focused in recent years on improving the economics of major deepwater projects at lower commodity breakeven prices by re-bidding projects, identifying advancements in technology, and reducing overall project costs through equipment standardization. Bidding and quoting activity, along with orders from customers, for deepwater projects improved in 2019 from 2018 levels. However, with reduced market visibility given the significant decline in crude oil prices which began in March of 2020 and associated reduction in customer spending, we expect that the segment's 2020 bookings will be lower than the levels achieved in 2019.

Backlog reported by our Offshore/Manufactured Products segment totaled $227 million at September 30, 2020, a decrease of 3% from June 30, 2020 and a decrease of 23% from September 30, 2019. Third quarter 2020 bookings totaled $70 million, yielding a book-to-bill ratio of 0.9x and a year-to-date ratio of 0.8x. The following table sets forth backlog as of the dates indicated (in millions).

	Backlog as of			
Year	March 31	June 30	September 30	December 31
2020	$ 267	$ 235	$ 227	
2019	$ 234	$ 283	$ 293	$ 280
2018	$ 157	$ 165	$ 175	$ 179

Reduced demand for our products and services, coupled with a reduction in the prices we charge our customers for our products and services, has adversely affected our results of operations, cash flows and financial position. If the current pricing environment for crude oil does not improve, or declines, our customers may be required to further reduce their capital expenditures, causing additional declines in the demand for, and prices of, our products and services, which would further adversely affect our results of operations, cash flows and financial position.

We use a variety of domestically produced and imported raw materials and component products, including steel, in the manufacture of our products. The United States has imposed tariffs on a variety of imported products, including steel and aluminum. In response to the U.S. tariffs on steel and aluminum, the European Union and several other countries, including Canada and China, have threatened and/or imposed retaliatory tariffs. The effect of these tariffs and the application and interpretation of existing trade agreements and customs, anti-dumping and countervailing duty regulations continue to evolve, and we continue to monitor these matters. If we encounter difficulty in procuring these raw materials and component products, or if the prices we have to pay for these products increase as a result of customs, anti-dumping and countervailing duty regulations or otherwise, and we are unable to pass corresponding cost increases on to our customers, our financial position and results of operations could be adversely affected. Furthermore, uncertainty with respect to potential costs in the drilling and completion of oil and gas wells could cause our customers to delay or cancel planned projects which, if this occurred, would adversely affect our financial position, cash flows and results of operations. See Note 13, "Commitments and Contingencies."

Other factors that can affect our business and financial results include but are not limited to the general global economic environment, competitive pricing pressures, public health crises, climate-related and other regulatory changes, and changes in tax laws in the United States and international markets. We continue to monitor the global economy, the prices of and demand for crude oil and natural gas, and the resultant impact on the capital spending plans and operations of our customers in order to plan and manage our business.

Human Capital

As of September 30, 2020, we employed 2,337 full-time employees on a consolidated basis, 34% of whom are in our Well Site Services segment, 10% of whom are in our Downhole Technologies segment, 53% of whom are in our Offshore/Manufactured Products segment, and 3% of whom are in our corporate headquarters. During the first nine months of 2020, company-wide personnel levels were reduced 32% from a total of 3,428 full-time employees as of December 31, 2019 following the unprecedented decline in crude oil prices due to the global response to the COVID-19 pandemic. See "– Recent Developments" for further discussion of personnel reductions and other cost control measures implemented during the first nine months of 2020 in an effort to reduce our expenditures and protect the financial health of our company. We were party to collective bargaining agreements covering fewer than 100 employees located in the United Kingdom and Argentina as of September 30, 2020 and December 31, 2019. We believe we have good labor relations with our employees.

Selected Financial Data

This selected financial data should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements and related notes included in "Part I, Item 1. Financial Statements" of this Quarterly Report on Form 10-Q and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and related notes included in "Part II, Item 8. Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for the year ended December 31, 2019 in order to understand factors, such as business combinations, charges and credits, financing transactions and changes in tax regulations, which may impact the comparability of the selected financial data.

Unaudited Consolidated Results of Operations Data

The following summarizes our unaudited consolidated results of operations for the three and nine months ended September 30, 2020 and 2019 (in thousands, except per share amounts):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Variance	2020	2019	Variance
Revenues:						
Products	$ 72,598	$ 122,067	$ (49,469)	$ 258,221	$ 363,360	$ (105,139)
Services	62,161	141,630	(79,469)	242,477	415,633	(173,156)
	134,759	263,697	(128,938)	500,698	778,993	(278,295)
Costs and expenses:						
Product costs	66,789	90,796	(24,007)	224,623	275,353	(50,730)
Service costs	53,822	110,294	(56,472)	221,673	333,727	(112,054)
Cost of revenues (exclusive of depreciation and amortization expense presented below)(1)	120,611	201,090	(80,479)	446,296	609,080	(162,784)
Selling, general and administrative expenses	21,389	31,935	(10,546)	71,505	93,527	(22,022)
Depreciation and amortization expense	24,251	31,366	(7,115)	75,306	94,800	(19,494)
Impairments of goodwill(2)	—	—	—	406,056	—	406,056
Impairments of fixed assets(3)	—	33,697	(33,697)	8,190	33,697	(25,507)
Other operating (income) expense, net	(652)	519	(1,171)	(679)	34	(713)
	165,599	298,607	(133,008)	1,006,674	831,138	175,536
Operating loss	(30,840)	(34,910)	4,070	(505,976)	(52,145)	(453,831)
Interest expense, net	(3,549)	(4,352)	803	(11,232)	(13,721)	2,489
Other income(4)	6,744	1,190	5,554	13,512	2,866	10,646
Loss before income taxes	(27,645)	(38,072)	10,427	(503,696)	(63,000)	(440,696)
Income tax benefit(5)	7,676	6,204	1,472	54,060	6,744	47,316
Net loss	$ (19,969)	$ (31,868)	$ 11,899	$ (449,636)	$ (56,256)	$ (393,380)
Net loss per share:						
Basic	$ (0.33)	$ (0.54)		$ (7.52)	$ (0.95)	
Diluted	(0.33)	(0.54)		(7.52)	(0.95)	
Weighted average number of common shares outstanding:						
Basic	59,871	59,423		59,788	59,362	
Diluted	59,871	59,423		59,788	59,362	

(1) Cost of revenues (exclusive of depreciation and amortization expense) included non-cash inventory impairment charges of $5.9 million (in product costs) and $25.2 million ($12.0 million in product costs and $13.2 million in service costs) recognized in the third and first quarters of 2020, respectively.

(2) During the first quarter of 2020, we recognized non-cash goodwill impairment charges totaling $406.1 million to reduce the carrying value of our reporting units to their estimated fair value.

(3) During the first quarter of 2020, our Drilling Services business recognized a non-cash impairment charge of $5.2 million to decrease the carrying value of the business's fixed assets to their estimated realizable value. During the second quarter of 2020, our Completion Services business recognized a non-cash impairment charge of $3.0 million to reduce the carrying value of certain of the unit's fixed assets to their estimated realizable value. During the third quarter of 2019, our Drilling Services business recognized a non-cash impairment charge of $33.7 million to reduce the carrying value of the unit's fixed assets to their estimated realizable value.

