

**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 June 30, 2015
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 1-7573

PARKER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

73-0618660
(I.R.S. Employer
Identification No.)

**5 Greenway Plaza, Suite 100,
Houston, Texas**
(Address of principal executive offices)

77046
(Zip code)

(281) 406-2000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 August 3, 2015 there were 123,160,399 common shares outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 116,943	\$ 108,456
Accounts and Notes Receivable, net of allowance for bad debts of \$10,304 at June 30, 2015 and \$11,188 at December 31, 2014.	235,834	270,952
Rig materials and supplies	44,274	47,943
Deferred costs	7,281	5,673
Deferred income taxes	5,818	7,476
Other tax assets	12,826	10,723
Other current assets	20,962	18,556
Total current assets	443,938	469,779
Property, plant and equipment, net of accumulated depreciation of \$1,255,131 at June 30, 2015 and \$1,201,058 at December 31, 2014.	865,291	895,940
Goodwill (Note 3)	6,708	—
Intangible assets, net (Note 3)	15,945	4,286
Debt issuance costs	12,973	12,526
Deferred income taxes	154,463	122,689
Other noncurrent assets	22,360	15,439
Total assets	\$ 1,521,678	\$ 1,520,659
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ —	\$ 10,000
Accounts payable and accrued liabilities	176,247	154,479
Accrued income taxes	12,594	14,186
Total current liabilities	188,841	178,665
Long-term debt	585,000	605,000
Other long-term liabilities	19,184	18,665
Long-term deferred tax liability	69,793	52,115
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock	20,510	20,325
Capital in excess of par value	668,712	666,769
Accumulated deficit	(34,972)	(24,165)
Accumulated other comprehensive income	(485)	(498)
Total controlling interest stockholders' equity	653,765	662,431
Noncontrolling interest	5,095	3,783
Total equity	658,860	666,214
Total liabilities and stockholders' equity	\$ 1,521,678	\$ 1,520,659

See accompanying notes to the unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$ 185,941	\$ 254,234	\$ 390,017	\$ 483,459
Expenses:				
Operating expenses	143,569	174,569	282,839	340,594
Depreciation and amortization	38,351	36,180	78,890	70,517
	<u>181,920</u>	<u>210,749</u>	<u>361,729</u>	<u>411,111</u>
Total operating gross margin	4,021	43,485	28,288	72,348
General and administration expense	(9,511)	(7,007)	(20,348)	(15,971)
Provision for reduction in carrying value of certain assets	(2,316)	—	(2,316)	—
Gain (loss) on disposition of assets, net	(138)	1,019	2,303	890
Total operating income (loss)	<u>(7,944)</u>	<u>37,497</u>	<u>7,927</u>	<u>57,267</u>
Other income and (expense):				
Interest expense	(11,396)	(10,599)	(22,474)	(22,638)
Interest income	19	88	202	120
Loss on extinguishment of debt	—	(479)	—	(30,152)
Other	(1,529)	1,032	(2,909)	1,927
Total other expense	<u>(12,906)</u>	<u>(9,958)</u>	<u>(25,181)</u>	<u>(50,743)</u>
Income (loss) before income taxes	(20,850)	27,539	(17,254)	6,524
Income tax (benefit)	(6,916)	11,702	(7,098)	3,079
Net income (loss)	<u>(13,934)</u>	<u>15,837</u>	<u>(10,156)</u>	<u>3,445</u>
Less: Net income attributable to noncontrolling interest	95	156	651	313
Net income (loss) attributable to controlling interest	<u>\$ (14,029)</u>	<u>\$ 15,681</u>	<u>\$ (10,807)</u>	<u>\$ 3,132</u>
Basic earnings per share	\$ (0.11)	\$ 0.13	\$ (0.09)	\$ 0.03
Diluted earnings per share	\$ (0.11)	\$ 0.13	\$ (0.09)	\$ 0.03
Number of common shares used in computing earnings per share:				
Basic	122,481,425	121,078,359	122,175,511	120,726,004
Diluted	122,481,425	122,764,247	122,175,511	122,586,056

See accompanying notes to the unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Comprehensive income:				
Net income (loss)	\$ (13,934)	\$ 15,837	\$ (10,156)	\$ 3,445
Other comprehensive income (loss), net of tax:				
Currency translation difference on related borrowings	647	336	(1,023)	(468)
Currency translation difference on foreign currency net investments	1,723	(188)	874	511
Total other comprehensive income (loss), net of tax:	2,370	148	(149)	43
Comprehensive income (loss)	(11,564)	15,985	(10,305)	3,488
Comprehensive (income) attributable to noncontrolling interest	(95)	(80)	(489)	(234)
Comprehensive income (loss) attributable to controlling interest	\$ (11,659)	\$ 15,905	\$ (10,794)	\$ 3,254

See accompanying notes to the unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	\$ (10,156)	\$ 3,445
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	78,890	70,517
Accretion of contingent consideration	306	—
Loss on extinguishment of debt	—	30,152
Provision for reduction in carrying value of certain assets	2,316	—
(Gain) loss on disposition of assets	(2,303)	(890)
Deferred income tax benefit	(17,126)	(8,358)
Expenses not requiring cash	5,308	8,748
Change in assets and liabilities:		
Accounts and notes receivable	39,683	(1,066)
Other assets	(7,352)	(777)
Accounts payable and accrued liabilities	14,763	5,789
Accrued income taxes	(1,236)	(3,987)
Net cash provided by operating activities	103,093	103,573
Cash flows from investing activities:		
Capital expenditures	(54,605)	(106,188)
Proceeds from the sale of assets	288	3,346
Proceeds from insurance settlements	2,500	—
Acquisition, net of cash acquired	(10,431)	—
Net cash (used in) investing activities	(62,248)	(102,842)
Cash flows from financing activities:		
Proceeds from issuance of debt	—	400,000
Repayments of long-term debt	(30,000)	(430,000)
Payments of debt issuance costs	(1,359)	(7,425)
Payments of debt extinguishment costs	—	(26,214)
Excess tax benefit (expense) from stock based compensation	(999)	665
Net cash (used in) financing activities	(32,358)	(62,974)
Net increase (decrease) in cash and cash equivalents	8,487	(62,243)
Cash and cash equivalents, beginning of year	108,456	148,689
Cash and cash equivalents, end of period	\$ 116,943	\$ 86,446
Supplemental cash flow information:		
Interest paid	\$ 20,805	\$ 21,315
Income taxes paid	\$ 16,436	\$ 13,673

See accompanying notes to the unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Note 1 - General

In the opinion of the management of Parker Drilling Company (Parker Drilling or the Company), the accompanying unaudited consolidated condensed financial statements reflect all adjustments normally recurring which we believe are necessary for a fair presentation of: (1) Parker Drilling's financial position as of June 30, 2015 and December 31, 2014, (2) Parker Drilling's results of operations for the three and six month periods ended June 30, 2015 and 2014, (3) Parker Drilling's consolidated condensed statement of comprehensive income for the three and six month periods ended June 30, 2015 and 2014, and (4) Parker Drilling's cash flows for the six month periods ended June 30, 2015 and 2014. Results for the three and six month periods ended June 30, 2015 are not necessarily indicative of the results that will be realized for the year ending December 31, 2015. The financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014.

Nature of Operations — Parker Drilling provides drilling services and rental tools to the energy industry. We have operated in over 50 countries since beginning operations in 1934, making us among the most geographically experienced drilling contractors and rental tools providers in the world. We currently have operations in 23 countries. We believe we are an industry leader in quality, health, safety and environmental practices.

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. Effective with the first quarter of 2015, we aligned our reportable segments with our two core business lines and our current internal organizational structure. We report our Rental Tools Services business as one reportable segment (Rental Tools) and report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling.

In our Drilling Services business, we own and operate drilling rigs and drilling-related equipment and also perform drilling-related services, referred to as operations and maintenance (O&M) services, on a contracted basis for operators who own their own drilling rigs, but choose Parker Drilling to operate the rigs for them. In addition, we provide other project management services, such as engineering and related services during concept development, pre-FEED (Front End Engineering Design) and FEED phases of customer-owned drilling facility projects. We have extensive experience and expertise in drilling geologically difficult wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. Our U.S. (Lower 48) Drilling segment includes our Gulf of Mexico (GOM) barge drilling fleet and United States (U.S.) based O&M services. Our GOM barge drilling fleet operates barge rigs that drill for oil and natural gas in shallow waters in and along the inland waterways and coasts of Louisiana, Alabama, and Texas. The majority of these wells are drilled in water depths of 6 to 12 feet. Our International & Alaska Drilling segment includes operations related to Parker-owned and customer-owned rigs as well as project related services.

Our Rental Tools Services business provides premium rental equipment and services to exploration and production companies, drilling contractors and service companies on land and offshore in the U.S. and select international markets. Tools we provide include drill collars, standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, and pressure control equipment including blow-out preventers (BOPs). We also provide well construction services which include tubular running services and downhole tools and well intervention services which include whipstock, fishing products and services, as well as inspection and machine shop support.

Consolidation — The consolidated financial statements include the accounts of the Company and subsidiaries in which we exercise control or have a controlling financial interest, including entities, if any, in which the Company is allocated a majority of the entity's losses or returns, regardless of ownership percentage. If a subsidiary of Parker Drilling has a 50 percent interest in an entity but Parker Drilling's interest in the subsidiary or the entity does not meet the consolidation criteria described above, then that interest is accounted for under the equity method. In the second quarter of 2015 we recognized through other income and expense a \$0.9 million loss related to the divestiture of our controlling interest in a joint venture.

Noncontrolling Interest — We apply accounting standards related to noncontrolling interests for ownership interests in our subsidiaries held by parties other than Parker Drilling. The entities that comprise the noncontrolling interest include ITS Arabia Limited and ITS Egypt SAE. We report noncontrolling interest as equity on the consolidated balance sheets and report net income (loss) attributable to controlling interest and to noncontrolling interest separately on the consolidated statements of operations.

Reclassifications — Certain reclassifications have been made to prior period amounts to conform to the current period presentation. These reclassifications did not materially affect our consolidated financial results.

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

Reimbursable Costs — The Company recognizes reimbursements received for out-of-pocket expenses incurred as revenues and accounts for out-of-pocket expenses as direct operating costs. Such amounts totaled \$27.8 million and \$21.8 million for the three months ended June 30, 2015 and 2014, respectively, and \$47.5 million and \$38.2 million for the six months ended June 30, 2015 and 2014, respectively. Additionally, the Company typically receives a nominal handling fee, which is recognized as earned revenues in our consolidated statement of operations.

Use of Estimates — The preparation of financial statements in accordance with accounting policies generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect our reported amounts of assets and liabilities, our disclosure of contingent assets and liabilities at the date of the financial statements, and our revenues and expenses during the periods reported. Estimates are typically used when accounting for certain significant items such as legal or contractual liability accruals, mobilization and deferred mobilization, self-insured medical/dental plans, income taxes and valuation allowance, and other items requiring the use of estimates. Estimates are based on a number of variables which may include third party valuations, historical experience, where applicable, and assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ from management estimates.

Purchase price allocation — We allocate the purchase price of an acquired business to its identifiable assets and liabilities in accordance with the acquisition method based on estimated fair values at the transaction date. Transaction and integration costs associated with an acquisition are expensed as incurred. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. We use all available information to estimate fair values, including quoted market prices, the carrying value of acquired assets, and widely accepted valuation techniques such as discounted cash flows. We typically engage third-party appraisal firms to assist in fair value determination of inventories, identifiable intangible assets, and any other significant assets or liabilities. Judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. See Note 2 - Acquisitions for further discussion.

Goodwill — We account for all business combinations using the acquisition method of accounting. Under this method, assets and liabilities, including any remaining noncontrolling interests, are recognized at fair value at the date of acquisition. The excess of the purchase price over the fair value of assets acquired, net of liabilities assumed, and noncontrolling interests is recognized as goodwill. We are required to test goodwill for impairment on an annual basis, and more frequently when negative conditions or other triggering events arise. See Note 3 - Goodwill and Intangible Assets for further discussion.

Intangible Assets — Our intangible assets are related to trademarks, trade names, customer relationships, and developed technology, which were acquired through acquisition and are generally amortized over a weighted average period of approximately three to six years. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss. See Note 3 - Goodwill and Intangible Assets for further discussion.

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of major, independent, national and international oil and gas companies and integrated service providers. We generally do not require collateral on our trade receivables. We depend on a limited number of significant customers. Our largest customer, Exxon Neftegas Limited (ENL), constituted approximately 26.0 percent of our revenues for the six months ended June 30, 2015. Each of our segments depends on a limited number of key customers and the loss of any one or more key customers could have a material adverse effect on a segment.

At June 30, 2015 and December 31, 2014, we had deposits in domestic banks in excess of federally insured limits of approximately \$66.8 million and \$59.3 million, respectively. In addition, as of June 30, 2015 and December 31, 2014, we had deposits in foreign banks that were not insured of \$51.7 million and \$54.4 million, respectively.

