

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

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

For The Quarterly Period Ended March 31, 2016  
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

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**PARKER DRILLING COMPANY**

(Exact name of registrant as specified in its charter)

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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)

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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 May 2, 2016 there were 123,982,716 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)

	March 31, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 108,427	\$ 134,294
Accounts and Notes Receivable, net of allowance for bad debts of \$8,250 at March 31, 2016 and \$8,694 at December 31, 2015.	175,382	175,105
Rig materials and supplies	36,508	34,937
Other current assets	24,438	22,405
Total current assets	344,755	366,741
Property, plant and equipment, net of accumulated depreciation of \$1,329,305 at March 31, 2016 and \$1,302,380 at December 31, 2015.	776,912	805,841
Goodwill (Note 3)	6,708	6,708
Intangible assets, net (Note 3)	12,220	13,377
Deferred income taxes	78,992	139,282
Other noncurrent assets	35,062	34,753
Total assets	\$ 1,254,649	\$ 1,366,702
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	114,993	129,703
Accrued income taxes	5,980	6,418
Total current liabilities	120,973	136,121
Long-term debt, net of unamortized debt issuance costs of \$9,829 at March 31, 2016 and \$10,202 at December 31, 2015.	575,171	574,798
Other long-term liabilities	13,755	18,617
Long-term deferred tax liability	71,898	68,654
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock	20,604	20,518
Capital in excess of par value	670,245	669,120
Accumulated deficit	(215,073)	(119,238)
Accumulated other comprehensive (loss)	(2,924)	(1,888)
Total stockholders' equity	472,852	568,512
Total liabilities and stockholders' equity	\$ 1,254,649	\$ 1,366,702

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 March 31,	
	2016	2015
Revenues	\$ 130,503	\$ 204,076
Expenses:		
Operating expenses	108,117	139,270
Depreciation and amortization	35,814	40,539
	<u>143,931</u>	<u>179,809</u>
Total operating gross margin	(13,428)	24,267
General and administration expense	(9,781)	(10,837)
Gain (loss) on disposition of assets, net	(60)	2,441
Total operating income (loss)	<u>(23,269)</u>	<u>15,871</u>
Other income and (expense):		
Interest expense	(11,562)	(11,078)
Interest income	7	183
Other	2,485	(1,380)
Total other expense	<u>(9,070)</u>	<u>(12,275)</u>
Income (loss) before income taxes	(32,339)	3,596
Income tax expense (benefit)	63,496	(182)
Net income (loss)	<u>(95,835)</u>	<u>3,778</u>
Less: Net income attributable to noncontrolling interest	—	556
Net income (loss) attributable to controlling interest	<u>\$ (95,835)</u>	<u>\$ 3,222</u>
Basic earnings (loss) per share	\$ (0.78)	\$ 0.03
Diluted earnings (loss) per share	\$ (0.78)	\$ 0.03
Number of common shares used in computing earnings per share:		
Basic	123,090,238	121,887,072
Diluted	123,090,238	123,708,623

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 March 31, 2016	
	2016	2015
Comprehensive income:		
Net income (loss)	\$ (95,835)	\$ 3,778
Other comprehensive income (loss), net of tax:		
Currency translation difference on related borrowings	502	(1,670)
Currency translation difference on foreign currency net investments	(1,538)	(849)
Total other comprehensive income (loss), net of tax:	(1,036)	(2,519)
Comprehensive income (loss)	(96,871)	1,259
Comprehensive (loss) attributable to noncontrolling interest	—	(394)
Comprehensive income (loss) attributable to controlling interest	\$ (96,871)	\$ 865

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)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ (95,835)	\$ 3,778
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	35,814	40,539
Accretion of contingent consideration	419	—
(Gain) loss on disposition of assets	60	(2,441)
Deferred income tax expense (benefit)	63,411	(6,304)
Expenses not requiring cash	(426)	1,737
Change in assets and liabilities:		
Accounts and notes receivable	(381)	(6,650)
Other assets	(304)	(20,087)
Accounts payable and accrued liabilities	(14,437)	54,045
Accrued income taxes	(3,600)	2,614
Net cash provided by (used in) operating activities	(15,279)	67,231
Cash flows from investing activities:		
Capital expenditures	(7,889)	(33,455)
Proceeds from the sale of assets	54	246
Proceeds from insurance settlements	—	2,500
Net cash (used in) investing activities	(7,835)	(30,709)
Cash flows from financing activities:		
Repayments of long-term debt	—	(30,000)
Payments of debt issuance costs	—	(1,359)
Payments of contingent consideration	(2,000)	—
Excess tax (expense) from stock based compensation	(753)	(420)
Net cash (used in) financing activities	(2,753)	(31,779)
Net increase (decrease) in cash and cash equivalents	(25,867)	4,743
Cash and cash equivalents, beginning of year	134,294	108,456
Cash and cash equivalents, end of period	\$ 108,427	\$ 113,199
Supplemental cash flow information:		
Interest paid	\$ 20,588	\$ 20,805
Income taxes paid	\$ 4,734	\$ 4,601

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 March 31, 2016 and December 31, 2015, respectively, (2) Parker Drilling's results of operations for the three month periods ended March 31, 2016 and 2015, respectively, (3) Parker Drilling's consolidated condensed statement of comprehensive income for the three month periods ended March 31, 2016 and 2015, respectively, and (4) Parker Drilling's cash flows for the three month periods ended March 31, 2016 and 2015, respectively. Results for the three month period ended March 31, 2016 are not necessarily indicative of the results that will be realized for the year ending December 31, 2016. The financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015.