(4) During the third quarter 2020, we recognized non-cash gains of $5.9 million in connection with our purchases of $17.2 million principal amount of our 1.50% convertible senior notes. During the nine months ended September 30, 2020, we recognized non-cash gains totaling $10.7 million in connection with our purchases of $34.9 million principal amount of our 1.50% convertible senior notes.

(5) During the first nine months of 2020, we recognized a discrete tax benefit of $16.4 million related to U.S. net operating loss carrybacks under provisions of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

See Note 3, "Asset Impairments and Other Charges," Note 4, "Details of Selected Balance Sheet Accounts," Note 6, "Long-term Debt" and Note 11, "Income Taxes," to the Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further discussion of these and other charges and benefits recognized in the first nine months of 2020 and 2019.

Unaudited Operating Segment Financial Data

We manage and measure our business performance in three distinct operating segments: Well Site Services, Downhole Technologies and Offshore/Manufactured Products. Supplemental unaudited financial information by business segment for the three and nine months ended September 30, 2020 and 2019 is summarized below (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	**2019**	**Variance**	**2020**	**2019**	**Variance**
Revenues						
Well Site Services -						
Completion Services	$ 34,893	$ 103,966	$ (69,073)	$ 153,994	$ 307,928	$ (153,934)
Drilling Services[1]	2,479	12,034	(9,555)	7,179	32,430	(25,251)
Total Well Site Services	37,372	116,000	(78,628)	161,173	340,358	(179,185)
Downhole Technologies	18,713	42,882	(24,169)	74,743	143,912	(69,169)
Offshore/Manufactured Products	78,674	104,815	(26,141)	264,782	294,723	(29,941)
Total	$ 134,759	$ 263,697	$ (128,938)	$ 500,698	$ 778,993	$ (278,295)
Operating income (loss)						
Well Site Services -						
Completion Services[2]	$ (14,330)	$ 1,719	$ (16,049)	$ (176,408)	$ (2,282)	$ (174,126)
Drilling Services[1]	458	(36,495)	36,953	(5,338)	(43,655)	38,317
Total Well Site Services	(13,872)	(34,776)	20,904	(181,746)	(45,937)	(135,809)
Downhole Technologies[3]	(12,594)	659	(13,253)	(216,395)	3,251	(219,646)
Offshore/Manufactured Products[4]	3,875	11,139	(7,264)	(82,202)	26,207	(108,409)
Corporate	(8,249)	(11,932)	3,683	(25,633)	(35,666)	10,033
Total	$ (30,840)	$ (34,910)	$ 4,070	$ (505,976)	$ (52,145)	$ (453,831)

(1) In late 2019, we reduced the scope of our Drilling Services business (adjusting from 34 rigs to 9 rigs) due to weakness in customer demand for vertical drilling rigs in the U.S. land market. Operating loss in the third quarter of 2019 includes a non-cash fixed asset impairment charge of $33.7 million to reduce the carrying value of the Drilling Services business's fixed assets to their estimated realizable value. Operating loss in the first quarter of 2020 includes a non-cash fixed asset impairment charge of $5.2 million to further reduce the carrying value of the Drilling Services business's fixed assets to their estimated realizable value.

(2) Operating loss in the first quarter of 2020 included a non-cash inventory impairment charge of $9.0 million and a non-cash goodwill impairment charge of $127.1 million to reduce the carrying value of the Completion Services reporting unit to its estimated fair value. Operating loss in the second quarter of 2020 included a non-cash fixed asset impairment charge of $3.0 million to reduce the carrying value of certain of the unit's facilities to their estimated realizable value.

(3) Operating loss in the first quarter of 2020 included a non-cash goodwill impairment charge of $192.5 million to reduce the carrying value of the Downhole Technologies reporting unit to its estimated fair value. Operating loss in the third quarter of 2020 included a non-cash inventory impairment charge of $5.9 million to reduce the carrying value of the Downhole Technologies reporting unit's inventory to its estimated realizable value.

(4) Operating loss in the first quarter of 2020 included a non-cash inventory impairment charge of $16.2 million and a non-cash goodwill impairment charge of $86.5 million to reduce the carrying value of the Offshore/Manufactured Products reporting unit to its estimated fair value.

See Note 3, "Asset Impairments and Other Charges" and Note 4, "Details of Selected Balance Sheet Accounts," to the Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further discussion of these and other charges recognized in the first nine months of 2020 and 2019.

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

Consolidated Operating Results

We reported a net loss for the three months ended September 30, 2020 of $20.0 million, or $0.33 per share. The reported third quarter loss included: a non-cash inventory impairment charge of $5.9 million ($4.7 million after-tax, or $0.08 per share); non-cash gains of $5.9 million ($4.7 million after-tax, or $0.08 per share) associated with debt extinguishment and $0.3 million ($0.2 million after-tax) of severance and downsizing costs. These results compare to a net loss for the three months ended September 30, 2019 of $31.9 million, or $0.54 per share, which included a non-cash fixed asset impairment charge of $33.7 million ($26.6 million after-tax, or $0.45 per share) and $0.7 million ($0.5 million after-tax, or $0.01 per share) of severance and downsizing costs.

Our reported third quarter 2020 results of operations reflect the impact of the unprecedented decline in crude oil prices in March and April of 2020 stemming from the global response to the COVID-19 pandemic and continued uncertainties related to future crude oil demand. The spot price of WTI crude oil averaged $41 per barrel in the third quarter of 2020, down 27% from the comparable prior-year quarter average. The decline in crude oil prices and continued high crude oil inventory levels had a negative impact on U.S. land-based customer drilling and completion activity, particularly activity in the U.S. shale play regions. Additionally, our operations were impacted by governmental mandates outside of the United States in an effort to control the COVID-19 pandemic, which limited wellsite operations.

We expect customer-driven activity to remain depressed in the United States over the balance of 2020 and into 2021 given high crude oil inventory levels and lower crude oil prices. If the current pricing environment for crude oil does not improve, or declines, our customers may be required to further reduce their planned capital expenditures, causing additional declines in the demand for, and prices of, our products and services, which would further adversely affect our results of operations, cash flows and financial position.

Revenues. Consolidated total revenues in the third quarter of 2020 decreased $128.9 million, or 49%, from the third quarter of 2019.

Consolidated product revenues in the third quarter of 2020 decreased $49.5 million, or 41%, from the third quarter of 2019, driven by the steep decline in U.S. land-based customer activity as well as the associated impact of competitive pricing pressures for products in our Downhole Technologies segment. Consolidated service revenues in the third quarter of 2020 decreased $79.5 million, or 56%, from the third quarter of 2019 due primarily to reduced customer spending in the U.S. shale play regions. As can be derived from the following table, 47% of our consolidated revenues in the third quarter of 2020 were derived from sales of our short-cycle product and service offerings, which compares to 73% in the same period last year.