Note 2 - Acquisitions

Acquisition of ITS

On April 22, 2013 we acquired International Tubular Services Limited (ITS) and related assets (the ITS Acquisition) for an initial purchase price of \$101.0 million paid at the closing of the ITS Acquisition. An additional \$24.0 million was deposited into an escrow account, to be payable to the seller or to us, as the case may be, in accordance with the ITS Acquisition agreement (the Acquisition Agreement). As of June 30, 2015, \$13.8 million of the cash deposited in escrow has been released to the seller and \$3.2 million has been released to us. Based on the terms of the Acquisition Agreement, we estimate that the entire \$7.0 million remaining in escrow will be paid to the seller (or to third parties on behalf of the seller).

Acquisition of 2M-Tek

On April 17, 2015 we acquired 2M-Tek, a Louisiana-based manufacturer of equipment for tubular running and related well services for an initial purchase price of \$10.4 million paid at the closing of the acquisition (the 2M-Tek Acquisition), plus \$8.0 million of contingent consideration payable to the seller upon the achievement of certain milestones over the 24-month period following the close of the 2M-Tek Acquisition. The fair value of the consideration transferred was \$17.2 million, which includes the \$10.4 million paid at closing plus the estimated fair value of the contingent consideration of \$6.8 million. We have recorded the fair value of the liability for contingent consideration in our condensed consolidated balance sheet. The operations and related assets acquired and liabilities assumed will be reported as part of our Rental Tools segment. This acquisition will complement our existing international tubular running services (TRS) business. The acquisition secures our access to a proprietary casing running tool while minimizing the total capital cost of TRS equipment going forward.

Allocation of Consideration Transferred to Net Assets Acquired

The purchase price has been allocated to the fair value of the assets acquired and liabilities assumed. The allocation is preliminary and based on estimates and assumptions that are subject to change within the purchase price allocation period (generally one year from the acquisition date). The primary areas of the purchase price allocation not yet finalized relate to the valuation of intangible assets, deferred taxes, and working capital amounts. The company used recognized valuation techniques to determine the fair value of the assets and liabilities. The assets acquired and liabilities assumed were recorded at fair value in accordance with U.S. GAAP. Acquisition date fair values represent either Level 2 (as defined in Note 10 - Fair Value of Financial Instruments) fair value measurements (current assets and liabilities, property plant and equipment) or Level 3 (as defined in Note 10) fair value measurements (intangible assets).

<i>Dollars in thousands</i>	April 17, 2015
Current Assets:	
Cash and Cash Equivalents	\$ 17
Accounts Receivable, net	1,112
Rig materials and supplies	883
Total current assets	\$ 2,012
Property, plant and equipment	477
Goodwill	6,708
Intangible assets	13,470
Total Assets	\$ 22,667
Current Liabilities:	
Accounts payable and accrued liabilities	863
Total current liabilities	863
Deferred tax liability - noncurrent	4,601
Total Liabilities	5,464
Net Assets Acquired	17,203
Total consideration transferred	\$ 17,203

Pro forma results of operations have not been presented because the effect of the acquisition was not material to our results of operations. Acquisition-related costs for the six months ended June 30, 2015 were \$0.4 million.

Note 3 - Goodwill and Intangible Assets

We account for all business combinations using the acquisition method of accounting. Under this method, assets and liabilities, including any remaining noncontrolling interests, are recognized at fair value at the date of acquisition. The excess of the purchase price over the fair value of assets acquired, net of liabilities assumed, and noncontrolling interests is recognized as goodwill.

As part of the 2M-Tek Acquisition we recognized \$6.7 million of goodwill and acquired definite-lived intangible assets with an acquisition date fair value of \$13.5 million. As part of the ITS Acquisition, we acquired definite-lived intangible assets with an acquisition date fair value of \$8.5 million. All of the Company's goodwill and intangible assets are allocated to the Rental Tools segment.

Goodwill

The change in the carrying amount of goodwill for the period ended June 30, 2015 is as follows:

<i>Dollars in thousands</i>	Goodwill
Balance at December 31, 2014	\$ —
Acquisition	6,708
Balance at June 30, 2015	<u>\$ 6,708</u>

Of the total amount of goodwill recognized, zero is expected to be deductible for income tax purposes.

Intangible Assets

Intangible Assets consist of the following:

<i>Dollars in thousands</i>	Estimated Useful Life (Years)	As of June 30, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:				
Developed Technology	6	\$ 11,630	\$ (485)	\$ 11,145
Customer Relationships	3	5,400	(3,940)	1,460
Trademarks and trade names	5	4,940	(1,600)	3,340
Total Amortized intangible assets		<u>\$ 21,970</u>	<u>\$ (6,025)</u>	<u>\$ 15,945</u>

Amortization expense was \$1.2 million and \$0.6 million for three months ended June 30, 2015 and 2014, and \$1.8 million and \$1.3 million for the six months ended June 30, 2015 and 2014, respectively.

Our remaining intangibles amortization expense for the next five years is presented below:

<i>Dollars in thousands</i>	Expected future intangible amortization expense
2015	\$ 2,408
2016	3,549
2017	2,860
2018	2,306
2019	2,306
Beyond 2019	2,516

Note 4 - Earnings per share (EPS)

Three Months Ended June 30, 2015			
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	\$ (14,029,000)	122,481,425	\$ (0.11)
Effect of dilutive securities:			
Restricted stock units	—	—	—
Diluted EPS	\$ (14,029,000)	122,481,425	\$ (0.11)
Six Months Ended June 30, 2015			
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	\$ (10,807,000)	122,175,511	\$ (0.09)
Effect of dilutive securities:			
Restricted stock units	—	—	—
Diluted EPS	\$ (10,807,000)	122,175,511	\$ (0.09)
Three Months Ended June 30, 2014			
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	\$ 15,681,000	121,078,359	\$ 0.13
Effect of dilutive securities:			
Restricted stock units	—	1,685,888	—
Diluted EPS	\$ 15,681,000	122,764,247	\$ 0.13
Six Months Ended June 30, 2014			
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	\$ 3,132,000	120,726,004	\$ 0.03
Effect of dilutive securities:			
Restricted stock units	—	1,860,052	—
Diluted EPS	\$ 3,132,000	122,586,056	\$ 0.03

For the three and six months ended June 30, 2015, all common shares potentially issuable in connection with outstanding restricted stock unit awards have been excluded from the calculation of diluted EPS as the company incurred a loss during the three and six month periods, and therefore, inclusion of such potential common shares in the calculation would be anti-dilutive.

For the three and six months ended June 30, 2014, weighted-average shares outstanding used in our computation of diluted EPS includes the dilutive effect of common shares potentially issuable in connection with outstanding restricted stock unit awards.

Note 5 - Accumulated Other Comprehensive Income

Accumulated other comprehensive income consisted of the following:

<u>Dollars in thousands</u>	Foreign Currency Items
December 31, 2014	\$ (498)
Current period other comprehensive income (loss)	13
June 30, 2015	\$ (485)

No amounts were reclassified out of accumulated other comprehensive income for the three and six months ended June 30, 2015.

Note 6 - Reportable Segments

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. Effective with the first quarter of 2015, we aligned our reportable segments with our two core business lines and our current internal organizational structure. We report our Rental Tools Services business as one reportable segment (Rental Tools) and report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We eliminate inter-segment revenue and expenses.

The following table represents the results of operations by reportable segment:

<i>Dollars in thousands</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues: ⁽¹⁾				
U.S. (Lower 48) Drilling	\$ 6,848	\$ 46,085	\$ 20,945	\$ 81,872
International & Alaska Drilling	114,969	120,980	228,890	233,910
Rental Tools	64,124	87,169	140,182	167,677
Total revenues	185,941	254,234	390,017	483,459
Operating gross margin: ⁽²⁾				
U.S. (Lower 48) Drilling	(7,552)	17,808	(13,274)	26,548
International & Alaska Drilling	6,844	7,913	24,208	14,689
Rental Tools	4,729	17,764	17,354	31,111
Total operating gross margin	4,021	43,485	28,288	72,348
General and administrative expense	(9,511)	(7,007)	(20,348)	(15,971)
Provision for reduction in carrying value of certain assets	(2,316)	—	(2,316)	—
Gain (loss) on disposition of assets, net	(138)	1,019	2,303	890
Total operating income	(7,944)	37,497	7,927	57,267
Interest expense	(11,396)	(10,599)	(22,474)	(22,638)
Interest income	19	88	202	120
Loss on extinguishment of debt	—	(479)	—	(30,152)
Other income (loss)	(1,529)	1,032	(2,909)	1,927
Income (loss) from continuing operations before income taxes	\$ (20,850)	\$ 27,539	\$ (17,254)	\$ 6,524

(1) For the six months ended June 30, 2015, our largest customer, Exxon Neftegas Limited (ENL), constituted approximately 26.0 percent of our total consolidated revenues and approximately 44.3 percent of our International & Alaska Drilling segment revenues. For the six months ended June 30, 2014, our largest customer, ENL, constituted approximately 17.9 percent of our total consolidated revenues and approximately 37.1 percent of our International & Alaska Drilling segment revenues.

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

Note 7 - Accounting for Uncertainty in Income Taxes

We apply the accounting guidance related to accounting for uncertainty in income taxes. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. At June 30, 2015, we had a liability for unrecognized tax benefits of \$8.2 million (which includes \$3.6 million of benefits which would favorably impact our effective tax rate upon recognition), primarily related to foreign operations. At June 30, 2014, we had a liability for unrecognized tax benefits of \$10.4 million (\$5.8 million of which, if recognized, would favorably impact our effective tax rate). In addition, we recognize interest and penalties that could be applied to uncertain tax positions in periodic income tax expense. As of June 30, 2015 and December 31, 2014, we had approximately \$3.6 million and \$3.3 million, respectively, of accrued interest and penalties related to uncertain tax positions. Management believes the Company is properly reserved with respect to accounting for uncertainty in income taxes.

Note 8 - Income Tax Benefit/Expense

During the second quarter of 2015 we had an income tax benefit of \$6.9 million compared to an expense of \$11.7 million for the second quarter of 2014. The current period income tax benefit is primarily due to a pre-tax loss in the second quarter of 2015 compared with pre-tax earnings for the second quarter of 2014.

Note 9 - Long-Term Debt

The following table illustrates our debt portfolio as of June 30, 2015 and December 31, 2014:

<i>Dollars in thousands</i>	June 30, 2015	December 31, 2014
6.75% Senior Notes, due July 2022	\$ 360,000	\$ 360,000
7.50% Senior Notes, due August 2020	225,000	225,000
Term Note, due December 2017	—	30,000
Total debt	585,000	615,000
Less current portion ⁽¹⁾	—	10,000
Total long-term debt	\$ 585,000	\$ 605,000

(1) Current portion of the Term Loan.

6.75% Senior Notes, due July 2022

On January 22, 2014, we issued \$360.0 million aggregate principal amount of 6.75% Senior Notes due 2022 (6.75% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 6.75% Notes offering plus a \$40.0 million Term Loan draw under the Amended and Restated Senior Secured Credit Agreement (2012 Secured Credit Agreement) and cash on hand were utilized to purchase \$416.2 million aggregate principal amount of our outstanding 9.125% Senior Notes due 2018 (9.125% Notes) pursuant to a tender and consent solicitation offer commenced on January 7, 2014. See further discussion of the tender and consent solicitation offer below entitled "9.125% Senior Notes, due April 2018".

The 6.75% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 6.75% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the Second Amended and Restated Senior Secured Credit Agreement (2015 Secured Credit Agreement) and our 7.50% Senior Notes due 2020 (7.50% Notes, and collectively with the 6.75% Notes, the Senior Notes). Interest on the 6.75% Notes is payable on January 15 and July 15 of each year, beginning July 15, 2014. Debt issuance costs related to the 6.75% Notes of approximately \$7.6 million (\$6.6 million net of amortization as of June 30, 2015) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to January 15, 2017, we may redeem up to 35 percent of the aggregate principal amount of the 6.75% Notes at a redemption price of 106.75 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after January 15, 2018, we may redeem all or a part of the 6.75% Notes upon appropriate notice, at a redemption price of 103.375 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning January 15, 2020. If we experience certain changes in control, we must offer to

repurchase the 6.75% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness, (v) create or incur liens, (vi) enter into sale and leaseback transactions, (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

7.50% Senior Notes, due August 2020

On July 30, 2013, we issued \$225.0 million aggregate principal amount of the 7.50% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 7.50% Notes offering were primarily used to repay the \$125.0 million aggregate principal amount of a term loan used to initially finance the ITS Acquisition, to repay \$45.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement and for general corporate purposes.

The 7.50% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the 2015 Secured Credit Agreement and the 6.75% Notes. Interest on the 7.50% Notes is payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes of approximately \$5.6 million (\$4.3 million, net of amortization as of June 30, 2015) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to August 1, 2016, we may redeem up to 35 percent of the aggregate principal amount of the 7.50% Notes at a redemption price of 107.50 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after August 1, 2016, we may redeem all or a part of the 7.50% Notes upon appropriate notice, at a redemption price of 103.750 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning August 1, 2018. If we experience certain changes in control, we must offer to repurchase the 7.50% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness, (v) create or incur liens, (vi) enter into sale and leaseback transactions, (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued \$300.0 million aggregate principal amount of the 9.125% Notes and on April 25, 2012, we issued an additional \$125.0 million aggregate principal amount of 9.125% Notes.