*Nature of Operations* — Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. 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 drill oil and gas wells for customers in both the U.S. and international markets. We provide this service with both Company-owned rigs and customer-owned rigs. We refer to the provision of drilling services with customer-owned rigs as our operations and maintenance (O&M) service in which operators own their own drilling rigs but choose Parker Drilling to operate and maintain the rigs for them. The nature and scope of activities involved in drilling an oil and gas well are similar whether the well is drilled with a Company-owned rig (as part of a traditional drilling contract) or a customer-owned rig (as part of an O&M contract). In addition, we provide project related services, such as engineering, procurement, project management and commissioning 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 provides drilling services with our Gulf of Mexico (GOM) barge drilling fleet and through U.S. (Lower 48) 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 shallow water depths ranging from 6 to 12 feet. Our International & Alaska Drilling segment provides drilling services, with Company-owned rigs as well as through O&M contracts, and project related services. We strive to deploy our fleet of Company-owned rigs in markets where we expect to have opportunities to keep the rigs consistently utilized and build a sufficient presence to achieve efficient operating scale.

In our Rental Tools Services business, we provide premium rental equipment and services to exploration and production (E&P) companies, drilling contractors and service companies on land and offshore in the United States (U.S.) and select international markets. Tools we provide include standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, pressure control equipment, including blow-out preventers (BOPs), drill collars and more. We also provide well construction services, which include tubular running services and downhole tools, and well intervention services, which include whipstock, fishing products and related services, as well as inspection and machine shop support. Generally, rental tools are used for only a portion of a well drilling program and are requested by the customer when they are needed, requiring us to keep a broad inventory of rental tools in stock. Rental tools are usually rented on a daily or monthly basis.

*Consolidation* — The consolidated financial statements include the accounts of the Company and subsidiaries over which we exercise control or in which we have a controlling financial interest, including entities, if any, in which the Company is allocated a majority of the entity's losses or returns, regardless of ownership percentage. If a subsidiary of Parker Drilling has a 50 percent interest in an entity but Parker Drilling's interest in the subsidiary or the entity does not meet the consolidation criteria described above, then that interest is accounted for under the equity method.

*Noncontrolling Interest* — We apply accounting standards related to noncontrolling interests for ownership interests in our subsidiaries held by parties other than Parker Drilling. 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. During the fourth quarter of 2015, we purchased the remaining noncontrolling interest of ITS Arabia Limited for \$6.75 million, of which \$3.4 million remains payable to the seller at a later date. At the time of purchase, the carrying value of the noncontrolling interest was \$3.0 million.

*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 services 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. 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 services contracts include engineering, consulting, and project management scopes of work and revenue is typically recognized on a time and materials basis.

*Reimbursable Revenues* — 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 \$19.0 million and \$19.7 million for the three months ended March 31, 2016 and 2015, respectively. Additionally, the Company typically receives a nominal handling fee, which is recognized as 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, plus the value of any noncontrolling interests, is recognized as goodwill. We perform our annual goodwill impairment review as of October 1 of each year, and more frequently if negative conditions or other triggering events arise. The quantitative impairment test we perform for goodwill utilizes certain assumptions, including forecasted revenue and costs assumptions. See Note 3 - Goodwill and Intangible Assets for further discussion.

*Intangible Assets* — Our intangible assets are related to 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.

*Impairment* — We evaluate the carrying amounts of long-lived assets for potential impairment when events occur or circumstances change that indicate the carrying values of such assets may not be recoverable. We evaluate recoverability by determining the undiscounted estimated future net cash flows for the respective asset groups identified. If the sum of the estimated undiscounted cash flows is less than the carrying value of the asset group, we measure the impairment as the amount by which the assets' carrying value exceeds the fair value of such assets. Management considers a number of factors such as estimated future cash flows from the assets, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the final estimate of current fair value is below the net carrying value. The assumptions used in the impairment evaluation are inherently uncertain and require management judgment.

*Concentrations of Credit Risk* — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and natural gas companies. We generally



do not require collateral on our trade receivables. We depend on a limited number of significant customers. Our largest customer, Exxon Neftegas Limited (ENL), constituted approximately 39.2 percent of our revenues for the three months ended March 31, 2016. Excluding reimbursable revenues of \$18.3 million, our largest customer, ENL, constituted approximately 29.5 percent of our total consolidated revenues, net of reimbursables, for the three months ended March 31, 2016. Our second largest customer, BP Exploration Alaska, Inc. (BP), constituted approximately 11.5 percent of our revenues for the three months ended March 31, 2016. Excluding reimbursable revenues of \$92.0 thousand, our second largest customer constituted approximately 13.3 percent of our total consolidated revenues, net of reimbursables, for the three months ended March 31, 2016.

At March 31, 2016 and December 31, 2015, we had deposits in domestic banks in excess of federally insured limits of approximately \$63.8 million and \$91.3 million, respectively. In addition, we had uninsured deposits in foreign banks as of March 31, 2016 and December 31, 2015 of \$46.6 million and \$44.1 million, respectively.

*Income Taxes* — Income taxes are accounted for under the asset and liability method and have been provided for based upon tax laws and rates in effect in the countries in which operations are conducted and income or losses are generated. There is little or no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes as the countries in which we operate have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits, and other benefits. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled and the effect of changes in tax rates is recognized in income in the period in which the change is enacted. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other matters. Changes in these estimates and assumptions, including changes in tax laws and other changes impacting our ability to recognize the underlying deferred tax assets, could require us to adjust the valuation allowances.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50 percent likely of being realized and changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

*Legal and Investigation Matters* — We accrue estimates of the probable and estimable costs for the resolution of certain legal and investigation matters. We do not accrue any amounts for other matters for which the liability is not probable and reasonably estimable. Generally, the estimate of probable costs related to these matters is developed in consultation with our legal advisors. The estimates take into consideration factors such as the complexity of the issues, litigation risks and settlement costs. If the actual settlement costs, final judgments, or fines, after appeals, differ from our estimates, our future financial results may be adversely affected.

## **Note 2 - Acquisitions**

### **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 (the 2M-Tek Acquisition) for an initial purchase price of \$10.4 million paid at the closing of the 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 closing 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 recorded the fair value of the liability for contingent consideration in “accrued liabilities” on our consolidated condensed balance sheet. We paid \$2.0 million of the contingent consideration upon the achievement of certain milestones during the fourth quarter of 2015 and \$2.0 million during the first quarter of 2016. The remaining \$4.0 million of the contingent consideration was paid in April 2016.