The following table provides supplemental disaggregated revenue from contracts with customers by operating segment for the three months ended September 30, 2020 and 2019 (in thousands):

	Well Site Services		Downhole Technologies		Offshore/ Manufactured Products		Total	
Three months ended September 30	2020	2019	2020	2019	2020	2019	2020	2019
Major revenue categories -								
Project-driven products	$ —	$ —	$ —	$ —	$ 41,004	$ 39,474	$ 41,004	$ 39,474
Short-cycle:								
Completion products and services	34,893	103,966	18,713	42,882	3,664	26,710	57,270	173,558
Drilling services	2,479	12,034	—	—	—	—	2,479	12,034
Other products	—	—	—	—	4,200	7,988	4,200	7,988
Total short-cycle	37,372	116,000	18,713	42,882	7,864	34,698	63,949	193,580
Other products and services	—	—	—	—	29,806	30,643	29,806	30,643
	$ 37,372	$ 116,000	$ 18,713	$ 42,882	$ 78,674	$ 104,815	$ 134,759	$ 263,697
Percentage of total revenue by type -								
Products	— %	— %	97 %	98 %	69 %	77 %	54 %	46 %
Services	100 %	100 %	3 %	2 %	31 %	23 %	46 %	54 %

Cost of Revenues (exclusive of Depreciation and Amortization Expense). Our consolidated total cost of revenues (exclusive of depreciation and amortization expense) decreased $80.5 million, or 40%, in the third quarter of 2020 compared to the third quarter of 2019.

Consolidated product costs in the third quarter of 2020, which includes a $5.9 million non-cash inventory impairment charge, decreased $24.0 million, or 26%, from the third quarter of 2019. Excluding this charge, consolidated product costs decreased $29.9 million, or 33%, from the prior-year period due primarily to the significant industry-wide decline in demand for short-cycle products. Consolidated service costs in the third quarter of 2020, decreased $56.5 million, or 51%, from the third quarter of 2019, due primarily to lower activity levels in the U.S. shale play regions.

Selling, General and Administrative Expense. Selling, general and administrative expense decreased $10.5 million, or 33%, in the third quarter of 2020 from the third quarter of 2019 due primarily to reductions in personnel levels, short- and long-term compensation costs, travel expenses and other implemented cost reduction measures.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased $7.1 million, or 23%, in the third quarter of 2020 compared to the prior-year quarter, driven primarily by our decision to exit drilling operations in West Texas in the third quarter of 2019 along with reduced capital investments made in our Completion Services business in recent years. Note 12, "Segments and Related Information," presents depreciation and amortization expense by segment.

Impairments of Fixed Assets. During the third quarter of 2019, we made the strategic decision to reduce the scope of our Drilling Services business due to the ongoing weakness in customer demand for vertical drilling rigs in the U.S. land market. As a result of this decision, our Drilling Services business recorded a non-cash impairment charge of $33.7 million in the prior-year period to decrease the carrying value of the unit's fixed assets.

Operating Income (Loss). Our consolidated operating loss was $30.8 million in the third quarter of 2020, which included a $5.9 million non-cash inventory impairment charge and $0.3 million of severance and downsizing charges. This compares to a consolidated operating loss of $34.9 million recognized in the third quarter of 2019, which included the impact of the $33.7 million non-cash fixed asset impairment charge discussed above and $0.7 million of severance and downsizing charges.

Interest Expense, Net. Net interest expense was $3.5 million in the third quarter of 2020, which compares to $4.4 million in the same period of 2019. Interest expense, which includes amortization of debt discount and deferred financing costs, as a percentage of total debt outstanding was approximately 6% in both the third quarter of 2020 and 2019. Our contractual cash interest expense as a percentage of total debt outstanding was substantially lower – averaging approximately 3% in both the three months ended September 30, 2020 and 2019.

Other Income, Net. Net other income for third quarter of 2020 includes a non-cash gain of $5.9 million recognized in connection with our purchases of $17.2 million principal amount of our 1.50% convertible senior notes for $9.5 million in cash.

Income Tax. We recorded a net income tax benefit for the three months ended September 30, 2020 using a discrete approach. This methodology was used because changes in our results of operations and non-deductible expenses can materially impact the estimated annual effective tax rate. For the three months ended September 30, 2020, our income tax benefit was $7.7 million, or 28% of the pre-tax loss of $27.6 million, which included certain non-deductible expenses and discrete tax benefits. This compares to an income tax benefit of $6.2 million, or 16% of the pre-tax loss of $38.1 million, which also included certain non-deductible expenses, for the three months ended September 30, 2019.

Other Comprehensive Income (Loss). Reported comprehensive loss is the sum of reported net loss and other comprehensive income (loss). Other comprehensive income was $3.4 million in the third quarter of 2020 compared to loss of $5.7 million in the third quarter of 2019 due to fluctuations in foreign currency exchange rates compared to the U.S. dollar for certain of the international operations of our reportable segments. For the three months ended September 30, 2020 and 2019, currency translation adjustments recognized as a component of other comprehensive income (loss) were primarily attributable to the United Kingdom and Brazil. During the third quarter of 2020, the exchange rate for the British pound strengthened compared to the U.S. dollar and the Brazilian real weakened compared to the U.S. dollar. This compares to the third quarter of 2019, when the exchange rate for both the British pound and Brazilian real weakened compared to the U.S. dollar.

Segment Operating Results

Well Site Services

Revenues. Our Well Site Services segment revenues decreased $78.6 million, or 68%, in the third quarter of 2020 compared to the prior-year quarter. Completion Services revenue decreased $69.1 million, or 66%, driven primarily by the unprecedented decline in U.S. land-based customer completion and production activity following the collapse in crude oil prices in March of 2020. Our Drilling Services revenues decreased $9.6 million in the third quarter of 2020 from the third quarter of 2019 due to the decision in 2019 to reduce the scope of its operations as well as the current low crude oil price environment.

Operating Loss. Our Well Site Services segment operating loss decreased $20.9 million in the third quarter of 2020 from the third quarter of 2019, which included the $33.7 million non-cash fixed asset impairment charge discussed previously. Reported third quarter 2020 results were negatively impacted by the significant decline in revenue and $1.2 million in expenses associated with prior-year insurance claims and a bad debt provision on a receivable from a customer claiming bankruptcy protection within our Completion Services business. Our Completion Services operating loss in the third quarter of 2020 was $14.3 million, compared to operating income of $1.7 million in the prior-year quarter, with the decrease in revenues and the additional $1.2 million in expenses discussed above, partially offset by the benefit of continued significant cost reduction measures and a $3.5 million reduction in depreciation expense. Our Drilling Services business reported operating income of $0.5 million in the third quarter of 2020 compared to an operating loss of $36.5 million in the third quarter of 2019, with the decline in revenues more than offset by a $33.7 million reduction in non-cash fixed asset impairment charges and $3.1 million reduction in depreciation expense following our impairments of the unit's fixed assets in the third quarter of 2019 and, to a lesser extent, the first quarter of 2020.

Downhole Technologies

Revenues. Our Downhole Technologies segment revenues decreased $24.2 million, or 56%, in the third quarter of 2020 from the prior-year period due to a significant decline in U.S. land-based customer completion activity.

Operating Income (Loss). Our Downhole Technologies segment reported an operating loss of $12.6 million in the third quarter of 2020 compared to operating income of $0.7 million in the prior-year period, reflecting the steep decline in revenues and a $5.9 million non-cash inventory impairment charge.

Offshore/Manufactured Products

Revenues. Our Offshore/Manufactured Products segment revenues decreased $26.1 million, or 25%, in the third quarter of 2020 compared to the third quarter of 2019 due primarily to the significant reduction in sales of its short-cycle products (elastomer and valve products).

Operating Income. Our Offshore/Manufactured Products segment operating income declined $7.3 million in the third quarter of 2020 compared to the third quarter of 2019, with the year-over-year decrease in revenues, partially offset by the current quarter benefit of cost reduction measures implemented.