On January 7, 2014, we commenced a tender and consent solicitation with respect to the 9.125% Notes. The tender offer price was \$1,061.98, inclusive of a \$30.00 consent payment for each \$1,000 principal amount of 9.125% Notes, plus accrued and unpaid interest. On January 22, 2014, we paid \$453.7 million for the tendered 9.125% Notes, comprised of \$416.2 million of aggregate principal amount of the 9.125% Notes, \$25.8 million of tender and consent premiums and \$11.7 million of accrued interest. On April 1, 2014, we redeemed the remaining \$8.8 million aggregate principal amount of the outstanding 9.125% Notes for a purchase price of \$9.6 million, inclusive of a \$0.4 million call premium and \$0.4 million interest. During the year ended December 31, 2014, we recorded a loss on extinguishment of debt of approximately \$30.2 million, which included the tender and consent premiums of \$25.8 million, the call premium of \$0.4 million and the write-off of unamortized debt issuance costs of \$7.7 million, offset by the write-off of the remaining unamortized debt issuance premium of \$3.8 million.

2015 Secured Credit Agreement

On January 26, 2015 we entered into the 2015 Secured Credit Agreement, which amended and restated the 2012 Secured Credit Agreement. The 2015 Secured Credit Agreement is comprised of a \$200.0 million revolving credit facility (2015 Revolver) and matures on January 26, 2020. At the closing of the 2015 Secured Credit Agreement, we repaid the outstanding \$30.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement with a \$30.0 million draw under the 2015 Revolver. We incurred debt issuance costs related to the 2015 Secured Credit Agreement of approximately \$1.4 million and had approximately \$0.8 million of remaining debt issuance costs for the 2012 Secured Credit agreement. The total debt issuance costs of \$2.2 million (\$2.0 million, net of amortization as of June 30, 2015) are being amortized over the term of the 2015 Secured Credit Agreement on a straight line basis. On June 1, 2015, we executed the first amendment to the 2015 Secured Credit Agreement in order to amend certain provisions of the 2015 Secured Credit Agreement regarding the definition of "Change of Control".

Our obligations under the 2015 Secured Credit Agreement are guaranteed by substantially all of our direct and indirect domestic subsidiaries, other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which has executed guaranty agreements, and are secured by first priority liens on our accounts receivable, specified rigs including barge rigs in the GOM and land rigs in Alaska, and rental equipment of the Company and its subsidiary guarantors. The 2015 Secured Credit Agreement contains customary affirmative and negative covenants, such as limitations on indebtedness, liens, restrictions on entry into certain affiliate transactions and payments (including payment of dividends) and maintenance of certain ratios and coverage tests (including a minimum asset coverage ratio of 1.25:1.00 at each quarter end). We were in compliance with all such covenants as of June 30, 2015.

Our 2015 Revolver is available for general corporate purposes and to support letters of credit. Interest on 2015 Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. The Applicable Rate ranges from 2.50 percent to 3.00 percent per annum for LIBOR rate loans and from 1.50 percent to 2.00 percent per annum for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the 2015 Secured Credit Agreement). Revolving loans are available subject to a quarterly Asset Coverage Ratio calculation based on the Orderly Liquidation Value of certain specified rigs including barge rigs in the GOM and land rigs in Alaska, and rental equipment of the Company and its subsidiary guarantors and a percentage of eligible domestic accounts receivable. The \$30.0 million draw at the closing of the 2015 Secured Credit Agreement was repaid in full during the first quarter of 2015 with cash on-hand. Letters of credit outstanding against the 2015 Revolver as of June 30, 2015 totaled \$12.8 million.

2012 Secured Credit Agreement

The 2012 Secured Credit Agreement consisted of an \$80.0 million revolving credit facility (2012 Revolver) and a \$50.0 million term loan (Term Loan). Our obligations under the 2012 Secured Credit Agreement were guaranteed by substantially all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which had executed guaranty agreements, and were secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The 2012 Secured Credit Agreement contained customary affirmative and negative covenants and would have matured on December 14, 2017.

2012 Revolver

Our 2012 Revolver was available for general corporate purposes and to support letters of credit. Interest on 2012 Revolver loans accrued at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the 2012 Secured Credit Agreement, the Applicable Rate ranged from 2.50 percent to 3.00 percent per annum for LIBOR rate loans and from 1.50 percent to 2.00 percent per annum for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the 2012 Secured Credit Agreement). Revolving loans were available subject to a borrowing base calculation based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at December 31, 2014. Letters of credit outstanding against the 2012 Revolver as of December 31, 2014 totaled \$11.0 million.

Term Loan

The Term Loan originated at \$50.0 million on December 14, 2012 and required quarterly principal payments of \$2.5 million, which began March 31, 2013. Interest on the Term Loan accrued at a Base Rate plus 2.00 percent or LIBOR plus 3.00 percent. In July 2013, we repaid the outstanding balance of \$45.0 million of the Term Loan and amended the 2012 Secured Credit Agreement to permit re-borrowing of up to \$45.0 million of the Term Loan, decreasing by \$2.5 million at the end of each quarter beginning September 30, 2013 and ending March 31, 2014. In January 2014 we re-borrowed \$40.0 million of the Term Loan. The outstanding balance on the Term Loan at December 31, 2014 was \$30.0 million. At the closing of the 2015 Secured Credit Agreement, we repaid the Term Loan with a \$30.0 million draw under the 2015 Revolver.

Note 10 - Fair Value of Financial Instruments

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

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

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

When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the entire measurement even though we may also have utilized significant inputs that are more readily observable. The amounts reported in our consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value.

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

<i>Dollars in thousands</i>	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt				
6.75% Notes	\$ 360,000	\$ 310,500	\$ 360,000	\$ 270,000
7.50% Notes	225,000	205,875	225,000	180,000
Total	\$ 585,000	\$ 516,375	\$ 585,000	\$ 450,000

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the six months ended June 30, 2015.

Note 11 - Commitments and Contingencies

We are a party to various lawsuits and claims arising out of the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount or range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ significantly from our estimates. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

Customs Agent and Foreign Corrupt Practices Act (FCPA) Settlement

On April 16, 2013, the Company and the Department of Justice (DOJ) entered into a deferred prosecution agreement (DPA), under which the DOJ will defer for three years prosecuting the Company for criminal violations of the anti-bribery provisions of the FCPA relating to the Company's retention and use of an individual agent in Nigeria with respect to certain customs-related issues, in return for: (i) the Company's acceptance of responsibility for, and agreement not to contest or contradict the truthfulness of, the statement of facts and allegations that have been filed in a United States District Court concurrently with the DPA; (ii) the Company's payment of an approximately \$11.76 million fine; (iii) the Company's reaffirming its commitment to compliance with the FCPA and other applicable anti-corruption laws in connection with the Company's operations, and continuing cooperation with domestic and foreign authorities in connection with the matters that are the subject of the DPA; (iv) the Company's commitment

to continue to address any identified areas for improvement in the Company's internal controls, policies and procedures relating to compliance with the FCPA and other applicable anti-corruption laws if, and to the extent, not already addressed; and (v) the Company's agreement to report to the DOJ in writing annually during the term of the DPA regarding remediation of the matters that are the subject of the DPA, implementation of any enhanced internal controls, and any evidence of improper payments the Company may have discovered during the term of the agreement. If the Company remains in compliance with the terms of the DPA throughout its effective period, the charge against the Company will be dismissed with prejudice. The Company also settled a related civil complaint filed by the Securities and Exchange Commission (SEC) in a United States District Court. The Company has provided the DOJ annual written reports in connection with the DPA.

Note 12 - Recent Accounting Pronouncements

On June 12, 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-10, Technical Corrections and Improvements, which contains amendments that will affect a wide variety of topics in the Codification. The amendments in this Update will apply to all reporting entities within the scope of the affected accounting guidance. Transition guidance varies based on the amendments in the Update. The amendments in the Update that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments will be effective upon the issuance of this Update. We plan to adopt the standard and are in the process of assessing the impact of the adoption of ASU 2015-10 on our financial position, results of operations and cash flows.

On April 7, 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. Early adoption is permitted. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. We plan to adopt the standard on a retrospective basis effective January 1, 2016 and expect that it will result in the netting of our deferred financing costs against long-term debt balances on the consolidated balance sheets for the periods presented. There will be no impact to the manner in which deferred financing costs are amortized in our consolidated financial statements.

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605 - Revenue Recognition and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. ASU 2014-09 was initially scheduled to be effective for the first quarter of 2017, however, on April 1, 2015, the FASB proposed to defer the effective date by one year and the proposal was accepted during the second quarter of 2015. ASU 2014-09 is now scheduled to be effective for entities beginning after December 15, 2017. We are in the process of assessing the impact of the adoption of ASU 2014-09 on our financial position, results of operations and cash flows. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Note 13 - Parent, Guarantor, Non-Guarantor Unaudited Consolidating Condensed Financial Statements

Set forth on the following pages are the consolidating condensed financial statements of Parker Drilling. The 2015 Secured Credit Agreement and Senior Notes are fully and unconditionally guaranteed by substantially all of our direct and indirect domestic subsidiaries, other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, subject to the following customary release provisions:

- in connection with any sale or other disposition of all or substantially all of the assets of that guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) a subsidiary of the Company;
- in connection with any sale of such amount of capital stock as would result in such guarantor no longer being a subsidiary to a person that is not (either before or after giving effect to such transaction) a subsidiary of the Company;
- if the Company designates any restricted subsidiary that is a guarantor as an unrestricted subsidiary;
- if the guarantee by a guarantor of all other indebtedness of the Company or any other guarantor is released, terminated or discharged, except by, or as a result of, payment under such guarantee; or
- upon legal defeasance or covenant defeasance (satisfaction and discharge of the indenture).

There are currently no restrictions on the ability of the restricted subsidiaries to transfer funds to Parker Drilling in the form of cash dividends, loans or advances. Parker Drilling is a holding company with no operations, other than through its subsidiaries. Separate financial statements for each guarantor company are not provided as the Company complies with the exception to Rule 3-10(a)(1) of Regulation S-X, set forth in sub-paragraph (f) of such rule. All guarantor subsidiaries are owned 100 percent by the parent company.

We are providing unaudited consolidating condensed financial information of the parent, Parker Drilling, the guarantor subsidiaries, and the non-guarantor subsidiaries as of June 30, 2015 and December 31, 2014 and for three and six months ended June 30, 2015 and 2014, respectively. The consolidating condensed financial statements present investments in both consolidated and unconsolidated subsidiaries using the equity method of accounting.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

	June 30, 2015				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 42,153	\$ 20,496	\$ 54,294	\$ —	\$ 116,943
Accounts and notes receivable, net	(33)	73,014	162,853	—	235,834
Rig materials and supplies	—	(2,715)	46,989	—	44,274
Deferred costs	—	—	7,281	—	7,281
Deferred income taxes	—	4,748	1,070	—	5,818
Other tax assets	5,085	(4,065)	11,806	—	12,826
Other current assets	—	8,825	12,137	—	20,962
Total current assets	47,205	100,303	296,430	—	443,938
Property, plant and equipment, net	(19)	575,087	290,223	—	865,291
Goodwill	—	6,708	—	—	6,708
Intangible assets, net	—	12,893	3,052	—	15,945
Investment in subsidiaries and intercompany advances	3,109,359	2,630,665	2,994,328	(8,734,352)	—
Other noncurrent assets	(327,236)	425,106	258,565	(166,639)	189,796
Total assets	<u>\$ 2,829,309</u>	<u>\$ 3,750,762</u>	<u>\$ 3,842,598</u>	<u>\$ (8,900,991)</u>	<u>\$ 1,521,678</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts payable and accrued liabilities	77,632	92,994	308,926	(303,305)	176,247
Accrued income taxes	(3,322)	11,659	4,257	—	12,594
Total current liabilities	74,310	104,653	313,183	(303,305)	188,841
Long-term debt	585,000	—	—	—	585,000
Other long-term liabilities	2,867	6,893	9,424	—	19,184
Long-term deferred tax liability	—	71,957	(2,164)	—	69,793
Intercompany payables	1,512,881	1,392,937	1,562,481	(4,468,299)	—
Total liabilities	2,175,058	1,576,440	1,882,924	(4,771,604)	862,818
Total equity	654,251	2,174,322	1,959,674	(4,129,387)	658,860
Total liabilities and stockholders' equity	<u>\$ 2,829,309</u>	<u>\$ 3,750,762</u>	<u>\$ 3,842,598</u>	<u>\$ (8,900,991)</u>	<u>\$ 1,521,678</u>