We include the operations and related assets acquired and liabilities we assumed in our Rental Tools segment. This acquisition complements our existing international tubular running services (TRS) business and 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 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 fair value measurements (current assets and liabilities, property plant and equipment) or Level 3 fair value measurements (intangible assets).

<u>Dollars in thousands</u>	April 17, 2015
<b>Current Assets:</b>	
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
<b>Current Liabilities:</b>	
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.

### **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, plus the value of any noncontrolling interests, is recognized as goodwill. We perform our annual goodwill impairment review as of October 1 of each year, and more frequently if events and circumstances change that indicate the carrying value of the goodwill may be impaired. During the 2016 first quarter, circumstances indicated that the fair value of the reporting unit may not be in excess of the carrying value of the goodwill. Therefore we performed a goodwill impairment review and determined that the fair value of the reporting unit exceeded its carrying value and therefore, no goodwill impairment was identified. Should current market conditions worsen or persist for an extended period of time, an impairment of the carrying value of our goodwill could occur.

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 acquisition of International Tubular Services Limited (ITS) and related assets (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 March 31, 2016 is as follows:

<u>Dollars in thousands</u>	<b>Goodwill</b>	
Balance at December 31, 2015	\$	6,708
Additions		—
Balance at March 31, 2016	\$	6,708

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)	Balance at March 31, 2016			
		Gross Carrying Amount	Write-off Due to Sale in 2015 <sup>(1)</sup>	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:					
Developed Technology	6	\$ 11,630	—	\$ (1,938)	\$ 9,692
Customer Relationships	3	5,400	(264)	(5,038)	98
Trademarks and trade names	5	4,940	(332)	(2,178)	2,430
<b>Total Amortized intangible assets</b>		<b>\$ 21,970</b>	<b>\$ (596)</b>	<b>\$ (9,154)</b>	<b>\$ 12,220</b>

(1) During the 2015 fourth quarter, we sold our controlling interest in a joint venture in Egypt resulting in the write-off of \$0.6 million of intangible assets related to customer relationships and trade name acquired as part of the ITS Acquisition.

Amortization expense was \$1.2 million and \$0.6 million for the three months ended March 31, 2016 and 2015, respectively.

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

<i>Dollars in thousands</i>	Expected future intangible amortization expense
2016	\$ 2,292
2017	\$ 2,801
2018	\$ 2,306
2019	\$ 2,306
2020	\$ 2,030
Beyond 2020	\$ 485

### Note 4 - Earnings (Loss) Per Share (EPS)

	Three Months Ended March 31, 2016		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	\$ (95,835,000)	123,090,238	\$ (0.78)
Effect of dilutive securities:			
Restricted stock units	—	—	—
Diluted EPS	\$ (95,835,000)	123,090,238	\$ (0.78)
	Three Months Ended March 31, 2015		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	\$ 3,222,000	121,887,072	\$ 0.03
Effect of dilutive securities:			
Restricted stock units	—	1,821,551	—
Diluted EPS	\$ 3,222,000	123,708,623	\$ 0.03

For the three months ended March 31, 2016, 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 month period, and therefore, inclusion of such potential common shares in the calculation would be anti-dilutive.

For the three months ended March 31, 2015, 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 Loss**

Accumulated other comprehensive loss consisted of the following:

<i>Dollars in thousands</i>	<b>Foreign Currency Items</b>
December 31, 2015	\$ (1,888)
Current period other comprehensive (loss)	(1,036)
March 31, 2016	\$ (2,924)

Amounts reclassified out of accumulated other comprehensive loss were \$1.9 million for the three months ended March 31, 2016 and represent realized foreign currency translation gains.

### **Note 6 - Property, Plant and Equipment**

#### **Asset Recoverability**

We review the carrying amounts of long-lived assets for potential impairment when events occur or circumstances change that indicate the carrying values of such assets may not be recoverable through the undiscounted cash flows estimated to be generated by those assets. During the 2016 first quarter, events and circumstances indicated that carrying value of certain assets of our Rental Tools and International & Alaska Drilling segments might not be recoverable. However, our estimate of undiscounted cash flows indicated that the related carrying amounts were expected to be recovered. Should current market conditions worsen or persist for an extended period of time, it is possible that the estimate of undiscounted cash flows may change resulting in the need to write down those assets to fair value.

### **Note 7 - Reportable Segments**

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. 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. Within the three reportable segments, we have aggregated our U.S. and international rental tools business units under Rental Tools, one business unit under U.S. (Lower 48) Drilling, and our Arctic, Eastern Hemisphere and Latin America business units under International & Alaska Drilling for a total of six business units. The Company has aggregated each of its business units in one of the three reporting segments based on the guidelines of ASC Topic 280, "Segment Reporting" ("ASC Topic 280"). We eliminate inter-segment revenues and expenses. We disclose revenues under the three reportable segments based on the similarity of the use and markets for the groups of products and services within each segment.

#### **Drilling Services Business Line**

In our Drilling Services business, we drill oil and gas wells for customers in both the U.S. and international markets. We provide this service with both Company-owned rigs and customer-owned rigs. We refer to the provision of drilling services with customer-owned rigs as our O&M service in which operators own their own drilling rigs but choose Parker Drilling to operate and maintain the rigs for them. The nature and scope of activities involved in drilling an oil and gas well is similar whether it is drilled with a Company-owned rig (as part of a traditional drilling contract) or a customer-owned rig (as part of an O&M contract). In addition, we provide project related services, such as engineering, procurement, project management and commissioning 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.

##### ***U.S. (Lower 48) Drilling***

Our U.S. (Lower 48) Drilling segment provides drilling services with our GOM barge drilling rig fleet and through U.S. (Lower 48) 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 shallow water depths ranging from 6 to 12 feet. Our rigs are suitable for a variety of drilling programs, from inland coastal waters requiring shallow draft barges, to open water drilling on both state and federal water projects requiring more robust hull depth capabilities. The barge drilling industry in the GOM is characterized by cyclical activity where utilization and dayrates are typically driven by oil and gas prices and our customers' access to project financing. Contract terms tend to be well-to-well or multi-well programs, most commonly ranging from 45 to 150 days.