Backlog. Backlog in our Offshore/Manufactured Products segment totaled $227 million as of September 30, 2020, a decrease of 3% from June 30, 2020. Third quarter 2020 bookings totaled $70 million, yielding a quarterly book-to-bill ratio of 0.9x.

Corporate

Corporate expenses decreased $3.7 million, or 31%, in the third quarter of 2020 from the prior-year period due to reductions in short- and long-term compensation costs along with other implemented cost reduction measures.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Consolidated Operating Results

We reported a net loss for the nine months ended September 30, 2020 of $449.6 million, or $7.52 per share. The reported first nine months loss included: non-cash impairment charges totaling $445.4 million ($418.1 million after-tax, or $6.99 per share) related to write-downs of goodwill, inventories and fixed assets; $6.3 million ($5.0 million after-tax, or $0.08 per share) of severance and downsizing costs; $2.2 million ($1.7 million after-tax, or $0.03 per share) in bad debt provisions related to customer bankruptcies; non-cash gains of $10.7 million ($8.5 million after-tax, or $0.14 per share) associated with the debt extinguishment; and discrete tax benefits of $16.4 million, or $0.27 per share, associated with the carryback of tax losses allowed under the CARES Act. These results compare to a net loss for the nine months ended September 30, 2019 of $56.3 million, or $0.95 per share, which included a non-cash fixed asset impairment charge of $33.7 million ($26.6 million after-tax, or $0.45 per share) and $2.9 million ($2.3 million after-tax, or $0.04 per share) of severance and downsizing costs.

Our reported results of operations for the first nine months of 2020 reflect the impact of the unprecedented decline in crude oil prices in March and April of 2020 stemming from the global response to the COVID-19 pandemic and continued uncertainties related to future crude oil demand. The spot price of WTI crude oil averaged $38 per barrel in the first nine months of 2020, down 33% from the comparable prior-year period average. The decline in crude oil prices and higher crude oil inventory levels had a negative impact on U.S. land-based customer drilling and completion activity beginning in March of 2020, particularly activity in the U.S. shale play regions. Additionally, our operations were impacted by governmental mandates outside of the United States in an effort to control the COVID-19 pandemic, which limited wellsite operations and required us and a number of our suppliers to temporarily cease certain operations.

We expect customer-driven activity to remain depressed in the United States over the balance of 2020 and into 2021 given high crude oil inventory levels and lower crude oil prices. If the current pricing environment for crude oil does not improve, or declines, our customers may be required to further reduce their planned capital expenditures, causing additional declines in the demand for, and prices of, our products and services, which would further adversely affect our results of operations, cash flows and financial position.

Revenues. Consolidated total revenues in the first nine months of 2020 decreased $278.3 million, or 36%, from the first nine months of 2019.

Consolidated product revenues in the first nine months of 2020 decreased $105.1 million, or 29%, from the first nine months of 2019, driven by lower U.S. land-based customer activity as well as the associated impact of competitive pricing pressures for products in our Downhole Technologies segment, partially offset by higher project-driven product sales in our Offshore/Manufactured Products segment. Consolidated service revenues in the first nine months of 2020 decreased $173.2 million, or 42%, from the first nine months of 2019 due primarily to reduced customer spending in the U.S. shale play regions. As can be derived from the following table, 55% of our consolidated revenues in the first nine months of 2020 were derived from sales of our short-cycle product and service offerings, which compares to 75% in the same period last year.

The following table provides supplemental disaggregated revenue from contracts with customers by operating segment for the nine months ended September 30, 2020 and 2019 (in thousands):

	Well Site Services		Downhole Technologies		Offshore/ Manufactured Products		Total	
Nine months ended September 30	2020	2019	2020	2019	2020	2019	2020	2019
Major revenue categories -								
Project-driven products	$ —	$ —	$ —	$ —	$ 129,157	$ 105,236	$ 129,157	$ 105,236
Short-cycle:								
Completion products and services	153,994	307,928	74,743	143,912	22,080	80,250	250,817	532,090
Drilling services	7,179	32,430	—	—	—	—	7,179	32,430
Other products	—	—	—	—	19,254	21,472	19,254	21,472
Total short-cycle	161,173	340,358	74,743	143,912	41,334	101,722	277,250	585,992
Other products and services	—	—	—	—	94,291	87,765	94,291	87,765
	$ 161,173	$ 340,358	$ 74,743	$ 143,912	$ 264,782	$ 294,723	$ 500,698	$ 778,993
Percentage of total revenue by type -								
Products	— %	— %	93 %	97 %	71 %	76 %	52 %	47 %
Services	100 %	100 %	7 %	3 %	29 %	24 %	48 %	53 %

Cost of Revenues (exclusive of Depreciation and Amortization Expense). Our consolidated total cost of revenues (exclusive of depreciation and amortization expense) decreased $162.8 million, or 27%, in the first nine months of 2020 compared to the first nine months of 2019. Cost of revenues in the first nine months of 2020 included non-cash inventory impairment provisions totaling $31.2 million for excess and obsolete inventory – driven by the unprecedented market downturn which began in March of 2020. Excluding these 2020 provisions, consolidated cost of revenues decreased $193.9 million, or 32%, from the prior-year period.

Consolidated product costs in the first nine months of 2020, which included non-cash inventory impairment provisions of $17.9 million for excess and obsolete inventory, decreased $50.7 million, or 18%, from the first nine months of 2019. Excluding these charges, consolidated product costs decreased $68.6 million, or 25% from the prior-year period. Consolidated service costs, which included non-cash inventory impairment provisions of $13.3 million in the first nine months of 2020, decreased $112.1 million, or 34%, from the first nine months of 2019. Excluding these incremental inventory reserves, consolidated service costs declined $125.3 million, or 38%, due primarily to significantly lower activity levels in the U.S. shale play regions.

Selling, General and Administrative Expense. Selling, general and administrative expense decreased $22.0 million, or 24%, in the first nine months of 2020 from the first nine months of 2019 due primarily to reductions in short- and long-term compensation costs, personnel levels, travel expense and other implemented costs reduction measures, partially offset by additional bad debt provisions for receivables related to customers claiming bankruptcy protection.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased $19.5 million, or 21%, in the first nine months of 2020 compared to the prior-year period, driven primarily by our decision to exit drilling operations in West Texas in the third quarter of 2019 along with reduced capital investments made in our Completion Services business in recent years. Note 12, "Segments and Related Information," presents depreciation and amortization expense by segment.

Impairments of Goodwill. During the first nine months of 2020, our Completion Services, Downhole Technologies and Offshore/Manufactured Products operations recognized non-cash goodwill impairment charges of $127.1 million, $192.5 million and $86.5 million, respectively, arising from, among other factors, the significant decline in our stock price and that of our peers and reduced growth rate expectations given weak energy market conditions resulting from the demand destruction caused by the global response to the COVID-19 pandemic. In addition, the estimated returns required by market participants increased materially in our March 31, 2020 assessment from our assessment as of December 1, 2019, resulting in higher discount rates used in the discounted cash flow analysis.

Impairments of Fixed Assets. During the first nine months of 2020, our Drilling Services and Completion Services businesses recognized non-cash fixed asset impairment charges of $5.2 million and $3.0 million, respectively, following the significant decline in crude oil prices beginning in March of 2020. During the third quarter of 2019, our Drilling Services business recorded a non-cash impairment charge of $33.7 million to decrease the carrying value of the unit's fixed assets as discussed previously.