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

December 31, 2014

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 36,728	\$ 13,546	\$ 58,182	\$ —	\$ 108,456
Accounts and notes receivable, net	(33)	96,100	174,885	—	270,952
Rig materials and supplies	—	(1,473)	49,416	—	47,943
Deferred costs	—	—	5,673	—	5,673
Deferred income taxes	—	6,131	1,345	—	7,476
Other tax assets	19,885	(18,273)	9,111	—	10,723
Other current assets	—	7,999	10,557	—	18,556
Total current assets	56,580	104,030	309,169	—	469,779
Property, plant and equipment, net	(19)	589,055	306,904	—	895,940
Intangible assets, net	—	—	4,286	—	4,286
Investment in subsidiaries and intercompany advances	3,060,867	2,441,527	2,464,502	(7,966,896)	—
Other noncurrent assets	(440,918)	490,597	268,537	(167,562)	150,654
Total assets	\$ 2,676,510	\$ 3,625,209	\$ 3,353,398	\$ (8,134,458)	\$ 1,520,659
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 10,000	\$ —	\$ —	\$ —	\$ 10,000
Accounts payable and accrued liabilities	77,603	71,645	309,344	(304,113)	154,479
Accrued income taxes	(4,061)	10,109	8,138	—	14,186
Total current liabilities	83,542	81,754	317,482	(304,113)	178,665
Long-term debt	605,000	—	—	—	605,000
Other long-term liabilities	2,867	7,135	8,663	—	18,665
Long-term deferred tax liability	—	56,105	(3,990)	—	52,115
Intercompany payables	1,322,172	1,311,405	1,204,768	(3,838,345)	—
Total liabilities	2,013,581	1,456,399	1,526,923	(4,142,458)	854,445
Total equity	662,929	2,168,810	1,826,475	(3,992,000)	666,214
Total liabilities and stockholders' equity	\$ 2,676,510	\$ 3,625,209	\$ 3,353,398	\$ (8,134,458)	\$ 1,520,659

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

Three months ended June 30, 2015

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	—	63,276	162,703	(40,038)	185,941
Operating expenses	—	35,627	147,980	(40,038)	143,569
Depreciation and amortization	—	23,958	14,393	—	38,351
Total operating gross margin	—	3,691	330	—	4,021
General and administration expense ⁽¹⁾	(891)	(12,924)	4,304	—	(9,511)
Provision for reduction in carrying value of certain assets	—	—	(2,316)	—	(2,316)
(Loss) on disposition of assets, net	—	(6)	(132)	—	(138)
Total operating income (loss)	(891)	(9,239)	2,186	—	(7,944)
Other income and (expense):					
Interest expense	(11,066)	(323)	(3,010)	3,003	(11,396)
Interest income	165	3	2,854	(3,003)	19
Other	—	11	(1,540)	—	(1,529)
Equity in net earnings of subsidiaries	(8,392)	—	—	8,392	—
Total other income (expense)	(19,293)	(309)	(1,696)	8,392	(12,906)
Income (loss) before income taxes	(20,184)	(9,548)	490	8,392	(20,850)
Total income tax expense (benefit)	(6,155)	(2,361)	1,600	—	(6,916)
Net income (loss)	(14,029)	(7,187)	(1,110)	8,392	(13,934)
Less: Net income attributable to noncontrolling interest	—	—	95	—	95
Net income (loss) attributable to controlling interest	\$ (14,029)	\$ (7,187)	\$ (1,205)	\$ 8,392	\$ (14,029)

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

Three Months Ended June 30, 2014

	Parent	Guarantor	Non- Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 143,171	\$ 155,832	\$ (44,769)	\$ 254,234
Operating expenses	—	80,929	138,409	(44,769)	174,569
Depreciation and amortization	—	21,008	15,172	—	36,180
Total operating gross margin	—	41,234	2,251	—	43,485
General and administration expense ⁽¹⁾	(234)	(6,355)	(418)	—	(7,007)
Gain (loss) on disposition of assets, net	—	512	507	—	1,019
Total operating income (loss)	(234)	35,391	2,340	—	37,497
Other income and (expense):					
Interest expense	(11,299)	(35)	(1,913)	2,648	(10,599)
Interest income	96	201	2,439	(2,648)	88
Loss on extinguishment of debt	(479)	—	—	—	(479)
Other	—	57	975	—	1,032
Equity in net earnings of subsidiaries	20,659	—	—	(20,659)	—
Total other income (expense)	8,977	223	1,501	(20,659)	(9,958)
Income (loss) before income taxes	8,743	35,614	3,841	(20,659)	27,539
Income tax expense (benefit)	(6,938)	13,466	5,174	—	11,702
Net income (loss)	15,681	22,148	(1,333)	(20,659)	15,837
Less: Net income attributable to noncontrolling interest	—	—	156	—	156
Net income (loss) attributable to controlling interest	\$ 15,681	\$ 22,148	\$ (1,489)	\$ (20,659)	\$ 15,681

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

Six Months Ended June 30, 2015

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 142,672	\$ 313,633	\$ (66,288)	\$ 390,017
Operating expenses	—	79,772	269,355	(66,288)	282,839
Depreciation and amortization	—	47,268	31,622	—	78,890
Total operating gross margin	—	15,632	12,656	—	28,288
General and administration expense ⁽¹⁾	(1,004)	(23,039)	3,695	—	(20,348)
Provision for reduction in carrying value of certain assets	—	—	(2,316)	—	(2,316)
Gain on disposition of assets, net	—	45	2,258	—	2,303
Total operating income (loss)	(1,004)	(7,362)	16,293	—	7,927
Other income and (expense):					
Interest expense	(22,125)	(340)	(3,338)	3,329	(22,474)
Interest income	583	5	2,943	(3,329)	202
Other	—	20	(2,929)	—	(2,909)
Equity in net earnings of subsidiaries	597	—	—	(597)	—
Total other income (expense)	(20,945)	(315)	(3,324)	(597)	(25,181)
Income (benefit) before income taxes	(21,949)	(7,677)	12,969	(597)	(17,254)
Total income tax expense (benefit)	(11,142)	(2,809)	6,853	—	(7,098)
Net income (loss)	(10,807)	(4,868)	6,116	(597)	(10,156)
Less: Net income attributable to noncontrolling interest	—	—	651	—	651
Net income (loss) attributable to controlling interest	\$ (10,807)	\$ (4,868)	\$ 5,465	\$ (597)	\$ (10,807)

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

Six Months Ended June 30, 2014

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 266,602	\$ 304,964	\$ (88,107)	\$ 483,459
Operating expenses	—	157,477	271,224	(88,107)	340,594
Depreciation and amortization	—	41,175	29,342	—	70,517
Total operating gross margin	—	67,950	4,398	—	72,348
General and administration expense ⁽¹⁾	(304)	(14,819)	(848)	—	(15,971)
Gain (loss) on disposition of assets, net	(80)	432	538	—	890
Total operating income (loss)	(384)	53,563	4,088	—	57,267
Other income and (expense):					
Interest expense	(24,014)	(85)	(4,412)	5,873	(22,638)
Interest income	535	378	5,080	(5,873)	120
Extinguishment of debt	(30,152)	—	—	—	(30,152)
Other	—	184	1,743	—	1,927
Equity in net earnings of subsidiaries	31,149	—	—	(31,149)	—
Total other income (expense)	(22,482)	477	2,411	(31,149)	(50,743)
Income (loss) before income taxes	(22,866)	54,040	6,499	(31,149)	6,524
Total income tax expense (benefit)	(25,998)	19,849	9,228	—	3,079
Net income (loss)	3,132	34,191	(2,729)	(31,149)	3,445
Less: Net income attributable to noncontrolling interest	—	—	313	—	313
Net income (loss) attributable to controlling interest	\$ 3,132	\$ 34,191	\$ (3,042)	\$ (31,149)	\$ 3,132

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

Three Months Ended June 30, 2015

	<u>Parent</u>	<u>Guarantor</u>	<u>Non-Guarantor</u>	<u>Eliminations</u>	<u>Consolidated</u>
Comprehensive income:					
Net income (loss)	\$ (14,029)	\$ (7,187)	\$ (1,110)	\$ 8,392	\$ (13,934)
Other comprehensive income (loss), net of tax:					
Currency translation difference on related borrowings	—	—	647	—	647
Currency translation difference on foreign currency net investments	—	—	1,723	—	1,723
Total other comprehensive income (loss), net of tax:	—	—	2,370	—	2,370
Comprehensive income (loss)	(14,029)	(7,187)	1,260	8,392	(11,564)
Comprehensive (income) attributable to noncontrolling interest	—	—	(95)	—	(95)
Comprehensive income (loss) attributable to controlling interest	\$ (14,029)	\$ (7,187)	\$ 1,165	\$ 8,392	\$ (11,659)

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

Three Months Ended June 30, 2014

	<u>Parent</u>	<u>Guarantor</u>	<u>Non-Guarantor</u>	<u>Eliminations</u>	<u>Consolidated</u>
Comprehensive income:					
Net income (loss)	\$ 15,681	\$ 22,148	\$ (1,333)	\$ (20,659)	\$ 15,837
Other comprehensive income (loss), net of tax:					
Currency translation difference on related borrowings	—	—	336	—	336
Currency translation difference on foreign currency net investments	—	—	(188)	—	(188)
Total other comprehensive income (loss), net of tax:	—	—	148	—	148
Comprehensive income (loss)	15,681	22,148	(1,185)	(20,659)	15,985
Comprehensive (income) attributable to noncontrolling interest	—	—	(80)	—	(80)
Comprehensive income (loss) attributable to controlling interest	\$ 15,681	\$ 22,148	\$ (1,265)	\$ (20,659)	\$ 15,905

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

Six Months Ended June 30, 2015

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Comprehensive income:					
Net income (loss)	\$ (10,807)	\$ (4,868)	\$ 6,116	\$ (597)	\$ (10,156)
Other comprehensive income (loss), net of tax:					
Currency translation difference on related borrowings	—	—	(1,023)	—	(1,023)
Currency translation difference on foreign currency net investments	—	—	874	—	874
Total other comprehensive income (loss), net of tax:	—	—	(149)	—	(149)
Comprehensive income (loss)	(10,807)	(4,868)	5,967	(597)	(10,305)
Comprehensive (income) attributable to noncontrolling interest	—	—	(489)	—	(489)
Comprehensive income (loss) attributable to controlling interest	\$ (10,807)	\$ (4,868)	\$ 5,478	\$ (597)	\$ (10,794)

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

Six Months Ended June 30, 2014

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Comprehensive income:					
Net income (loss)	\$ 3,132	\$ 34,191	\$ (2,729)	\$ (31,149)	\$ 3,445
Other comprehensive income (loss), net of tax:					
Currency translation difference on related borrowings	—	—	(468)	—	(468)
Currency translation difference on foreign currency net investments	—	—	511	—	511
Total other comprehensive income (loss), net of tax:	—	—	43	—	43
Comprehensive income (loss)	3,132	34,191	(2,686)	(31,149)	3,488
Comprehensive (income) attributable to noncontrolling interest	—	—	(234)	—	(234)
Comprehensive income (loss) attributable to controlling interest	\$ 3,132	\$ 34,191	\$ (2,920)	\$ (31,149)	\$ 3,254

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six Months Ended June 30, 2015				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (10,807)	\$ (4,868)	\$ 6,116	\$ (597)	\$ (10,156)
Adjustments to reconcile net income (loss):					
Depreciation and amortization	—	47,268	31,622	—	78,890
Accretion of contingent consideration	—	—	306	—	306
Provision for reduction in carrying value of certain assets	—	—	2,316	—	2,316
Gain on disposition of assets	—	(45)	(2,258)	—	(2,303)
Deferred income tax expense	(22,414)	6,574	(1,286)	—	(17,126)
Expenses not requiring cash	4,039	441	828	—	5,308
Equity in net earnings of subsidiaries	(597)	—	—	597	—
Change in assets and liabilities:					
Accounts and notes receivable	—	27,778	11,905	—	39,683
Other assets	(77,427)	59,964	10,111	—	(7,352)
Accounts payable and accrued liabilities	29	14,890	(156)	—	14,763
Accrued income taxes	2,146	229	(3,611)	—	(1,236)
Net cash provided by (used in) operating activities	<u>(105,031)</u>	<u>152,231</u>	<u>55,893</u>	<u>—</u>	<u>103,093</u>
Cash flows from investing activities:					
Capital expenditures	—	(37,794)	(16,811)	—	(54,605)
Proceeds from the sale of assets	—	82	206	—	288
Proceeds from insurance settlements	—	—	2,500	—	2,500
Acquisition, net of cash acquired	—	(10,431)	—	—	(10,431)
Net cash (used in) investing activities	<u>—</u>	<u>(48,143)</u>	<u>(14,105)</u>	<u>—</u>	<u>(62,248)</u>
Cash flows from financing activities:					
Repayments of long-term debt	(30,000)	—	—	—	(30,000)
Payment of debt issuance costs	(1,359)	—	—	—	(1,359)
Excess tax benefit from stock-based compensation	(999)	—	—	—	(999)
Intercompany advances, net	142,814	(97,138)	(45,676)	—	—
Net cash provided by (used in) financing activities	<u>110,456</u>	<u>(97,138)</u>	<u>(45,676)</u>	<u>—</u>	<u>(32,358)</u>
Net change in cash and cash equivalents	5,425	6,950	(3,888)	—	8,487
Cash and cash equivalents at beginning of year	36,728	13,546	58,182	—	108,456
Cash and cash equivalents at end of year	<u>\$ 42,153</u>	<u>\$ 20,496</u>	<u>\$ 54,294</u>	<u>\$ —</u>	<u>\$ 116,943</u>