##### ***International & Alaska Drilling***

Our International & Alaska Drilling segment provides drilling services, with Company-owned rigs as well as through O&M contracts, and project related services. The drilling markets in which this segment operates have one or more of the following characteristics:

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

### Our Rental Tools Services Business

Our Rental Tools segment provides premium rental equipment and services to E&P companies, drilling contractors and service companies on land and offshore in the U.S. and select international markets. Tools we provide include standard and heavy-weight drill pipe, tubing, pressure control equipment, including BOPs, drill collars and more. We also provide well construction services, which include tubular running services and downhole tools, and well intervention services, which include whipstock, fishing products and related services, as well as inspection and machine shop support. Our largest single market for rental tools is U.S. land drilling. Generally, rental tools are used for only a portion of a well drilling program and are usually rented on a daily or monthly basis.

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

<i>Dollars in thousands</i>	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Revenues: <sup>(1)</sup>		
<u>Drilling Services:</u>		
U.S. (Lower 48) Drilling	\$ 2,085	\$ 14,097
International & Alaska Drilling	88,619	113,921
Total Drilling Services	<u>90,704</u>	<u>128,018</u>
Rental Tools	39,799	76,058
Total revenues	<u>130,503</u>	<u>204,076</u>
Operating gross margin: <sup>(2)</sup>		
<u>Drilling Services:</u>		
U.S. (Lower 48) Drilling	(8,558)	(5,717)
International & Alaska Drilling	5,077	17,354
Total Drilling Services	<u>(3,481)</u>	<u>11,637</u>
Rental Tools	<u>(9,947)</u>	<u>12,630</u>
Total operating gross margin	(13,428)	24,267
General and administrative expense	(9,781)	(10,837)
Gain (loss) on disposition of assets, net	(60)	2,441
Total operating income (loss)	<u>(23,269)</u>	<u>15,871</u>
Interest expense	(11,562)	(11,078)
Interest income	7	183
Other income (loss)	2,485	(1,380)
Income (loss) from continuing operations before income taxes	<u>\$ (32,339)</u>	<u>\$ 3,596</u>

(1) For the three months ended March 31, 2016, our largest customer, ENL, constituted approximately 39.2 percent of our total consolidated revenues and approximately 57.8 percent of our International & Alaska Drilling segment revenues. Excluding reimbursable revenues of \$18.3 million, our largest customer, ENL, constituted approximately 29.5 percent of our total consolidated revenues, net of reimbursables, and approximately 47.2 percent of our International & Alaska Drilling segment revenues.

Our second largest customer, BP, constituted 11.5 percent of our total consolidated revenues and approximately 16.5 percent of our International & Alaska Drilling segment revenues. Excluding reimbursable revenues of \$92 thousand, our second largest customer constituted approximately 13.3 percent of our total consolidated revenues, net of reimbursables, and approximately 20.9 percent of our International & Alaska Drilling segment revenues.

For the three months ended March 31, 2015, our largest customer, ENL, constituted approximately 22.9 percent of our total consolidated revenues and approximately 41.0 percent of our International & Alaska Drilling segment revenues. Excluding reimbursable revenues of \$16.0 million, our largest customer, ENL, constituted approximately 16.7 percent of our total consolidated revenues, net of reimbursables, and approximately 32.3 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 8 - 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 March 31, 2016 we had a liability for unrecognized tax benefits of \$6.0 million, all of which would favorably impact our effective tax rate upon recognition, primarily related to foreign operations. At March 31, 2015, we had a liability for unrecognized tax benefits of \$8.2 million, including \$3.6 million of benefits which would favorably impact our effective tax rate upon recognition, primarily related to foreign operations. In addition, we recognize interest and penalties that could be applied to uncertain tax positions in periodic income tax expense. As of March 31, 2016 and March 31, 2015, we had approximately \$1.9 million and \$3.4 million, respectively, of accrued interest and penalties related to uncertain tax positions.

During the quarter ended March 31, 2016, we received assessments from a foreign tax authority related to prior year income tax returns. Previously recorded reserves were in excess of the assessed amounts and an income tax benefit of \$1.4 million was recorded during the quarter. Management believes that the Company is properly reserved with respect to accounting for uncertainty in income taxes.

**Note 9 - Income Tax Benefit/Expense**

During the first quarter of 2016 we had income tax expense of \$63.5 million compared to income tax benefit of \$0.2 million during the first quarter of 2015. Despite the pre-tax operating loss for the first quarter of 2016, we recognized income tax expense as a result of recording a valuation allowance of \$73.1 million against our U.S. domestic deferred tax assets, which primarily consist of U.S. federal net operating losses. We established the valuation allowance based on the weight of positive and negative evidence available, including the recent and current results of operations which reflect continued degradation in market activity and including the increased contractual uncertainty materializing during the first quarter of 2016 in the U.S. jurisdictions in which we operate. In order to determine the need for a valuation allowance, we must make estimates and assumptions. Changes in these estimates and assumptions, including changes in tax laws and other changes impacting our ability to recognize the underlying deferred tax assets, may require us to adjust the valuation allowances in the future. The income tax benefit in the first quarter of 2015 was primarily related to changes in the carrying value of certain deferred tax assets due to changes in tax law and taxing jurisdictions.

**Note 10 - Long-Term Debt**

The following table illustrates our debt portfolio as of March 31, 2016 and December 31, 2015:

<i>Dollars in thousands</i>	March 31, 2016	December 31, 2015
6.75% Senior Notes, due July 2022	\$ 360,000	\$ 360,000
7.50% Senior Notes, due August 2020	225,000	225,000
Total Principal	585,000	585,000
Less: unamortized debt issuance costs	(9,829)	(10,202)
Total long-term debt	\$ 575,171	\$ 574,798

**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 pursuant to a tender and consent solicitation offer commenced on January 7, 2014.