Operating Income (Loss). Our consolidated operating loss was $506.0 million in the first nine months of 2020, which included $445.4 million of non-cash asset impairment charges and $6.3 million of severance and downsizing charges. This compares to a consolidated operating loss of $52.1 million recognized in the first nine months of 2019, which included the impact of the $33.7 million non-cash fixed asset impairment charge and $2.9 million in severance and downsizing charges.

Interest Expense, Net. Net interest expense was $11.2 million in the first nine months of 2020, which compares to net interest expense of $13.7 million in the same period of 2019. Interest expense, which includes amortization of debt discount and deferred financing costs, as a percentage of total debt outstanding was approximately 6% in both the first nine months of 2020 and 2019. Our contractual cash interest expense as a percentage of total debt outstanding was substantially lower – averaging approximately 3% in both the nine months ended September 30, 2020 and 2019.

Other Income, Net. Other income, net for the first nine months of 2020 included non-cash gains of $10.7 million recognized in connection with our purchases of $34.9 million principal amount of our 1.50% convertible senior notes for $20.1 million in cash.

Income Tax. We recorded a net income tax benefit for the nine months ended September 30, 2020 using a discrete approach. This methodology was used because changes in our results of operations and non-deductible expenses can materially impact the estimated annual effective tax rate. For the nine months ended September 30, 2020, our income tax benefit was $54.1 million, or 11% of the pre-tax loss of $503.7 million, which included non-cash goodwill charges (approximately $313.1 million) and other expenses that are not deductible for income tax purposes. The impact of these non-deductible expenses was partially offset by $16.4 million in discrete tax benefits related to the carryback of U.S. net operating losses under the CARES Act. This compares to an income tax benefit of $6.7 million, or 11% of the pre-tax loss of $63.0 million, which also included certain non-deductible expenses, for the nine months ended September 30, 2019.

Other Comprehensive Loss. Reported comprehensive loss is the sum of reported net loss and other comprehensive loss. Other comprehensive loss was $12.7 million in the first nine months of 2020 compared to loss of $5.5 million in the first nine months of 2019 due to fluctuations in foreign currency exchange rates compared to the U.S. dollar for certain of the international operations of our reportable segments. For the nine months ended September 30, 2020 and 2019, currency translation adjustments recognized as a component of other comprehensive loss were primarily attributable to the United Kingdom and Brazil. During the first nine months of 2020 and 2019, the exchange rates for both the British pound and the Brazilian real weakened compared to the U.S. dollar.

Segment Operating Results

Well Site Services

Revenues. Our Well Site Services segment revenues decreased $179.2 million, or 53%, in the first nine months of 2020 compared to the prior-year period. Completion Services revenue decreased $153.9 million, or 50%, driven by the decline in U.S. land-based customer completion and production activity in response to lower commodity prices. Our Drilling Services revenues decreased $25.3 million, or 78%, in the first nine months of 2020 from the first nine months of 2019 due to the significant decline in crude oil prices and our exit of drilling operations in the West Texas region in the fourth quarter of 2019.

Operating Loss. During the first nine months of 2020 and 2019, our Well Site Services segment recorded non-cash impairment charges totaling $144.2 million and $33.7 million, respectively. Excluding these charges, our Well Site Services segment operating loss increased to $37.5 million in the first nine months of 2020 from $12.2 million in the prior-year period. Our Completion Services operating loss in the first nine months of 2020, after excluding the non-cash goodwill, inventory and fixed asset impairment charges discussed previously, was $37.4 million, compared to an operating loss of $2.3 million in the prior-year period, with the decrease in revenues and $3.9 million of severance and downsizing costs partially offset by a $8.8 million reduction in depreciation expense and the benefit of continued costs reduction measures. After excluding non-cash fixed asset impairment charges, our Drilling Services operating loss in the first nine months of 2020 was $0.1 million, compared to an operating loss of $10.0 million in the prior-year period, with the decline in revenues offset by a $4.2 million reduction in depreciation expense and the benefit of continued costs reduction measures.

Downhole Technologies

Revenues. Our Downhole Technologies segment revenues decreased $69.2 million, or 48%, in the first nine months of 2020 from the prior-year period due to a decline in U.S. land-based customer completion activity.

Operating Income (Loss). During the first nine months of 2020, our Downhole Technologies segment recorded a non-cash goodwill impairment charge of $192.5 million, a non-cash inventory impairment charge of $5.9 million and severance and downsizing costs of $1.3 million. Excluding these charges, operating income (loss) declined $19.9 million in the first nine months of 2020 from the prior-year period due primarily to the decline in revenues and a $1.5 million bad debt provision on a receivable from a customer claiming bankruptcy protection.

Offshore/Manufactured Products

Revenues. Our Offshore/Manufactured Products segment revenues were more resilient and declined only $29.9 million, or 10%, in the first nine months of 2020 compared to the first nine months of 2019 due to a significant reduction in sales of our short-cycle products (elastomer and valve products), partially offset by an increase in project-driven product sales.

Operating Income (Loss). During the first nine months of 2020, our Offshore/Manufactured Products segment recorded non-cash impairment charges of $86.5 million related to goodwill and $16.2 million related to inventory. Excluding these charges, our Offshore/Manufactured Products segment operating income decreased $5.7 million in the first nine months of 2020 compared to the first nine months of 2019, with the year-over-year impact of the decline in revenues partially offset by the current year benefit of cost reduction measures.

Backlog. Backlog in our Offshore/Manufactured Products segment totaled $227 million as of September 30, 2020, a decrease of 19% from December 31, 2019 and a decrease of 23% from September 30, 2019. Bookings during the first nine months of 2020 totaled $221 million, yielding a book-to-bill ratio of 0.8x.

Corporate

Corporate expenses decreased $10.0 million, or 28%, in the first nine months of 2020 from the prior-year period due to personnel reductions as well as reductions in short- and long-term compensation costs and other implemented cost reduction measures.

Liquidity, Capital Resources and Other Matters

Our primary liquidity needs are to fund operating and capital expenditures which, in the past, have included expanding and upgrading our Offshore/Manufactured Products and Downhole Technologies manufacturing facilities and equipment, replacing and increasing Completion Services assets, funding research and new product development, and general working capital needs. In addition, capital has been used to repay debt, fund strategic business acquisitions and fund share repurchases. Our primary sources of funds have been cash flow from operations, proceeds from borrowings under our credit facilities and, less frequently, capital markets transactions.

The crude oil and natural gas industry is highly cyclical which may result in declines in the demand for, and prices of, our products and services, the inability or failure of our customers to meet their obligations to us or a sustained decline in our market capitalization. These and other potentially adverse market conditions could require us to incur additional asset impairment charges, record additional deferred tax valuation allowances and/or further write down the value of our goodwill and long-lived assets, and may otherwise adversely impact our results of operations, our cash flows and our financial position. See Note 3, "Asset Impairments and Other Charges," and Note 4, "Details of Selected Balance Sheet Accounts," for further information.