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

Six Months Ended June 30, 2014

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ 3,132	\$ 34,191	\$ (2,729)	\$ (31,149)	\$ 3,445
Adjustments to reconcile net income (loss)					
Depreciation and amortization	—	41,175	29,342	—	70,517
Loss on extinguishment of debt	30,152	—	—	—	30,152
Gain on disposition of assets	80	(432)	(538)	—	(890)
Deferred income tax expense	(19,621)	8,917	2,346	—	(8,358)
Expenses not requiring cash	7,939	(997)	1,806	—	8,748
Equity in net earnings of subsidiaries	(31,149)	—	—	31,149	—
Change in assets and liabilities:					
Accounts and notes receivable	—	(6,132)	5,066	—	(1,066)
Other assets	37,589	(51,431)	13,065	—	(777)
Accounts payable and accrued liabilities	(19,629)	20,886	4,532	—	5,789
Accrued income taxes	(5,231)	9,481	(8,237)	—	(3,987)
Net cash provided by (used in) operating activities	3,262	55,658	44,653	—	103,573
Cash flows from investing activities:					
Capital expenditures	—	(79,374)	(26,814)	—	(106,188)
Proceeds from the sale of assets	—	1,008	2,338	—	3,346
Net cash (used in) investing activities	—	(78,366)	(24,476)	—	(102,842)
Cash flows from financing activities:					
Proceeds from debt issuance	400,000	—	—	—	400,000
Repayments of long-term debt	(430,000)	—	—	—	(430,000)
Payment of debt issuance costs	(7,425)	—	—	—	(7,425)
Payment of debt extinguishment costs	(26,214)	—	—	—	(26,214)
Excess tax benefit from stock-based compensation	665	—	—	—	665
Intercompany advances, net	(2,619)	21,836	(19,217)	—	—
Net cash provided by (used in) financing activities	(65,593)	21,836	(19,217)	—	(62,974)
Net change in cash and cash equivalents	(62,331)	(872)	960	—	(62,243)
Cash and cash equivalents at beginning of year	88,697	8,310	51,682	—	148,689
Cash and cash equivalents at end of year	\$ 26,366	\$ 7,438	\$ 52,642	\$ —	\$ 86,446

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

Management's discussion and analysis (MD&A) should be read in conjunction with Item 1. Financial Statements.

DISCLOSURE NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements contained in this Form 10-Q, other than statements of historical facts, are forward-looking statements for purposes of these provisions, including any statements regarding:

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

In some cases, you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “outlook,” “may,” “should,” “will” and “would” or similar words. Forward-looking statements are based on certain assumptions and analyses we make in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are relevant. Although we believe that our assumptions are reasonable based on information currently available, those assumptions are subject to significant risks and uncertainties, many of which are outside of our control. The following factors, as well as any other cautionary language included in this Form 10-Q, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements:

- fluctuations in the market prices of oil and natural gas, including the inability or unwillingness of our customers to fund drilling programs in low price cycles;
- worldwide economic and business conditions that adversely affect market conditions and/or the cost of doing business, including potential currency devaluations or collapses;
- our inability to access the credit markets and U.S. credit market volatility;

- the U.S. economy and the demand for oil and natural gas;

- low U.S. oil and natural gas prices that could adversely affect our U.S. drilling services, barge rig and U.S. rental tools services businesses;
- worldwide demand for oil;
- imposition of trade restrictions, including additional economic sanctions and export/re-export controls affecting our business operations in Russia;
- unanticipated operating hazards and uninsured risks;
- political instability, terrorism or war;
- governmental regulations, including changes in accounting rules or tax laws that adversely affect the cost of doing business or our ability to remit funds to the U.S.;
- changes in the tax laws that would allow double taxation on foreign sourced income;
- the outcome of investigations into possible violations of laws;
- adverse environmental events;
- adverse weather conditions;
- global health concerns;
- changes in the concentration of customer and supplier relationships;
- ability of our customers and suppliers to obtain financing for their operations;
- unexpected cost increases for new construction and upgrade and refurbishment projects;
- delays in obtaining components for capital projects and in ongoing operational maintenance and equipment certifications;
- shortages of skilled labor;
- unanticipated cancellation of contracts by customers or operators;
- breakdown of equipment;
- other operational challenges including our ability to effectively reactivate stacked rigs and delays in start-up or commissioning of rigs;
- inability to obtain, or delays in obtaining, licenses and permits necessary to operate, move or transport our rigs, rig components, rental tools and related equipment;
- inability to access or restrictions on access to our rigs, field locations and other facilities;
- changes in competition;
- any failure to realize expected benefits from acquisitions;
- the effect of litigation and contingencies; and
- other similar factors, some of which are discussed in documents referred to or incorporated by reference into this Form 10-Q and our other reports and filings with the SEC.

Each forward-looking statement speaks only as of the date of this Form 10-Q, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this Form 10-Q could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Overview and Outlook

Executive Overview

Since the second quarter of 2014, we have experienced significant declines in our U.S. markets for rental tools and barge drilling services following the sharp drop in oil prices in late 2014. As a result, in our Rental Tools segment, our U.S. tubular goods utilization index declined to 51.7 for the 2015 second quarter, from 91.2 for the 2014 second quarter; and in our U.S. (Lower 48) Drilling segment, our barge rig fleet utilization declined to 14 percent for the 2015 second quarter, from 90 percent for the 2014 second quarter.

While we reported lower rig fleet utilization in our International & Alaska Drilling segment, compared with the prior year's second quarter, we benefited from growth in our international O&M (operations and maintenance) and project services, including the addition of a two-rig extended reach drilling project and a procurement and project management services contract.

Cost reductions throughout the business tempered the impact of the reduced rental tools and drilling activity.

Executive Outlook

We believe overall energy market conditions will remain at low levels for the remainder of the year, which will impact demand for our products and services. We expect our Rental Tools Services business to continue to be impacted by the severe downturn in U.S. land and shallow water offshore drilling markets, with lower utilization and continued price pressure. Rental tools activity in international markets is expected to be less impacted than the U.S. Despite the challenging market environment for pricing and demand, we expect gross margins for our international rental tools business to be better in 2015 as compared to 2014. Similarly, we expect our Drilling Services business will continue to be impacted by the sharp decline in U.S. drilling, due to continued low barge rig fleet utilization at current commodity prices. We expect this to be tempered by more resilient activity in our International & Alaska Drilling segment. While we have international rigs that have come off contract in recent months, resulting in lower utilization, we expect steady activity from international O&M services and our drilling operations in Alaska.

In response to market conditions, we are focused on lowering our cost base, sustaining our utilization, managing our cash and liquidity, and preserving our ability to respond when conditions improve. We are prepared to make further adjustments to our business to address changing market conditions and take advantage of opportunities as they occur.

Results of Operations

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. Effective with the first quarter of 2015, we aligned our reportable segments with our two core business lines and our current internal organizational structure. We report our Rental Tools Services business as one reportable segment (Rental Tools) and report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We eliminate inter-segment revenue and expenses.

We analyze financial results for each of our reportable segments. The reportable segments presented are consistent with our reportable segments discussed in Note 6 of our condensed consolidated financial statements.

We monitor our reporting segments based on several criteria, including operating gross margin and operating gross margin excluding depreciation and amortization. Operating gross margin excluding depreciation and amortization is computed as revenues less direct operating expenses, and excludes depreciation and amortization expense, where applicable. Operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin excluding depreciation and amortization amounts and percentages should not be used as a substitute for those amounts reported under U.S. GAAP. Management believes this information is useful to our investors as it more accurately reflects the cash flow from operations generated by each segment.

Three Months Ended June 30, 2015 Compared with Three Months Ended June 30, 2014

Revenues of \$185.9 million for the three months ended June 30, 2015 decreased \$68.3 million, or 26.9 percent, compared with \$254.2 million for the three months ended June 30, 2014. Operating gross margin decreased \$39.5 million, or 90.8 percent, to \$4.0 million, for the three months ended June 30, 2015 compared with \$43.5 million for the three months ended June 30, 2014.

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

<i>Dollars in Thousands</i>	Three Months Ended June 30,			
	2015		2014	
Revenues:				
Drilling Services:				
U.S. (Lower 48) Drilling	\$ 6,848	4%	\$ 46,085	18%
International & Alaska Drilling	114,969	62%	120,980	48%
Total Drilling Services	121,817	66%	167,065	66%
Rental Tools	64,124	34%	87,169	34%
Total revenues	185,941	100%	254,234	100%
Operating gross margin excluding depreciation and amortization:				
Drilling Services:				
U.S. (Lower 48) Drilling	(1,981)	n/a	22,822	50%
International & Alaska Drilling	22,640	20%	23,516	19%
Total Drilling Services	20,659	17%	46,338	28%
Rental Tools	21,713	34%	33,327	38%
Total operating gross margin excluding depreciation and amortization	42,372	23%	79,665	31%
Depreciation and amortization	(38,351)		(36,180)	
Total operating gross margin	4,021		43,485	
General and administrative expense	(9,511)		(7,007)	
Provision for Reduction in Carrying Value of Certain Assets	(2,316)		—	
Gain (loss) on disposition of assets, net	(138)		1,019	
Total operating income (loss)	\$ (7,944)		\$ 37,497	

Operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

<i>Dollars in Thousands</i>	U.S. (Lower 48) Drilling	International & Alaska Drilling	Rental Tools	Total
Three Months Ended June 30, 2015				
Operating gross margin ⁽¹⁾	\$ (7,552)	\$ 6,844	\$ 4,729	\$ 4,021
Depreciation and amortization	5,571	15,796	16,984	38,351
Operating gross margin excluding depreciation and amortization	\$ (1,981)	\$ 22,640	\$ 21,713	\$ 42,372
Three Months Ended June 30, 2014				
Operating gross margin ⁽¹⁾	\$ 17,808	\$ 7,913	\$ 17,764	\$ 43,485
Depreciation and amortization	5,014	15,603	15,563	36,180
Operating gross margin excluding depreciation and amortization	\$ 22,822	\$ 23,516	\$ 33,327	\$ 79,665

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

The following table presents our average utilization rates and rigs available for service for the three months ended June 30, 2015 and 2014.

	Three Months Ended June 30,	
	2015	2014
U.S. (Lower 48) Drilling		
Rigs available for service ⁽¹⁾	13.0	11.5
Utilization rate of rigs available for service ⁽²⁾	14%	90%
International & Alaska Drilling		
Eastern Hemisphere		
Rigs available for service ⁽¹⁾	13.0	13.0
Utilization rate of rigs available for service ⁽²⁾	69%	76%
Latin America Region		
Rigs available for service ⁽¹⁾	9.0	9.0
Utilization rate of rigs available for service ⁽²⁾	41%	72%
Alaska		
Rigs available for service ⁽¹⁾	2.0	2.0
Utilization rate of rigs available for service ⁽²⁾	100%	100%
Total International & Alaska Drilling		
Rigs available for service ⁽¹⁾	24.0	24.0
Utilization rate of rigs available for service ⁽²⁾	61%	76%

- (1) The number of rigs available for service is determined by calculating the number of days each rig was in our fleet and was under contract or available for contract. For example, a rig under contract or available for contract for six months of a year is 0.5 rigs available for service during such year. Our method of computation of rigs available for service may not be comparable to other similarly titled measures of other companies.
- (2) Rig utilization rates are based on a weighted average basis assuming total days availability for all rigs available for service. Rigs acquired or disposed of are treated as added to or removed from the rig fleet as of the date of acquisition or disposal. Rigs that are in operation or fully or partially staffed and on a revenue-producing standby status are considered to be utilized. Rigs under contract that generate revenues during moves between locations or during mobilization or demobilization are also considered to be utilized. Our method of computation of rig utilization may not be comparable to other similarly titled measures of other companies.

Drilling Services Business Line

U.S. (Lower 48) Drilling

U.S. (Lower 48) Drilling segment revenues decreased \$39.3 million, or 85.2 percent, to \$6.8 million for the second quarter of 2015 compared with \$46.1 million for the second quarter of 2014. The decrease in revenues was due to lower utilization and a decline in average dayrates for the barge drilling fleet resulting from substantial reductions in drilling activity by operators in the inland waters of the Gulf of Mexico (GOM) associated with lower oil prices.

U.S. (Lower 48) Drilling segment's operating gross margin excluding depreciation and amortization decreased \$24.8 million, or 108.8 percent, to a loss of \$2.0 million for the second quarter of 2015 compared with \$22.8 million for the second quarter of 2014. The decrease was primarily due to the decline in utilization and average dayrates discussed above.