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 (\$6.0 million net of amortization as of March 31, 2016) 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 (\$3.8 million, net of amortization as of March 31, 2016) 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.

#### ***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. The 2012 Secured Credit Agreement consisted of an \$80.0 million revolving credit facility and a \$50.0 million term loan. At the closing of the 2015 Secured Credit Agreement, the outstanding balance on the term loan was \$30.0 million, and we repaid this balance with a \$30.0 million draw on the 2015 Revolver. 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." On September 29, 2015, we executed the second amendment to the 2015 Secured Credit Agreement (the "Second Amendment"). Among other things, the Second Amendment: (a) gradually increases the permissible consolidated leverage ratio from a maximum of 4.00:1.00 to 5.75:1.00 through December 31, 2016, which thereafter gradually reduces to 4.00:1.00 by December 31, 2017; (b) reduces the consolidated interest coverage ratio from 2.50:1.00 to 2.25:1.00 for each quarter of 2016, and returning to 2.50:1.00 thereafter; (c) increases the Applicable Rate for certain higher levels of consolidated leverage to a maximum of 4.00 percent per annum for LIBOR rate loans and to 3.00 percent per annum for base rate loans; (d) allows multi-year letters of credit up to an aggregate amount of \$5.0 million; (e) limits payment prior to September 30, 2017 of certain restricted payments and certain prepayments of unsecured senior notes and other specified forms of indebtedness; and (f) removes the option of the Company, subject to the consent of the lenders, to increase the Credit Agreement up to an additional \$75 million. We incurred debt issuance costs related to the 2015 Secured Credit Agreement of approximately \$2.0 million and had approximately \$0.8 million of remaining debt issuance costs for the 2012 Secured Credit agreement. The total debt issuance costs of \$2.8 million (\$2.3 million, net of amortization as of March 31, 2016) are being amortized over the term of the 2015 Secured Credit Agreement on a straight line basis.

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, certain U.S.-based rental equipment of the Company and its subsidiary guarantors and the equity interests of certain of the Company's subsidiaries. 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, a consolidated leverage ratio, as described above, a consolidated interest coverage ratio, as described above, and a maximum senior secured leverage ratio of 1.50:1.00 at each quarter end). We were in compliance with all such covenants as of March 31, 2016.

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. As a result of the Second Amendment, the Applicable Rate ranges from 2.50 percent to 4.00 percent per annum for LIBOR rate loans and from 1.50 percent to 3.00 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 certain U.S.-based 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 March 31, 2016 totaled \$12.8 million. There were no amounts drawn on the 2015 Revolver as of March 31, 2016.

#### ***Note 11 - Fair Value of Financial Instruments***

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

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

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

When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the 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>	March 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Long-term Debt</b>				
6.75% Notes	\$ 360,000	\$ 255,600	\$ 360,000	\$ 246,600
7.50% Notes	225,000	175,500	225,000	171,000
Total Principal	\$ 585,000	\$ 431,100	\$ 585,000	\$ 417,600

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

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the three months ended March 31, 2016.

#### **Note 12 - 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 deferred 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. The third written annual report was filed with the DOJ on April 15, 2016.

#### **Note 13 - Recent Accounting Pronouncements**

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, Compensation - Stock Compensation (Topic 718). The objective of this update is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard becomes effective for public companies for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. We are in the process of assessing the impact of the adoption of ASU 2016-09 on our financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This update establishes a new lease accounting model for lessees. Early adoption is permitted. Upon adoption, a modified retrospective approach is required for leases that exist, or are entered into, after the beginning of the earliest comparative period presented. The standard becomes effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of assessing the impact of the adoption of ASU 2016-02 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.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes (Topic 740). This update requires businesses to classify deferred tax liabilities and assets on their balance sheets as noncurrent. Early adoption is permitted. Upon adoption, an entity must apply the new guidance either retrospectively to all prior periods presented in the financial statements prospectively for all new information on a going forward-basis. We early adopted the standard on a retrospective basis as of December 31, 2015.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This new standard specifies that the acquirer should recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, eliminating the current requirement to retrospectively account for these adjustments. Additionally, the full effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts should be recognized in the same period as the adjustments to the provisional amounts. The standard is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. We adopted this new standard and there was not a material impact on our financial position, results of operations and cash flows.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which requires companies to measure inventory at the lower of cost or net realizable value rather than at the lower of cost or market. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The standard is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. We plan to adopt this new standard and do not currently anticipate a material impact on our financial position, results of operations and cash flows.

In June 2015, the FASB issued 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 adopted this new standard and there was not a material impact on our financial position, results of operations and cash flows.

In April 2015, the FASB issued 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. Final guidance on this standard, issued as ASU 2015-15 in August 2015, includes an SEC staff announcement that the SEC staff will not object to an entity presenting the cost of securing a revolving line of credit as an asset, regardless of whether a balance is outstanding. Early adoption is permitted. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. We adopted this standard on a retrospective basis effective January 1, 2016 and it resulted in the netting of \$9.8 million of deferred financing costs against long-term debt balances on the consolidated balance sheets for the period ended March 31, 2016 and \$10.2 million for the period ended December 31, 2015. We continue to record the deferred financing costs related to our revolving credit facility in "other noncurrent assets" on our consolidated balance sheets for the periods presented. There was 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 recognize 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 14 - Parent, Guarantor, Non-Guarantor Unaudited Consolidating Condensed Financial Statements***

Set forth on the following pages are the consolidating condensed financial statements of Parker Drilling. 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 Rule 3-10(f) of Regulation S-X. 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 March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015, respectively. The consolidating condensed financial statements present investments in both consolidated and unconsolidated subsidiaries using the equity method of accounting.

Upon the closing of our 2015 Secured Credit Agreement, one of our subsidiaries was released as a guarantor subsidiary and is now classified as a non-guarantor subsidiary. In accordance with the guidance Topic No. 810, Consolidation (ASC 810), we have retrospectively updated the unaudited consolidating condensed financial information as of December 31, 2015 and for the three months ended March 31, 2015.