Operating Activities

Cash flows from operations totaling $131.1 million were generated during the first nine months of 2020 compared to $115.9 million generated during the same period of 2019. In the second quarter of 2020, we filed carryback claims regarding U.S. net operating losses generated in 2018 and 2019 in accordance with the rules and procedures of the CARES Act and received cash of $41.3 million during the third quarter of 2020, which benefited our cash flow from operations. Additionally, during the first nine months of 2020, $74.8 million was provided by net working capital decreases, primarily due to collections of accounts receivable and an increase in deferred revenue, partially offset by decreases in accounts payable and accrued liabilities. During the first nine months of 2019, $38.0 million was provided by net working capital decreases, driven primarily by collections of accounts receivable, partially offset by an increase in inventories.

Investing Activities

Cash used in investing activities during the first nine months of 2020 totaled $2.7 million, compared to $43.7 million used in investing activities during the first nine months of 2019.

Capital expenditures totaled $11.3 million and $45.8 million during the first nine months of 2020 and 2019, respectively.

Based on current industry conditions, we now expect to spend approximately $15 million in capital expenditures during 2020. Whether planned expenditures will actually be made in 2020 depends on industry conditions, project approvals and schedules, vendor delivery timing, free cash flow generation and careful monitoring of our levels of liquidity. We plan to fund these capital expenditures with available cash, internally generated funds and, if necessary, borrowings under our Amended Revolving Credit Facility.

For the nine months ended September 30, 2020, cash flows provided by operations less cash flows used in investing activities totaled $128.4 million, compared to $72.1 million during the same period of 2019.

Financing Activities

During the nine months ended September 30, 2020, net cash of $57.0 million was used in financing activities, including $32.9 million of net repayments under our Amended Revolving Credit Facility and our purchases of $34.9 million principal amount of our 1.50% convertible senior notes for cash totaling $20.1 million. This compares to $76.9 million of cash used in financing activities during the nine months ended September 30, 2019, primarily as a result of $71.1 million in net repayments under our Revolving Credit Facility.

As of September 30, 2020, we had cash and cash equivalents totaling $79.7 million, which compared to $8.5 million as of December 31, 2019.

As of September 30, 2020, we had $19.0 million outstanding under our Amended Revolving Credit Facility (discussed below) and $157.4 million principal amount of our Notes outstanding. Our reported interest expense, which appropriately included amortization of debt discount and deferred financing costs of $5.9 million during the first nine months of 2020, was substantially above our contractual cash interest expense – reflective primarily of the Notes which provide for a cash interest payment of 1.5% per annum. For the first nine months of 2020, our contractual cash interest expense was $5.3 million, or approximately 3% of the average principal balance of debt outstanding.

We believe that cash on-hand, cash flow from operations and borrowing capacity available under our Amended Revolving Credit Facility will be sufficient to meet our liquidity needs in the coming twelve months. If our plans or assumptions change, or are inaccurate, we may need to raise additional capital. Our ability to obtain capital for additional projects to implement our growth strategy over the longer term will depend upon our future operating performance, financial condition and, more broadly, on the availability of equity and debt financing. Capital availability will be affected by prevailing conditions in our industry, the global economy, the global financial markets and other factors, many of which are beyond our control. In this regard, the effect of the COVID-19 pandemic has resulted in significant disruption of global financial markets. For companies like ours in the energy industry, this disruption has been exacerbated by the global crude oil supply and demand imbalance and resulting decline in crude oil prices, and has significantly impacted the value of our common stock and which may reduce our ability to access capital in the bank and capital markets, which could in the future negatively affect our liquidity.

Revolving Credit Facility due January 2022. Our senior secured revolving credit facility (the "Revolving Credit Facility") is governed by an amended and restated credit agreement by and among the Company, Wells Fargo Bank, N.A., as administrative agent for the lenders party thereto and the lenders and other financial institutions from time to time party thereto dated as of January 30, 2018 (the "Credit Agreement"), which matures on January 30, 2022. Prior to June 17, 2020, our Revolving Credit Facility provided for up to $350 million in lender commitments, including $50 million available for the issuance of letters of credit.

On June 17, 2020, we entered into an omnibus amendment to the Credit Agreement (as amended, the "Amended Credit Agreement"). Lender commitments under the Amended Credit Agreement were reduced to $200 million in exchange for the suspension of the financial covenants from July 1, 2020 through March 30, 2021. During the financial covenant suspension period, borrowing availability under the Revolving Credit Facility (as amended, the "Amended Revolving Credit Facility") is limited to 85% of the lesser of (i) $200 million or (ii) a borrowing base, calculated monthly, equal to the sum of 70% of the consolidated net book value of eligible receivables and 20% of the consolidated net book value of eligible inventory (the "Borrowing Base"). The Company expensed $0.5 million of previously deferred financing costs in the second quarter of 2020, which is included in interest expense, net as a result of the amendment of the Credit Agreement.

See Note 6, "Long-term Debt," for further information regarding terms of the Credit Agreement and the recent amendment thereto.

As of September 30, 2020, we had $19.0 million of borrowings outstanding under the Amended Revolving Credit Facility and $31.2 million of outstanding letters of credit. The total amount available to be drawn as of October 1, 2020 was $83.8 million, calculated based on 85% of the Borrowing Base less outstanding borrowings and letters of credit.

Based on our forecasts, we anticipate that following the March 30, 2021 expiration of the financial covenant suspension period provided for under the Amended Credit Agreement, we may not be in compliance with the covenants in the Amended Credit Agreement due to projected declines in consolidated EBITDA resulting from current industry conditions caused by the global response to the COVID-19 pandemic and the associated collapse in crude oil prices. However, we believe that we will have sufficient cash on-hand and cash flow from operations (after capital expenditures) to repay borrowings outstanding under the Amended Revolving Credit Facility in full and to fund our other liabilities as they become due over the next twelve months.

1.50% Convertible Senior Notes due February 2023. On January 30, 2018, we issued $200 million aggregate principal amount of the Notes pursuant to an indenture, dated as of January 30, 2018 (the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee.

The Indenture contains certain events of default, including certain defaults by the Company with respect to other indebtedness of at least $40.0 million.

During the first nine months of 2020, we purchased $34.9 million principal amount of the outstanding Notes for $20.1 million in cash, which was $10.7 million below the net carrying amount of the related liability, resulting in the recognition of a non-cash gain. Since September 2019, we have purchased $42.6 million principal amount of the Notes for $26.8 million in cash.

The initial carrying amount of the Notes recorded in the consolidated balance sheet was less than the $200 million principal amount of the Notes, in accordance with currently applicable accounting principles, reflective of the estimated fair value of a similar debt instrument that does not have a conversion feature. We recorded the value of the conversion feature as a debt discount at the date of issuance, which is amortized as interest expense over the term of the Notes, with a similar amount allocated to additional paid-in capital. As a result of this amortization, interest expense currently recognized on the Notes for accounting purposes, reflecting an effective interest rate of approximately 6%, is greater than cash interest we are obligated to pay on the Notes. Reported interest expense associated with the Notes for the nine months ended September 30, 2020 and 2019 was $7.2 million and $7.7 million, respectively, while the related contractual cash interest totaled $2.0 million and $2.3 million, respectively. See Note 6, "Long-term Debt," for further information regarding the Notes. As of September 30, 2020, none of the conditions allowing holders of the Notes to convert, or requiring us to repurchase the Notes, had been met.

See "–Recent Accounting Pronouncements" below for discussion of the recent revision to accounting guidance for convertible instruments, which will change our method of accounting for the Notes upon our planned adoption of the standard effective January 1, 2021.