International & Alaska Drilling

International & Alaska Drilling segment revenues decreased \$6.0 million, or 5.0 percent, to \$115.0 million for the second quarter of 2015 compared with \$121.0 million for the second quarter of 2014. The decrease in segment revenues was driven by reduced utilization in our Latin America region primarily due to low commodity prices, the completion of an O&M project in Papua New Guinea in May 2014, and reduced dayrates for our Sakhalin Island drilling operations as the rig has been on a reduced standby rate since November 2014. In addition, we experienced declines in revenues associated with our project services activities. The decrease in revenues was partially offset by increased dayrates driven by additional personnel and higher reimbursable expenses for our Sakhalin Island O&M operations, as well as a two-rig O&M contract in Abu Dhabi that commenced during the 2015 first quarter. Approximately \$27.6 million and \$19.3 million of total segment revenues were attributable to reimbursable costs for the three month periods ended June 30, 2015 and 2014, respectively, which increased revenues, but had minimal impact on operating margins.

International & Alaska Drilling operating gross margin excluding depreciation and amortization decreased \$0.9 million, or 3.8 percent, to \$22.6 million for the second quarter of 2015 compared with \$23.5 million for the second quarter of 2014. The decrease in operating gross margin excluding depreciation and amortization was primarily due to lower utilization in our Latin America region and reduced dayrates for our Sakhalin Island drilling operations described above. The decrease was substantially offset by an increase in our O&M activity and the benefit of higher margins associated with our project services activities described above.

Rental Tools Services Business Line

Rental Tools segment revenues decreased \$23.1 million, or 26.5 percent, to \$64.1 million for the second quarter of 2015 compared with \$87.2 million for the second quarter of 2014. The decrease was primarily driven by a decline in utilization resulting from customer initiated cutbacks brought on by the downturn in U.S. drilling activity.

Rental Tools segment operating gross margin excluding depreciation and amortization decreased \$11.6 million, or 34.8 percent, to \$21.7 million in the second quarter of 2015 compared with \$33.3 million for the second quarter of 2014. The decrease in operating gross margin excluding depreciation and amortization is primarily due to a decrease in our U.S. operations driven by a decline in market opportunities in U.S. land markets resulting from customer cutbacks discussed above, offset in part by an increase in margin for our international operations driven by reductions in operating costs.

Other Financial Data

General and administrative expense

General and administration expense increased \$2.5 million to \$9.5 million for the second quarter of 2015 compared with \$7.0 million for the second quarter of 2014. General and administrative expense in the second quarter of 2014 benefited from a \$1.5 million reimbursement received from an escrow account related to the ITS acquisition.

Provision for reduction in carrying value of certain assets

During the second quarter of 2015, we recorded a \$2.3 million provision for reduction in carrying value related to certain international rental tools and drilling rigs. Management concluded that due to changing market conditions the rigs were no longer marketable and the carrying value of the rigs and equipment was no longer recoverable.

Gain/loss on disposition of assets

Net losses recognized on asset dispositions were \$0.1 million during the second quarter of 2015 compared with net gains of \$1.0 million during the second quarter of 2014. Activity in both periods included the result of asset sales. We periodically sell equipment deemed to be excess, obsolete, or not currently required for operations.

Interest income and expense

Interest expense increased \$0.8 million to \$11.4 million for the second quarter of 2015 compared with \$10.6 million for the second quarter of 2014. The 2014 second quarter included capitalized interest on the second phase of our enterprise resource planning system, which was implemented during the 2015 first quarter. Additionally, during the 2015 first quarter, we increased the revolving credit capacity under our 2015 Secured Credit Agreement from \$80 million to \$200 million which resulted in higher fees on the unused portion of the Revolver. Interest income during the 2015 and 2014 second quarters was nominal.

Loss on extinguishment of debt

There were no debt extinguishment costs incurred during the three months ended June 30, 2015, compared with a loss on extinguishment of debt of \$0.5 million during the three months ended June 30, 2014, resulting from the January 2014 tender and consent solicitation with respect to the 9.125% Notes.

Other income and expense

We incurred \$1.5 million of other expense for the second quarter of 2015 compared with \$1.0 million of other income for the second quarter of 2014. Other expense for the second quarter of 2015 was primarily driven by losses related to foreign currency fluctuations and a loss on divestiture of our controlling interest in a consolidated joint venture. Other income for the second quarter of 2014 was primarily related to earnings from our investment in an unconsolidated subsidiary that was acquired as part of the ITS Acquisition.

Income tax expense (benefit)

During the second quarter of 2015 we had an income tax benefit of \$6.9 million compared to an expense of \$11.7 million for the second quarter of 2014. The current period income tax benefit is primarily due to a pre-tax loss in the second quarter of 2015 compared with pre-tax earnings for the second quarter of 2014.

Six Months Ended June 30, 2015 Compared with Six Months Ended June 30, 2014

Revenues of \$390.0 million for the six months ended June 30, 2015 decreased \$93.5 million, or 19.3 percent, compared with \$483.5 million for the six months ended June 30, 2014. Operating gross margin decreased \$44.0 million, or 60.9 percent, to \$28.3 million, for the six months ended June 30, 2015 compared with \$72.3 million for the six months ended June 30, 2014.

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

<i>Dollars in Thousands</i>	Six Months Ended June 30,			
	2015		2014	
Revenues:				
Drilling Services:				
U.S. (Lower 48) Drilling	\$ 20,945	5%	\$ 81,872	17%
International & Alaska Drilling	228,890	59%	233,910	48%
Total Drilling Services	249,835	64%	315,782	65%
Rental Tools	140,182	36%	167,677	35%
Total revenues	390,017	100%	483,459	100%
Operating gross margin excluding depreciation and amortization:				
Drilling Services:				
U.S. (Lower 48) Drilling	(1,866)	n/a	35,614	44%
International & Alaska Drilling	58,032	25%	45,172	19%
Total Drilling Services	56,166	23%	80,786	26%
Rental Tools	51,012	36%	62,079	37%
Total operating gross margin excluding depreciation and amortization	107,178	28%	142,865	30%
Depreciation and amortization	(78,890)		(70,517)	
Total operating gross margin	28,288		72,348	
General and administrative expense	(20,348)		(15,971)	
Provision for Reduction in Carrying Value of Certain Assets	(2,316)		—	
Gain (loss) on disposition of assets, net	2,303		890	
Total operating income	\$ 7,927		\$ 57,267	

Operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

<i>Dollars in Thousands</i>	U.S. (Lower 48) Drilling	International & Alaska Drilling	Rental Tools	Total
Six Months Ended June 30, 2015				
Operating gross margin ⁽¹⁾	\$ (13,274)	\$ 24,208	\$ 17,354	\$ 28,288
Depreciation and amortization	11,408	33,824	33,658	78,890
Operating gross margin excluding depreciation and amortization	\$ (1,866)	\$ 58,032	\$ 51,012	\$ 107,178
Six Months Ended June 30, 2014				
Operating gross margin ⁽¹⁾	\$ 26,548	\$ 14,689	\$ 31,111	\$ 72,348
Depreciation and amortization	9,066	30,483	30,968	70,517
Operating gross margin excluding depreciation and amortization	\$ 35,614	\$ 45,172	\$ 62,079	\$ 142,865

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

The following table presents our average utilization rates and rigs available for service for the six months ended June 30, 2015 and 2014:

	Six Months Ended June 30,	
	2015	2014
U.S. (Lower 48) Drilling		
Rigs available for service ⁽¹⁾	13.0	11.5
Utilization rate of rigs available for service ⁽²⁾	17%	83%
International & Alaska Drilling		
Eastern Hemisphere		
Rigs available for service ⁽¹⁾	13.0	13.0
Utilization rate of rigs available for service ⁽²⁾	76%	76%
Latin America Region		
Rigs available for service ⁽¹⁾	9.0	9.0
Utilization rate of rigs available for service ⁽²⁾	43%	70%
Alaska		
Rigs available for service ⁽¹⁾	2.0	2.0
Utilization rate of rigs available for service ⁽²⁾	100%	100%
Total International & Alaska Drilling		
Rigs available for service ⁽¹⁾	24.0	24.0
Utilization rate of rigs available for service ⁽²⁾	66%	76%

- (1) The number of rigs available for service is determined by calculating the number of days each rig was in our fleet and was under contract or available for contract. For example, a rig under contract or available for contract for six months of a year is 0.5 rigs available for service during such year. Our method of computation of rigs available for service may not be comparable to other similarly titled measures of other companies.
- (2) Rig utilization rates are based on a weighted average basis assuming total days availability for all rigs available for service. Rigs acquired or disposed of are treated as added to or removed from the rig fleet as of the date of acquisition or disposal. Rigs that are in operation or fully or partially staffed and on a revenue-producing standby status are considered to be utilized. Rigs under contract that generate revenues during moves between locations or during mobilization or demobilization are also considered to be utilized. Our method of computation of rig utilization may not be comparable to other similarly titled measures of other companies.

Drilling Services Business Line

U.S. (Lower 48) Drilling

U.S. (Lower 48) Drilling segment revenues decreased \$61.0 million, or 74.5 percent, to \$20.9 million for the six months ended June 30, 2015 compared with \$81.9 million for the six months ended June 30, 2014. The decrease in revenues was due to lower utilization and a decline in average dayrates for the barge drilling fleet resulting from substantial reductions in drilling activity by operators in the inland waters of the GOM resulting from lower oil prices.

U.S. (Lower 48) Drilling segment's operating gross margin excluding depreciation and amortization decreased \$37.5 million, or 105.3 percent, to a loss of \$1.9 million for the six months ended June 30, 2015 compared with \$35.6 million for the six months ended June 30, 2014. The decrease was primarily due to the decline in utilization and average dayrates discussed above.

International & Alaska Drilling

International & Alaska Drilling segment revenues decreased \$5.0 million, or 2.1 percent, to \$228.9 million for the six months ended June 30, 2015 compared with \$233.9 million for the six months ended June 30, 2014. The decrease in segment revenues was driven by reduced utilization in our Latin America region primarily due to low commodity prices, the completion of an O&M project in Papua New Guinea in May 2014, and reduced dayrates for our Sakhalin Island drilling operations as the rig has been on a reduced standby rate since November 2014. In addition, we experienced declines in revenue associated with

our project services activities. The decrease in revenues was partially offset by increased dayrates driven by additional personnel and higher reimbursable expenses for our Sakhalin Island O&M operations, as well as a two-rig O&M contract in Abu Dhabi that commenced during the 2015 first quarter. Approximately \$46.5 million and \$33.5 million of total segment revenues were attributable to reimbursable costs for the six months ended June 30, 2015 and 2014, respectively, which increased revenues, but had minimal impact on operating margins.

International & Alaska Drilling operating gross margin excluding depreciation and amortization increased \$12.8 million, or 28.3 percent, to \$58.0 million for the six months ended June 30, 2015 compared with \$45.2 million for the six months ended June 30, 2014. The increase in operating gross margin excluding depreciation and amortization was primarily due an increase in our O&M activity and the benefit of higher margins associated with our project services activities described above. This increase was partially offset by lower utilization in our Latin America region and reduced dayrates for our Sakhalin Island drilling operations described above.

Rental Tools Services Business Line

Rental Tools segment revenues decreased \$27.5 million, or 16.4 percent, to \$140.2 million for the six months ended June 30, 2015 compared with \$167.7 million for the six months ended June 30, 2014. The decrease was primarily due to a decrease in our U.S. revenues driven by a decline in utilization resulting from customer initiated cutbacks brought on by the downturn in U.S. drilling activity.

Rental Tools segment operating gross margin excluding depreciation and amortization decreased \$11.1 million, or 17.9 percent, to \$51.0 million in the six months ended June 30, 2015 compared with \$62.1 million for the six months ended June 30, 2014. The decrease in operating gross margin excluding depreciation and amortization is primarily due to a decrease for our U.S. operations primarily driven by a decline in market opportunities in U.S. land markets resulting from customer cutbacks discussed above, offset by an increase in margin for our international operations driven by reductions in operating costs.

Other Financial Data

General and administrative expense

General and administration expense increased \$4.3 million to \$20.3 million for the six months ended June 30, 2015 compared with \$16.0 million for the six months ended June 30, 2014. The increase is primarily driven by increased expenses as we implemented the second phase of our new enterprise resource planning system in 2015. Additionally, general and administrative expense in the six months ended June 30, 2014 benefited from a \$1.5 million reimbursement received from an escrow account related to the ITS acquisition.

Provision for reduction in carrying value of certain assets

During the six months ended June 30, 2015, we recorded a \$2.3 million provision for reduction in carrying value related to certain international rental tools and drilling rigs. Management concluded that due to changing market conditions the rigs were no longer marketable and the carrying value of the rigs and equipment was no longer recoverable.