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

	March 31, 2016				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 45,822	\$ 13,242	\$ 49,363	\$ —	\$ 108,427
Accounts and notes receivable, net	—	48,785	126,597	—	175,382
Rig materials and supplies	—	(3,788)	40,296	—	36,508
Other current assets	—	5,124	19,314	—	24,438
Total current assets	45,822	63,363	235,570	—	344,755
Property, plant and equipment, net	(19)	521,959	254,972	—	776,912
Goodwill	—	6,708	—	—	6,708
Intangible assets, net	—	11,164	1,056	—	12,220
Investment in subsidiaries and intercompany advances	3,049,008	2,810,676	3,439,433	(9,299,117)	—
Other noncurrent assets	(225,185)	277,015	543,011	(480,787)	114,054
Total assets	\$ 2,869,626	\$ 3,690,885	\$ 4,474,042	\$ (9,779,904)	\$ 1,254,649
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 104,789	\$ 55,216	\$ 572,465	\$ (617,477)	\$ 114,993
Accrued income taxes	20,216	(6,430)	(7,806)	—	5,980
Total current liabilities	125,005	48,786	564,659	(617,477)	120,973
Long-term debt, net	575,171	—	—	—	575,171
Other long-term liabilities	2,868	5,867	5,020	—	13,755
Long-term deferred tax liability	(29)	72,948	(1,021)	—	71,898
Intercompany payables	1,693,797	1,412,285	1,962,772	(5,068,854)	—
Total liabilities	2,396,812	1,539,886	2,531,430	(5,686,331)	781,797
Total equity	472,814	2,150,999	1,942,612	(4,093,573)	472,852
Total liabilities and stockholders' equity	\$ 2,869,626	\$ 3,690,885	\$ 4,474,042	\$ (9,779,904)	\$ 1,254,649

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

December 31, 2015

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 73,985	\$ 13,854	\$ 46,455	\$ —	\$ 134,294
Accounts and notes receivable, net	—	42,261	132,844	—	175,105
Rig materials and supplies	—	(4,744)	39,681	—	34,937
Other current assets	—	5,982	16,423	—	22,405
<b>Total current assets</b>	<b>73,985</b>	<b>57,353</b>	<b>235,403</b>	<b>—</b>	<b>366,741</b>
Property, plant and equipment, net	(19)	543,346	262,514	—	805,841
Goodwill	—	6,708	—	—	6,708
Intangible assets, net	—	11,740	1,637	—	13,377
Investment in subsidiaries and intercompany advances	3,057,220	2,770,501	3,319,702	(9,147,423)	—
Other noncurrent assets	(234,786)	312,790	265,995	(169,964)	174,035
<b>Total assets</b>	<b>\$ 2,896,400</b>	<b>\$ 3,702,438</b>	<b>\$ 4,085,251</b>	<b>\$ (9,317,387)</b>	<b>\$ 1,366,702</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Current portion of long-term debt	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts payable and accrued liabilities	84,456	56,382	295,439	(306,574)	129,703
Accrued income taxes	9,900	2,111	(5,593)	—	6,418
<b>Total current liabilities</b>	<b>94,356</b>	<b>58,493</b>	<b>289,846</b>	<b>(306,574)</b>	<b>136,121</b>
Long-term debt, net	574,798	—	—	—	574,798
Other long-term liabilities	2,868	7,446	8,303	—	18,617
Long-term deferred tax liability	(29)	69,679	(996)	—	68,654
Intercompany payables	1,656,968	1,401,510	1,864,671	(4,923,149)	—
<b>Total liabilities</b>	<b>2,328,961</b>	<b>1,537,128</b>	<b>2,161,824</b>	<b>(5,229,723)</b>	<b>798,190</b>
<b>Total equity</b>	<b>567,439</b>	<b>2,165,310</b>	<b>1,923,427</b>	<b>(4,087,664)</b>	<b>568,512</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,896,400</b>	<b>\$ 3,702,438</b>	<b>\$ 4,085,251</b>	<b>\$ (9,317,387)</b>	<b>\$ 1,366,702</b>

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

Three Months Ended March 31, 2016

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 47,382	\$ 106,477	\$ (23,356)	\$ 130,503
Operating expenses	—	32,835	98,638	(23,356)	108,117
Depreciation and amortization	—	23,125	12,689	—	35,814
Total operating gross margin	—	(8,578)	(4,850)	—	(13,428)
General and administration expense <sup>(1)</sup>	(87)	(9,613)	(81)	—	(9,781)
(Loss) on disposition of assets, net	—	(56)	(4)	—	(60)
Total operating income (loss)	(87)	(18,247)	(4,935)	—	(23,269)
Other income and (expense):					
Interest expense	(11,857)	(437)	(2,859)	3,591	(11,562)
Interest income	204	179	3,215	(3,591)	7
Other	—	485	2,000	—	2,485
Equity in net earnings of subsidiaries	(16,225)	—	—	16,225	—
Total other income (expense)	(27,878)	227	2,356	16,225	(9,070)
Income (loss) before income taxes	(27,965)	(18,020)	(2,579)	16,225	(32,339)
Total income tax expense (benefit)	67,870	(3,707)	(667)	—	63,496
Net income (loss)	(95,835)	(14,313)	(1,912)	16,225	(95,835)
Less: Net income attributable to noncontrolling interest	—	—	—	—	—
Net income (loss) attributable to controlling interest	\$ (95,835)	\$ (14,313)	\$ (1,912)	\$ 16,225	\$ (95,835)