Promissory Note. In connection with the GEODynamics Acquisition, we issued a $25.0 million promissory note that bears interest at 2.5% per annum and was scheduled to mature on July 12, 2019. Payments due under the promissory note are subject to set-off, in full or in part, against certain indemnification claims related to matters occurring prior to our acquisition of GEODynamics. We have provided notice to and asserted indemnification claims against the seller of GEODynamics. As a result, the maturity date of the note is extended until the indemnity claims are resolved. We expect that the amount ultimately paid in respect of such note to be reduced by these indemnification claims. See Note 13, "Commitments and Contingencies," to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional discussion.

Our total debt represented 20% of our combined total debt and stockholders' equity at September 30, 2020, an increase from 17% at December 31, 2019 due primarily to the non-cash asset impairment charges recorded as a reduction of equity in the first and third quarters of 2020.

Stock Repurchase Program. We maintained a share repurchase program, which was allowed to expire on July 29, 2020. During the first nine months of 2020, we did not repurchase any shares of our common stock under the program.

Off-Balance Sheet Arrangements

As of September 30, 2020, we had no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Tariffs

We use a variety of domestically produced and imported raw materials and component products, including steel, in the manufacture of our products. In 2018, the United States imposed tariffs on a variety of imported products, including steel and aluminum. In response to the U.S. tariffs on steel and aluminum, the European Union and several other countries, including Canada and China, have threatened and/or imposed retaliatory tariffs. The effect of these new tariffs and the application and interpretation of existing trade agreements and customs, anti-dumping and countervailing duty regulations continues to evolve, and we continue to monitor these matters. If we encounter difficulty in procuring these raw materials and component products, or if the prices we have to pay for these products increase further as a result of customs, anti-dumping and countervailing duty regulations or otherwise and we are unable to pass corresponding cost increases on to our customers, our financial position and results of operations could be adversely affected. Furthermore, uncertainty with respect to potential costs in the drilling and completion of oil and gas wells could cause customers to delay or cancel planned projects which, if this occurred, would adversely affect our financial position and results of operations. See Note 13, "Commitments and Contingencies" to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional discussion.

Critical Accounting Policies

For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Annual Report on Form 10-K. These estimates require significant judgments, assumptions and estimates. We have discussed the development, selection, and disclosure of these critical accounting policies and estimates with the audit committee of our Board of Directors. Except as discussed in Note 3, "Asset Impairments and Other Charges," there have been no material changes to the judgments, assumptions and estimates upon which our critical accounting estimates are based.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the "FASB"), which are adopted by us as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on our consolidated financial statements upon adoption.

In August 2020, the FASB issued updated guidance to simplify the accounting for convertible instruments and contracts in an entity's own equity. This new guidance will eliminate the current requirement that the carrying value of convertible debt instruments, including our Notes, be allocated between the debt and equity components. As permitted under the standard, we plan to adopt the new guidance on January 1, 2021 using the modified retrospective transition method. Upon initial evaluation, we believe the key changes upon adoption will be to increase the carrying value of the debt component of the Notes and reduce the reported level of interest expense recognized over the remaining life of the Notes. Based on the $157.4 million principal amount of the Notes outstanding as of September 30, 2020, we estimate that the adoption of the standard on January 1, 2021 will result in a $12.2 million increase in the net carrying value of the Notes, a $3.7 million decrease in deferred income taxes and an $8.5 million net decrease in stockholders' equity. Beginning on January 1, 2021, the effective interest rate associated with the Notes is expected to decrease from approximately 6% to approximately 2%, which compares to the contractual cash interest rate of 1.50%.

In June 2016, the FASB issued guidance on credit impairment for short-term receivables which, as amended, introduces the recognition of management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. We adopted this guidance on January 1, 2020, using the optional transition method of recognizing any cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings. The cumulative impact of the adoption of the new standard was not material to our consolidated financial statements. Prior periods were not retrospectively adjusted.

ITEM 3. ***Quantitative and Qualitative Disclosures about Market Risk***

Market risk refers to the potential losses arising from changes in interest rates, foreign currency fluctuations and exchange rates, equity prices, and commodity prices, including the correlation among these factors and their volatility.

Our principal market risks are our exposure to changes in interest rates and foreign currency exchange rates. We enter into derivative instruments only to the extent considered necessary to meet risk management objectives and do not use derivative contracts for speculative purposes.

Interest Rate Risk

We have a revolving credit facility that is subject to the risk of higher interest charges associated with increases in interest rates. As of September 30, 2020, we had floating-rate obligations totaling $19.0 million drawn under our Amended Revolving Credit Facility. These floating-rate obligations expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If the floating interest rates increased by 1% from September 30, 2020 levels, our consolidated interest expense would increase by a total of approximately $0.2 million annually.

Foreign Currency Exchange Rate Risk

Our operations are conducted in various countries around the world and we receive revenue from these operations in a number of different currencies. As such, our earnings are subject to movements in foreign currency exchange rates when transactions are denominated in (i) currencies other than the U.S. dollar, which is our functional currency, or (ii) the functional currency of our subsidiaries, which is not necessarily the U.S. dollar. In order to mitigate the effects of foreign currency exchange rate risks in areas outside of the United States (primarily in our Offshore/Manufactured Products segment), we generally pay a portion of our expenses in local currencies and a substantial portion of our contracts provide for collections from customers in U.S. dollars. During the nine months ended September 30, 2020, our reported foreign currency exchange gains were $0.2 million and are included in "Other operating expense, net" in the condensed consolidated statements of operations.

Our accumulated other comprehensive loss, reported as a component of stockholders' equity, increased $12.7 million from $67.7 million at December 31, 2019 to $80.4 million at September 30, 2020, due to changes in currency exchange rates. Accumulated other comprehensive loss is primarily related to fluctuations in the currency exchange rates compared to the U.S. dollar which are used to translate certain of the international operations of our reportable segments.

ITEM 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) of the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2020 at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. *Legal Proceedings*

The information with respect to this Item 1 is set forth under Note 13, "Commitments and Contingencies."

ITEM 1A. *Risk Factors*

"Part I, Item 1A. Risk Factors" of our 2019 Annual Report on Form 10-K includes a detailed discussion of our risk factors. The risks described in this Quarterly Report on Form 10-Q and our 2019 Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may materially adversely affect our business, financial conditions or future results. Except as described below, there have been no material changes to our risk factors as set forth in our 2019 Annual Report on Form 10-K.

Recent declines in crude oil prices to record low levels as a result of the Coronavirus Disease 2019 ("COVID-19") outbreak and a significantly oversupplied crude oil market have negatively impacted, and are expected to continue to negatively impact, demand for our products and services resulting in a material negative impact on our results of operations, financial position and liquidity.

The outbreak of COVID-19 in the United States and globally, together with government and private sector responsive actions, have, and are expected to continue to, adversely affect both the price of and demand for crude oil and the continuity of our business operations. It is currently impossible to predict the effect and ultimate impact of the COVID-19 pandemic as the situation continues to evolve. In March 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster response. A significant majority of states as well as local jurisdictions have imposed, and others in the future may impose, "shelter-in-place" orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. Such orders or restrictions, and the perception that such orders or restrictions could occur, have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellation of events, among other effects.