Gain/loss on disposition of assets

Net gains recognized on asset dispositions were \$2.3 million during the six months ended June 30, 2015 compared with \$0.9 million during the six months ended June 30, 2014. During the 2015 first quarter we received an insurance settlement related to previously realized asset losses. Activity in both periods included the result of asset sales. We periodically sell equipment deemed to be excess, obsolete, or not currently required for operations.

Interest income and expense

Interest expense decreased \$0.1 million to \$22.5 million for the six months ended June 30, 2015 compared with \$22.6 million for the six months ended June 30, 2014. Debt-related interest expense has decreased for the six months ended June 30, 2015 resulting from lower interest rates and a decreased total amount of outstanding debt, as well as a lower amount of capitalized interest in 2015. This decline was offset by higher fees on the unused portion of the 2015 Revolver due to our increased revolving credit capacity under our 2015 Secured Credit Agreement from \$80 million to \$200 million in the first quarter of 2015. Interest income during the six months ended June 30, 2015 and 2014 was nominal.

Loss on extinguishment of debt

There were no debt extinguishment costs incurred during the six months ended June 30, 2015, compared with a loss on extinguishment of debt of \$30.2 million during the six months ended June 30, 2014, resulting from the January 2014 tender and consent solicitation with respect to the 9.125% Notes.

Other income and expense

We incurred \$2.9 million of other expense for the six months ended June 30, 2015 compared with \$1.9 million of other income for the six months ended June 30, 2014. Other expense for the six months ended June 30, 2015 was primarily driven by losses related to foreign currency fluctuations and a loss on divestiture of our controlling interest in a consolidated joint venture. Other income for the six months ended June 30, 2014 was primarily related to earnings from our investment in an unconsolidated subsidiary that was acquired as part of the ITS Acquisition.

Income tax expense (benefit)

During the six months ended June 30, 2015 we had an income tax benefit of \$7.1 million compared to an income tax expense of \$3.1 million for the six months ended June 30, 2014. The current period income tax benefit is primarily due to a pre-tax loss during the six months ended June 30, 2015 compared with pre-tax earnings for the six months ended June 30, 2014.

LIQUIDITY AND CAPITAL RESOURCES

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of expansion plans, debt service requirements, and other operational cash needs. To meet our short- and long-term liquidity requirements, including payment of operating expenses and repaying debt, we rely primarily on cash from operations. When determined necessary we may seek to raise additional capital in the future. We expect that for the foreseeable future, cash on hand and cash generated from operations will be sufficient to provide us the ability to fund our operations, provide the working capital necessary to support our strategy, and fund planned capital expenditures. We also have access to cash through the 2015 Revolver, subject to our compliance with the covenants contained in the 2015 Secured Credit Agreement. We do not pay dividends to our shareholders.

The following table provides a summary of our total liquidity:

	<u>June 30, 2015</u>	
<i>Dollars in thousands</i>		
Cash and cash equivalents on hand	\$	116,943
Availability under 2015 Revolver ^{(1), (2)}		187,246
Total liquidity	\$	304,189

(1) Availability under the 2015 Revolver included \$200 million undrawn portion of our 2015 Revolver less \$12.8 million of letters of credit outstanding.

(2) In order to access the 2015 Revolver, we must be in compliance with the covenants set forth in the 2015 Secured Credit Agreement.

Cash Flows

The following table provides a summary of our cash flow activity:

	<u>Six Months Ended June 30, 2015</u>	
	<u>2015</u>	<u>2014</u>
<i>Dollars in thousands</i>		
Operating Activities	\$ 103,093	\$ 103,573
Investing Activities	(62,248)	(102,842)
Financing Activities	(32,358)	(62,974)
Net change in cash and cash equivalents	\$ 8,487	\$ (62,243)

Operating Activities

As of June 30, 2015, we had cash and cash equivalents of \$116.9 million, an increase of \$8.5 million from December 31, 2014. Cash flows from operating activities for the six months ended June 30, 2015 were an inflow of \$103.1 million, compared with an inflow of \$103.6 million for the 2014 comparable period. Changes in working capital were a source of cash of \$45.9 million for the six months ended June 30, 2015 compared to a use of cash of \$41.0 thousand for the six months ended June 30, 2014. Over the past few years we have reinvested a substantial portion of our operating cash flows to enhance our fleet of drilling rigs and our rental tools equipment inventory. It is our long term intention to utilize our operating cash flows to finance further investments into our rental tools inventories and rig purchases or upgrades, as well as other strategic investments aligned with our strategies; however, given the decline in demand in the current oil and natural gas services market, our short-term focus is to preserve liquidity by managing our costs. Operating cash flows for the six months ended June 30, 2014 were also impacted by the loss on debt extinguishment, as well as the ITS Acquisition which resulted in increased receivables, inventory, and accounts payable. Changes in cash from operating activities for both periods were also impacted by non-cash charges such as depreciation expense, deferred tax benefit, and stock compensation expense.

Investing Activities

Cash flows used in investing activities were \$62.2 million for the six months ended June 30, 2015 compared with \$102.8 million for the 2014 comparable period. Our primary use of cash during the six months ended June 30, 2015 and 2014 was \$54.6 million and \$106.2 million, respectively, for capital expenditures. Capital expenditures in each period were primarily for tubular and other products for our Rental Tools Services business and rig-related enhancements and maintenance. In addition, during the six months ended June 30, 2015 we had a use of cash of \$10.4 million, net of cash acquired for the 2M-Tek Acquisition. During the six months ended June 30, 2014, we had a use of cash of \$12.3 million related to the acquisition of a 1500 horsepower posted barge rig for our Gulf of Mexico drilling fleet.

Financing Activities

Cash flows used in financing activities were \$32.4 million for the six months ended June 30, 2015, primarily driven by the repayment of the \$30.0 million term loan in the first quarter of 2015. Cash flows used in financing activities were \$63.0 million for the 2014 comparable period, primarily related to the repayment of \$425.0 million of our 9.125% Notes, payment of \$25.8 million of related tender and consent premiums, and payment of debt issuance costs of \$7.4 million. Cash provided by financing activities for the six months ended June 30, 2014 included proceeds of \$360.0 million from issuance of our 6.75% Notes and reborrowing of a \$40.0 million Term Loan under our 2012 Secured Credit Agreement.

Long-Term Debt Summary

Our principal amount of long-term debt, including current portion, was \$585.0 million as of June 30, 2015 which consisted of:

- \$360.0 million aggregate principal amount of 6.75% Notes;
- \$225.0 million aggregate principal amount of 7.50% Notes;

6.75% Senior Notes, due July 2022

On January 22, 2014, we issued \$360.0 million aggregate principal amount of 6.75% Senior Notes due 2022 (6.75% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 6.75% Notes offering plus a \$40.0 million Term Loan draw under the Amended and Restated Senior Secured Credit Agreement (2012 Secured Credit Agreement) and cash on hand were utilized to purchase \$416.2 million aggregate principal amount of our outstanding 9.125% Senior Notes due 2018 (9.125% Notes) pursuant to a tender and consent solicitation offer commenced on January 7, 2014. See further discussion of the tender and consent solicitation offer below entitled "*9.125% Senior Notes, due April 2018*".

The 6.75% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 6.75% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the Second Amended and Restated Senior Secured Credit Agreement (2015 Secured Credit Agreement) and our 7.50% Senior Notes due 2020 (7.50% Notes, and collectively with the 6.75% Notes, the Senior Notes). Interest on the 6.75% Notes is payable on January 15 and July 15 of each year, beginning July 15, 2014. Debt issuance costs related to the 6.75% Notes of approximately \$7.6 million (\$6.6 million net of amortization as of June 30, 2015) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to January 15, 2017, we may redeem up to 35 percent of the aggregate principal amount of the 6.75% Notes at a redemption price of 106.75 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after January 15, 2018, we may redeem all or a part of the 6.75% Notes upon appropriate notice, at a redemption price of 103.375 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning January 15, 2020. If we experience certain changes in control, we must offer to repurchase the 6.75% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness, (v) create or incur liens, (vi) enter into sale and leaseback transactions, (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

7.50% Senior Notes, due August 2020

On July 30, 2013, we issued \$225.0 million aggregate principal amount of the 7.50% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 7.50% Notes offering were primarily used to repay the \$125.0 million aggregate principal amount of a term loan used to initially finance the ITS Acquisition, to repay \$45.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement and for general corporate purposes.

The 7.50% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the 2015 Secured Credit Agreement and the 6.75% Notes. Interest on the 7.50% Notes is payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes of approximately \$5.6 million (\$4.3 million, net of amortization as of June 30, 2015) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to August 1, 2016, we may redeem up to 35 percent of the aggregate principal amount of the 7.50% Notes at a redemption price of 107.50 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after August 1, 2016, we may redeem all or a part of the 7.50% Notes upon appropriate notice, at a redemption price of 103.750 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning August 1, 2018. If we experience certain changes in control, we must offer to repurchase the 7.50% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness, (v) create or incur liens, (vi) enter into sale and leaseback transactions, (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued \$300.0 million aggregate principal amount of the 9.125% Notes and on April 25, 2012, we issued an additional \$125.0 million aggregate principal amount of 9.125% Notes.

On January 7, 2014, we commenced a tender and consent solicitation with respect to the 9.125% Notes. The tender offer price was \$1,061.98, inclusive of a \$30.00 consent payment for each \$1,000 principal amount of 9.125% Notes, plus accrued and unpaid interest. On January 22, 2014, we paid \$453.7 million for the tendered 9.125% Notes, comprised of \$416.2 million of aggregate principal amount of the 9.125% Notes, \$25.8 million of tender and consent premiums and \$11.7 million of accrued interest. On April 1, 2014, we redeemed the remaining \$8.8 million aggregate principal amount of the outstanding 9.125% Notes for a purchase price of \$9.6 million, inclusive of a \$0.4 million call premium and \$0.4 million interest. During the year ended December 31, 2014, we recorded a loss on extinguishment of debt of approximately \$30.2 million, which included the tender and consent premiums of \$25.8 million, the call premium of \$0.4 million and the write-off of unamortized debt issuance costs of \$7.7 million, offset by the write-off of the remaining unamortized debt issuance premium of \$3.8 million.

2015 Secured Credit Agreement

On January 26, 2015 we entered into the 2015 Secured Credit Agreement, which amended and restated the 2012 Secured Credit Agreement. The 2015 Secured Credit Agreement is comprised of a \$200.0 million revolving credit facility (2015 Revolver) and matures on January 26, 2020. At the closing of the 2015 Secured Credit Agreement, we repaid the outstanding \$30.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement with a \$30.0 million draw under the 2015 Revolver. We incurred debt issuance costs related to the 2015 Secured Credit Agreement of approximately \$1.4 million and had approximately \$0.8 million of remaining debt issuance costs for the 2012 Secured Credit agreement. The total debt issuance costs of \$2.2 million (\$2.0 million, net of amortization as of June 30, 2015) are being amortized over the term of the 2015 Secured Credit Agreement on a straight line basis. On June 1, 2015, we executed the first amendment to the 2015 Secured Credit Agreement in order to amend certain provisions of the 2015 Secured Credit Agreement regarding the definition of "Change of Control".

Our obligations under the 2015 Secured Credit Agreement are guaranteed by substantially all of our direct and indirect domestic subsidiaries, other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which has executed guaranty agreements, and are secured by first priority liens on our accounts receivable, specified rigs including barge rigs in the GOM and land rigs in Alaska, and rental equipment of the Company and its subsidiary guarantors. The 2015 Secured Credit Agreement contains customary affirmative and negative covenants, such as limitations on indebtedness, liens, restrictions on entry into certain affiliate transactions and payments (including payment of dividends) and maintenance of certain ratios and coverage tests (including a minimum asset coverage ratio of 1.25:1.00 at each quarter end). We were in compliance with all such covenants as of June 30, 2015.

Our 2015 Revolver is available for general corporate purposes and to support letters of credit. Interest on 2015 Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. The Applicable Rate ranges from 2.50 percent to 3.00 percent per annum for LIBOR rate loans and from 1.50 percent to 2.00 percent per annum for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the 2015 Secured Credit Agreement). Revolving loans are available subject to a quarterly Asset Coverage Ratio calculation based on the Orderly Liquidation Value of certain specified rigs including barge rigs in the GOM and land rigs in Alaska, and rental equipment of the Company and its subsidiary guarantors and a percentage of eligible domestic accounts receivable. The \$30.0 million draw at the closing of the 2015 Secured Credit Agreement was repaid in full during the first quarter of 2015 with cash on-hand. Letters of credit outstanding against the 2015 Revolver as of June 30, 2015 totaled \$12.8 million.

2012 Secured Credit Agreement

The 2012 Secured Credit Agreement consisted of an \$80.0 million revolving credit facility (2012 Revolver) and a \$50.0 million term loan (Term Loan). Our obligations under the 2012 Secured Credit Agreement were guaranteed by substantially all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which had executed guaranty agreements, and were secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The 2012 Secured Credit Agreement contained customary affirmative and negative covenants and would have matured on December 14, 2017.