(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 March 31, 2015

	Parent	Guarantor	Non- Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 79,395	\$ 150,931	\$ (26,250)	\$ 204,076
Operating expenses	—	44,145	121,375	(26,250)	139,270
Depreciation and amortization	—	23,311	17,228	—	40,539
Total operating gross margin	—	11,939	12,328	—	24,267
General and administration expense <sup>(1)</sup>	(112)	(10,115)	(610)	—	(10,837)
Gain on disposition of assets, net	—	52	2,389	—	2,441
Total operating income (loss)	(112)	1,876	14,107	—	15,871
Other income and (expense):					
Interest expense	(11,059)	(17)	(328)	326	(11,078)
Interest income	417	3	89	(326)	183
Other	—	10	(1,390)	—	(1,380)
Equity in net earnings of subsidiaries	8,988	—	—	(8,988)	—
Total other income (expense)	(1,654)	(4)	(1,629)	(8,988)	(12,275)
Income (loss) before income taxes	(1,766)	1,872	12,478	(8,988)	3,596
Income tax expense (benefit)	(4,988)	(447)	5,253	—	(182)
Net income (loss)	3,222	2,319	7,225	(8,988)	3,778
Less: Net income attributable to noncontrolling interest	—	—	556	—	556
Net income (loss) attributable to controlling interest	\$ 3,222	\$ 2,319	\$ 6,669	\$ (8,988)	\$ 3,222

(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 March 31, 2016				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Comprehensive income:					
Net income (loss)	\$ (95,835)	\$ (14,313)	\$ (1,912)	\$ 16,225	\$ (95,835)
Other comprehensive income (loss), net of tax:					
Currency translation difference on related borrowings	—	—	502	—	502
Currency translation difference on foreign currency net investments	—	—	(1,538)	—	(1,538)
Total other comprehensive income (loss), net of tax:	—	—	(1,036)	—	(1,036)
Comprehensive income (loss)	(95,835)	(14,313)	(2,948)	16,225	(96,871)
Comprehensive (loss) attributable to noncontrolling interest					
	—	—	—	—	—
Comprehensive income (loss) attributable to controlling interest	\$ (95,835)	\$ (14,313)	\$ (2,948)	\$ 16,225	\$ (96,871)

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

	Three Months Ended March 31, 2015				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Comprehensive income:					
Net income (loss)	\$ 3,222	\$ 2,319	\$ 7,225	\$ (8,988)	\$ 3,778
Other comprehensive income (loss), net of tax:					
Currency translation difference on related borrowings	—	—	(1,670)	—	(1,670)
Currency translation difference on foreign currency net investments	—	—	(849)	—	(849)
Total other comprehensive income (loss), net of tax:	—	—	(2,519)	—	(2,519)
Comprehensive income (loss)	3,222	2,319	4,706	(8,988)	1,259
Comprehensive (loss) attributable to noncontrolling interest					
	—	—	(394)	—	(394)
Comprehensive income (loss) attributable to controlling interest	\$ 3,222	\$ 2,319	\$ 4,312	\$ (8,988)	\$ 865



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

	Three Months Ended March 31, 2016				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (95,835)	\$ (14,313)	\$ (1,912)	\$ 16,225	\$ (95,835)
Adjustments to reconcile net income (loss):					
Depreciation and amortization	—	23,125	12,689	—	35,814
Accretion of contingent consideration	—	419	—	—	419
Gain on disposition of assets	—	56	4	—	60
Deferred income tax expense	57,677	5,185	549	—	63,411
Expenses not requiring cash	1,740	33	(2,199)	—	(426)
Equity in net earnings of subsidiaries	16,225	—	—	(16,225)	—
Change in assets and liabilities:					
Accounts and notes receivable	—	(6,637)	6,256	—	(381)
Other assets	(37,191)	33,904	2,983	—	(304)
Accounts payable and accrued liabilities	(9,521)	(799)	(4,117)	—	(14,437)
Accrued income taxes	10,680	(8,905)	(5,375)	—	(3,600)
Net cash provided by (used in) operating activities	<u>(56,225)</u>	<u>32,068</u>	<u>8,878</u>	<u>—</u>	<u>(15,279)</u>
Cash flows from investing activities:					
Capital expenditures	—	(3,521)	(4,368)	—	(7,889)
Proceeds from the sale of assets	—	28	26	—	54
Net cash provided by (used in) investing activities	<u>—</u>	<u>(3,493)</u>	<u>(4,342)</u>	<u>—</u>	<u>(7,835)</u>
Cash flows from financing activities:					
Payment of contingent consideration	—	(2,000)	—	—	(2,000)
Excess tax benefit from stock-based compensation	(753)	—	—	—	(753)
Intercompany advances, net	28,815	(27,187)	(1,628)	—	—
Net cash provided by (used in) financing activities	<u>28,062</u>	<u>(29,187)</u>	<u>(1,628)</u>	<u>—</u>	<u>(2,753)</u>
Net change in cash and cash equivalents	(28,163)	(612)	2,908	—	(25,867)
Cash and cash equivalents at beginning of year	73,985	13,854	46,455	—	134,294
Cash and cash equivalents at end of year	<u>\$ 45,822</u>	<u>\$ 13,242</u>	<u>\$ 49,363</u>	<u>\$ —</u>	<u>\$ 108,427</u>

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

Three Months Ended March 31, 2015

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
<b>Cash flows from operating activities:</b>					
Net income (loss)	\$ 3,222	\$ 2,319	\$ 7,225	\$ (8,988)	\$ 3,778
<b>Adjustments to reconcile net income (loss)</b>					
Depreciation and amortization	—	23,311	17,228	—	40,539
Gain on disposition of assets	—	(52)	(2,389)	—	(2,441)
Deferred income tax expense	(7,932)	3,117	(1,489)	—	(6,304)
Expenses not requiring cash	2,443	436	(1,142)	—	1,737
Equity in net earnings of subsidiaries	(8,988)	—	—	8,988	—
<b>Change in assets and liabilities:</b>					
Accounts and notes receivable	19	(12,289)	5,620	—	(6,650)
Other assets	25,016	(41,216)	(3,887)	—	(20,087)
Accounts payable and accrued liabilities	(10,549)	47,058	17,536	—	54,045
Accrued income taxes	(10,727)	13,922	(581)	—	2,614
Net cash provided by (used in) operating activities	(7,496)	36,606	38,121	—	67,231
<b>Cash flows from investing activities:</b>					
Capital expenditures	—	(24,418)	(9,037)	—	(33,455)
Proceeds from the sale of assets	—	50	196	—	246
Proceeds from insurance settlements	—	—	2,500	—	2,500
Net cash provided by (used in) investing activities	—	(24,368)	(6,341)	—	(30,709)
<b>Cash flows from financing activities:</b>					
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	(420)	—	—	—	(420)
Intercompany advances, net	34,251	(14,840)	(19,411)	—	—
Net cash provided by (used in) financing activities	2,472	(14,840)	(19,411)	—	(31,779)
Net change in cash and cash equivalents	(5,024)	(2,602)	12,369	—	4,743
Cash and cash equivalents at beginning of year	36,728	13,546	58,182	—	108,456
Cash and cash equivalents at end of year	\$ 31,704	\$ 10,944	\$ 70,551	\$ —	\$ 113,199

## 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 of this quarterly report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K).