While the U.S. Department of Homeland Security and various local orders have identified the energy industry as critical to the U.S. infrastructure, generally allowing certain of our and our customers' operations to continue, our operations, and those of our customers, have been and will likely continue to be disrupted in various ways. For example, in an effort to minimize the spread of illness, we and our customers have implemented various worksite restrictions in order to minimize contact among personnel, and have also required employees to quarantine who have become ill or experienced COVID-19-related symptoms. Travel restrictions and flight cancellations have also slowed personnel travel and equipment delivery to certain customer locations. In addition, the COVID-19 outbreak poses a risk of disruptions to our supply chain if a supplier were to experience production or delivery constraints due to the effects of COVID-19. Disruptions of this type and others could continue and increase for the foreseeable future. For example, in many of our customers' offshore drilling projects, personnel reside in close quarters on an offshore rig or platform for lengthy periods of time. Cases of COVID-19 in these environments have occurred and a widespread outbreak of COVID-19 on a rig or platform could result in a cessation of operations which would further depress demand for our products and services. Finally, although our manufacturing and service facilities in the United States have generally remained open and operational, we were required to temporarily close certain of our international facilities due to government mandates. As of the date of filing of this Quarterly Report on Form 10-Q for the period ended September 30, 2020, our international facilities have reopened, but still face certain interruptions related to serving field and rig locations internationally. Future governmental mandates or the illness or absence of a substantial number of employees could require that we temporarily close facilities, or may prohibit or significantly restrict us, our customers and third party providers upon whom we and they rely from remaining operational.

In addition, we have implemented work-from-home policies for certain employees. The effects of shelter-in-place orders and our work-from-home policies may negatively impact productivity, increase our exposure to cyber security threats and disrupt our business, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course.

Contemporaneously with the widespread outbreak of COVID-19 in the United States, Saudi Arabia announced a material increase in crude oil production in response to a dispute with Russia over crude oil production levels, resulting in global oil markets being significantly oversupplied, particularly in light of the reduced demand resulting from the COVID-19 pandemic. As a result, the spot price of West Texas Intermediate crude oil declined precipitously beginning in the middle of March, closing at $21 per barrel on March 31, 2020. In response, a number of our exploration and production company customers announced significant reductions in capital spending for drilling, completion, production and other projects on which our products and services would be used. These reductions in spending and activity levels have negatively impacted, and we expect they will continue to negatively impact, demand for our products and services, the prices we can charge for those products and services and, as a result, our results of operations, liquidity and financial condition. Although the Organization of the Petroleum Exporting Countries ("OPEC"), its members and other state-controlled oil companies agreed to reduce production and many operators have shut-in production in the United States, supply continues to exceed demand and while crude oil prices have increased to some extent since reaching record low levels in April of 2020, they remain volatile and at depressed levels. Further actions among OPEC members and other producing nations as to production levels and prices could result in further declines in crude oil prices, which would prove detrimental, particularly given the weak demand environment for crude oil and associated products caused by the COVID-19 pandemic.

The effect of the COVID-19 pandemic has also resulted in significant disruption of global financial markets. For companies like ours in the energy industry, this disruption has been exacerbated by the global crude oil supply and demand imbalance and resulting decline in crude oil prices, and has significantly impacted the value of our common stock and which may reduce our ability to access capital in the bank and capital markets, which could in the future negatively affect our liquidity. In addition, a recession or long-term market correction, resulting from the COVID-19 pandemic could in the future further materially impact the value of our common stock, impact our access to capital and affect our business in the near and long-term.

The COVID-19 pandemic continues to rapidly evolve. The extent to which COVID-19 and depressed crude oil prices impacts our results, financial position and liquidity will depend on future developments, which are highly uncertain and cannot be predicted.

ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

(a) None.

(b) None.

(c)

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs(2)
July 1 through July 31, 2020	1,448	$ 4.64	—	$ —
August 1 through August 31, 2020	177	5.19	—	—
September 1 through September 30, 2020	195	3.46	—	—
Total	1,820	$ 4.57	—	

(1) All shares purchased during the three-month period ended September 30, 2020 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock grants. These shares were not part of a publicly announced program to purchase common stock.
(2) We maintained a share repurchase program providing for the repurchase of up to $150 million of the Company's common stock, which was allowed to expire on July 29, 2020.

ITEM 3. *Defaults Upon Senior Securities*

None.

ITEM 4. *Mine Safety Disclosures*

Not applicable.

ITEM 5. *Other Information*

None.

ITEM 6. ***Exhibits***

Exhibit No.		Description
3.1	—	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001 (File No. 001-16337)).
3.2	—	Fourth Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the Commission on May 8, 2019 (File No. 001-16337)).
3.3	—	Certificate of Designations of Special Preferred Voting Stock of Oil States International, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001 (File No. 001-16337)).
31.1*	—	Certification of Chief Executive Officer of Oil States International, Inc. pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	—	Certification of Chief Financial Officer of Oil States International, Inc. pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1**	—	Certification of Chief Executive Officer of Oil States International, Inc. pursuant to Rules 13a-14(b) or 15d-14(b) under the Securities Exchange Act of 1934, as amended.
32.2**	—	Certification of Chief Financial Officer of Oil States International, Inc. pursuant to Rules 13a-14(b) or 15d-14(b) under the Securities Exchange Act of 1934, as amended.
101.INS*	—	XBRL Instance Document
101.SCH*	—	XBRL Taxonomy Extension Schema Document
101.CAL*	—	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	—	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	—	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith.

** Furnished herewith.

SIGNATURES

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

OIL STATES INTERNATIONAL, INC.

Date:	October 30, 2020	By	/s/ LLOYD A. HAJDIK
			Lloyd A. Hajdik Executive Vice President, Chief Financial Officer and Treasurer (Duly Authorized Officer and Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF OIL STATES INTERNATIONAL, INC.
PURSUANT TO RULE 13a–14(a) UNDER THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Cindy B. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oil States International, Inc. (Registrant);

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

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

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

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

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

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

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

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

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

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

/s/ Cindy B. Taylor

Name:	Cindy B. Taylor
	President and Chief Executive Officer
Date:	October 30, 2020

EXHIBIT 31.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF OIL STATES INTERNATIONAL, INC.
PURSUANT TO RULE 13a–14(a) UNDER THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Lloyd A. Hajdik, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oil States International, Inc. (Registrant);

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

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

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

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

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

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

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

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

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

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

/s/ Lloyd A. Hajdik

Name:	Lloyd A. Hajdik
	Executive Vice President, Chief Financial Officer and Treasurer
Date:	October 30, 2020

EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF OIL STATES INTERNATIONAL, INC.
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 filed with the Securities and Exchange Commission (the "Report"), I, Cindy B. Taylor, President and Chief Executive Officer of Oil States International, Inc. (the "Company"), hereby certify, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/s/ Cindy B. Taylor

Name:	Cindy B. Taylor
	President and Chief Executive Officer
Date:	October 30, 2020

EXHIBIT 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF OIL STATES INTERNATIONAL, INC.
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 filed with the Securities and Exchange Commission (the "Report"), I, Lloyd A. Hajdik, Executive Vice President, Chief Financial Officer and Treasurer of Oil States International, Inc. (the "Company"), hereby certify, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/s/ Lloyd A. Hajdik

Name:	Lloyd A. Hajdik
	Executive Vice President, Chief Financial Officer and Treasurer
Date:	October 30, 2020