2012 Revolver

Our 2012 Revolver was available for general corporate purposes and to support letters of credit. Interest on 2012 Revolver loans accrued at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the 2012 Secured Credit Agreement, the Applicable Rate ranged from 2.50 percent to 3.00 percent per annum for LIBOR rate loans and from 1.50 percent to 2.00 percent per annum for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the 2012 Secured Credit Agreement). Revolving loans were available subject to a borrowing base calculation based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at December 31, 2014. Letters of credit outstanding against the 2012 Revolver as of December 31, 2014 totaled \$11.0 million.

Term Loan

The Term Loan originated at \$50.0 million on December 14, 2012 and required quarterly principal payments of \$2.5 million, which began March 31, 2013. Interest on the Term Loan accrued at a Base Rate plus 2.00 percent or LIBOR plus 3.00 percent. In July 2013, we repaid the outstanding balance of \$45.0 million of the Term Loan and amended the 2012 Secured Credit Agreement to permit re-borrowing of up to \$45.0 million of the Term Loan, decreasing by \$2.5 million at the end of each quarter beginning September 30, 2013 and ending March 31, 2014. In January 2014 we re-borrowed \$40.0 million of the Term Loan. The outstanding balance on the Term Loan at December 31, 2014 was \$30.0 million. At the closing of the 2015 Secured Credit Agreement, we repaid the Term Loan with a \$30.0 million draw under the 2015 Revolver.

Off-Balance Sheet Arrangements

We do not have any unconsolidated special-purpose entities, off-balance sheet financing arrangements or guarantees of third-party financial obligations. We have no energy or commodity contracts.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There has been no material change in the market risk faced by us from that reported in our 2014 Annual Report on Form 10-K filed with the SEC on February 25, 2015. For more information on market risk, see Part II, Item 7A in our 2014 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of June 30, 2015 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see Note 11, "Commitments and Contingencies," in Item 1 of Part I of this quarterly report on Form 10-Q, which information is incorporated into this item by reference.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in *Item 1A. Risk Factors* of our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company currently has no active share repurchase programs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed or furnished as a part of this report:

<u>Exhibit Number</u>	<u>Description</u>
3.1	— Restated Certificate of Incorporation of the Company, as amended on May 16, 2007 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2007).
3.2	— By-laws of Parker Drilling Company, as amended and restated as of July 31, 2014 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 1, 2014).
10.1	— First Amendment to Second Amended and Restated Credit Agreement, dated June 1, 2015, among Parker Drilling Company as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, Wells Fargo Bank, National Association, as Syndication Agent, Barclays Bank PLC, as Documentation Agent, and the other lenders and L/C issuers from time to time party thereto.
12.1	— Computation of Ratio of Earnings to Fixed Charges.
31.1	— Gary G. Rich, President and Chief Executive Officer, Rule 13a-14(a)/15d-14(a) Certification.
31.2	— Christopher T. Weber, Senior Vice President and Chief Financial Officer, Rule 13a-14(a)/15d-14(a) Certification.
32.1	— Gary G. Rich, President and Chief Executive Officer, Section 1350 Certification.
32.2	— Christopher T. Weber, Senior Vice President and Chief Financial Officer, Section 1350 Certification.
101.INS	— XBRL Instance Document.
101.SCH	— XBRL Taxonomy Schema Document.
101.CAL	— XBRL Calculation Linkbase Document.
101.LAB	— XBRL Label Linkbase Document.
101.PRE	— XBRL Presentation Linkbase Document.
101.DEF	— XBRL Definition Linkbase Document.

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.

PARKER DRILLING COMPANY

Date: August 6, 2015

By: /s/ Gary G. Rich

Gary G. Rich
Chairman, President and Chief Executive Officer

By: /s/ Christopher T. Weber

Christopher T. Weber
Senior Vice President and Chief Financial Officer

INDEX TO EXHIBITS

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FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") dated as of June 1, 2015, is by and among PARKER DRILLING COMPANY, a Delaware corporation (the "Borrower"), each of the Subsidiary Guarantors (as defined in the Credit Agreement referenced below), the Lenders (as such term is hereinafter defined) party hereto and BANK OF AMERICA, N.A., as the administrative agent for the Lenders party to the Credit Agreement referenced below (in such capacity, together with the successors in such capacity, the "Administrative Agent") and L/C Issuer.

RECITALS

A. The Borrower, the lenders from time to time party thereto (collectively, the "Lenders" and, individually, a "Lender"), the Administrative Agent and the other agents referred to therein are parties to certain Second Amended and Restated Credit Agreement dated as of January 26, 2015 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), pursuant to which the Lenders have made certain extensions of credit (subject to the terms and conditions thereof) to the Borrower.

B. The Borrower has previously informed the Administrative Agent that it desires to amend certain provisions of the Credit Agreement to change the definition of "Change of Control".

D. In order to amend such provisions of the Credit Agreement, the Lenders signatory hereto and the Administrative Agent are willing to amend the Credit Agreement on the terms and conditions more fully described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein but not otherwise defined herein has the meaning given such term in the Credit Agreement. Unless otherwise indicated, all article, schedule, exhibit and section references in this Amendment refer to articles and sections of the Credit Agreement.

Section 1. Amendments to Credit Agreement.

1.1 Amendments to the definition of "Change of Control". Part (b) of the definition of "Change of Control" is hereby amended and restated in its entirety to read as follows:

"(b) a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the Closing Date, (ii) whose election or nomination to that board or equivalent governing

body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or”

Section 2. Conditions Precedent. This Amendment shall not become effective until the date (the “First Amendment Effective Date”) on which each of the following conditions is satisfied (or waived in accordance with Section 10.01 of the Credit Agreement):

2.1 Counterparts. The Administrative Agent shall have received from the Required Lenders, the Borrower and the Subsidiary Guarantors, executed counterparts (in such number as may be requested by the Administrative Agent) of this Amendment.

2.2 No Default or Event of Default. As of the First Amendment Effective Date, immediately before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

2.3 Fees. The Administrative Agent, the Lenders and L/C Issuer shall have received all fees and other amounts due and payable on or prior to the First Amendment Effective Date, including to the extent invoiced prior to the First Amendment Effective Date, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower under the Credit Agreement.

The Administrative Agent shall notify the Borrower and the Lenders of the First Amendment Effective Date, and such notice shall be conclusive and binding.

Section 3. Miscellaneous.

3.1 Confirmation. The provisions of the Loan Documents, as amended by this Amendment, shall remain in full force and effect in accordance with their terms following the effectiveness of this Amendment.

3.2 Ratification and Affirmation; Representations and Warranties. The Borrower and each of the other Loan Parties does hereby adopt, ratify, and confirm the Credit Agreement and the other Loan Documents, as amended hereby, and its obligations thereunder. Each of the Borrower and the Subsidiary Guarantors hereby (a) acknowledges, renews and extends its continued liability under, each Loan Document, as amended hereby, to which it is a party and agrees that each Loan Document, as amended hereby, to which it is a party remains in full force and effect, notwithstanding the amendments contained herein and (b) represents and warrants to the Administrative Agent and the Lenders that: (i) as of the date hereof, after giving effect to the terms of this Amendment, all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects),

except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects) as of such specified earlier date and (ii) (A) as of the date hereof, no Default has occurred and is continuing and (B) immediately after giving effect to this Amendment, no Default will have occurred and be continuing.

3.3 Loan Document. This Amendment and each agreement, instrument, certificate or document executed by the Borrower and/or the Subsidiary Guarantors, as applicable, or any of their respective officers in connection therewith are "Loan Documents" as defined and described in the Credit Agreement and all of the terms and provisions of the Loan Documents relating to other Loan Documents shall apply hereto and thereto.

3.4 Counterparts. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means (e.g., "pdf" or "tiff") shall be effective as delivery of a manually executed counterpart of this Amendment.

3.5 NO ORAL AGREEMENT. THIS AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HERewith AND THEREWITH REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

3.6 GOVERNING LAW. THIS AMENDMENT (INCLUDING, BUT NOT LIMITED TO, THE VALIDITY AND ENFORCEABILITY HEREOF) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Second Amended and Restated Credit Agreement to be duly executed as of the date first written above.

BORROWER

PARKER DRILLING COMPANY,
as the Borrower

By: _____

Name:

Title:

[Signature Page to First Amendment to Second Amended and Restated Credit Agreement]

SUBSIDIARY GUARANTORS

ANACHORETA, INC., a Nevada corporation
PARDRIL, INC., an Oklahoma corporation
PARKER AVIATION INC., an Oklahoma corporation
PARKER DRILLING ARCTIC OPERATING, LLC, a Delaware limited liability company
PARKER DRILLING COMPANY NORTH AMERICA, INC., a Nevada corporation
PARKER DRILLING COMPANY OF NIGER, an Oklahoma corporation
PARKER DRILLING COMPANY OF OKLAHOMA, INCORPORATED, an Oklahoma corporation
PARKER DRILLING COMPANY OF SOUTH AMERICA, INC., an Oklahoma corporation
PARKER DRILLING OFFSHORE COMPANY LLC, a Nevada limited liability company
PARKER DRILLING OFFSHORE USA, L.L.C., an Oklahoma limited liability company
PARKER NORTH AMERICA OPERATIONS, LLC, a Nevada limited liability company
PARKER TECHNOLOGY, INC., an Oklahoma corporation
PARKER TECHNOLOGY, L.L.C., a Louisiana limited liability company
PARKER TOOLS, LLC, an Oklahoma limited liability company
QUAIL USA, LLC, an Oklahoma limited liability company
ITS RENTAL AND SALES, INC., a Texas corporation

By: _____
Name:
Title:

[Signature Page to First Amendment to Second Amended and Restated Credit Agreement]

**PARKER DRILLING MANAGEMENT
SERVICES, LTD.**, a Nevada limited liability
company

By: _____
Name:
Title:

QUAIL TOOLS, L.P., an Oklahoma limited partnership

By: Quail USA, LLC, its General
Partner

By: _____
Name:
Title:

[Signature Page to First Amendment to Second Amended and Restated Credit Agreement]

BANK OF AMERICA, N.A.,
as Administrative Agent

By:
Name:
Title:

[Signature Page to First Amendment to Second Amended and Restated Credit Agreement]

BANK OF AMERICA, N.A.,
as a Lender and L/C Issuer

By: _____
Name:
Title:

[Signature Page to First Amendment to Second Amended and Restated Credit Agreement]

BARCLAYS BANK PLC, as a Lender

By: _____
Name:
Title:

WELLS FARGO BANK N.A., as a Lender

By: _____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK BRANCH, as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to First Amendment to Second Amended and Restated Credit Agreement]

GOLDMAN SACHS BANK USA, as a Lender

By: _____

Name:

Title:

THE ROYAL BANK OF SCOTLAND plc, as a Lender

By: _____

Name:

Title:

[Signature Page to First Amendment to Second Amended and Restated Credit Agreement]

WHITNEY BANK, as a Lender

By: _____
Name:
Title:

HSBC BANK USA, N.A., as a Lender

By: _____
Name:
Title:

NORTHRIM BANK, as a Lender

By: _____
Name:
Title:

[Signature Page to First Amendment to Second Amended and Restated Credit Agreement]

Parker Drilling Company
Computation of Ratio of Earnings to Fixed Charges
(Dollars in Thousands)

	Six Months Ended June 30, 2015	Fiscal Year Ended December 31,				
		2014	2013	2012	2011	2010
Pretax Income (Loss)	(17,254)	48,537	52,787	70,977	(65,412)	11,505
Fixed Charges	22,606	45,436	50,196	43,782	41,865	40,294
Amortization of Capitalized Interest	1,894	3,939	4,058	1,887	1,557	1,819
Capitalized Interest	(132)	(1,171)	(2,376)	(10,240)	(19,271)	(13,489)
Earnings before Income Tax & Fixed Charges	7,114	96,741	104,665	106,406	(41,261)	40,129
Interest Expense	22,474	44,265	47,820	33,542	22,594	26,805
Capitalized Interest	132	1,171	2,376	10,240	19,271	13,489
Total Fixed Charges	22,606	45,436	50,196	43,782	41,865	40,294
Ratio of Earnings to Fixed Charges	.3x	2.1x	2.1x	2.4x	(1)	1x

(1) For the year ended December 31, 2011, earnings were deficient to cover fixed charges by \$41.3 million, which was primarily due to a pre-tax, non-cash charge to earnings of \$170.0 million related to the impairment of our two Alaska rigs.

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Gary G. Rich, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2015, of Parker Drilling Company (the 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(s) 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.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2015

/s/ Gary G. Rich

Gary G. Rich
President, Chief Executive Officer, and Director

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Christopher T. Weber, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2015, of Parker Drilling Company (the 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(s) 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.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2015

/s/ Christopher T. Weber

Christopher T. Weber
Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the Company) hereby certifies, to such officer's knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (the Report) fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 6, 2015

/s/ Gary G. Rich

Gary G. Rich
President, Chief Executive Officer, and Director

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the Company) hereby certifies, to such officer's knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (the Report) fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 6, 2015

/s/ Christopher T. Weber

Christopher T. Weber
Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.