### 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, 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 contract 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 or rental contracts and our expectations concerning when operations will commence under such contracts;
- 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 or drilling services equipment and expectations regarding when such rigs or equipment will commence operations;
- capital expenditures for acquisition of rental tools, rigs, construction of new rigs or drilling services equipment or major upgrades to existing rigs or equipment;
- entering into joint venture agreements;
- our future liquidity;
- 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;



- U.S. credit market volatility resulting from a restrictive regulatory environment imposed upon lenders due to their over exposure to the energy industry;
- the U.S. economy and the demand for oil and natural gas;
- low oil and natural gas prices that could adversely affect our drilling services and 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;
- ability of our customers to fund drilling plans;
- unexpected cost increases for new construction and upgrade and refurbishment projects;
- delays in obtaining components for capital projects and in ongoing operational maintenance and equipment certifications;
- shortages of skilled labor;
- unanticipated cancellation of contracts by customers or operators;
- breakdown of equipment;
- other operational problems including delays in start-up or commissioning of rigs;
- changes in competition;
- any failure to realize expected benefits from acquisitions;
- the effect of litigation and contingencies; and
- other similar factors, 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 Securities and Exchange Commission (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.

## Executive Overview

The oil and gas industry is highly cyclical. Activity levels are driven by traditional energy industry activity indicators, which include current and expected commodity prices, drilling rig counts, footage drilled, well counts, and our customers' spending levels allocated towards exploratory and development drilling.

Historical market indicators are listed below:

	Three Months Ended March 31,		% Change
	2016	2015	
Worldwide Rig Count <sup>(1)</sup>			
U.S. (land and offshore)	555	1,380	(60)%
International <sup>(2)</sup>	1,016	1,261	(19)%
Commodity Prices <sup>(3)</sup>			
Crude Oil (United Kingdom Brent)	\$ 35.21	55.13	(36)%
Crude Oil (West Texas Intermediate)	\$ 33.63	48.57	(31)%
Natural Gas (Henry Hub)	\$ 1.98	2.81	(30)%

(1) Estimate of drilling activity measured by the average active rig count for the period indicated - Source: Baker Hughes Incorporated Rig Count

(2) Excludes Canadian Rig Count.

(3) Average daily commodity prices for the periods indicated based on NYMEX front-month composite energy prices.

## Executive Outlook

We believe overall energy market conditions will remain at low levels due to the ongoing imbalance between supply and demand for oil and natural gas. Although oil prices have moderately recovered from the recent low set in the first quarter and have begun to trend upward, market fundamentals remain very challenging and the overall industry has not shown any meaningful improvement in activity.

We anticipate further declines in demand and pricing for our rental tools, particularly in the U.S. land and offshore Gulf of Mexico (GOM) drilling markets. However, the start of new contract commitments in the Middle East plus further cost reductions should help offset some of the decline.

For our U.S. (Lower 48) Drilling segment, we do not anticipate any material changes in activity levels at current commodity prices, so we should see a continuation of low barge utilization levels and dayrates. In the International & Alaska Drilling Segment, we expect activity to remain low and results to be impacted by lower realized dayrates attributable to both price concessions and more rigs operating in standby mode. We are also scheduled to complete a significant project services engagement during the second quarter. Despite the challenges we are facing, we extended the term for three rigs in Kazakhstan from mid-2016 out to December 2016 for one rig and for all of 2017 for two rigs.

During the first quarter, one of our two arctic-class drilling rigs in Alaska was placed on standby. This change in operating status did not impact the first quarter results and is not expected to have a material impact on future results. We are discussing ways to keep this rig active with our client. Those discussions have been positive and we expect an agreement to be concluded soon. In the event an agreement is not reached and the rig is released, our contract provides for an early termination fee.

Although we do not know the depth or duration of this downcycle, we have taken steps to align resources with the ongoing market downturn by lowering our cost base, sustaining our utilization, and managing our cash and liquidity. We will continue to adjust and adapt to the business environment and market conditions, while remaining opportunistic and positioning the Company for longer-term growth.

## Results of Operations

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. 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 revenues and expenses.

We analyze financial results for each of our reportable segments. The reportable segments presented are consistent with our reportable segments discussed in our consolidated financial statements. See Note 7 - Reportable Segments in Item 1. Financial Statements and Supplementary Data for further discussion. 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 accounting policies generally accepted in the United States (U.S. GAAP), but should be viewed in addition to the Company's reported results prepared in accordance with U.S. GAAP. Management believes this information may provide additional, meaningful comparisons between current results and results of prior periods to users of this financial information.

### Three Months Ended March 31, 2016 Compared with Three Months Ended March 31, 2015

Revenues decreased \$73.6 million, or 36.1 percent, to \$130.5 million for the three months ended March 31, 2016 as compared to revenues of \$204.1 million for the three months ended March 31, 2015. Operating gross margin decreased \$37.7 million, or 155.1 percent, to a loss of \$13.4 million, for the three months ended March 31, 2016 as compared to income of \$24.3 million for the three months ended March 31, 2015.

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

<i>Dollars in Thousands</i>	Three Months Ended March 31,			
	2016		2015	
<b>Revenues:</b>				
<u>Drilling Services:</u>				
U.S. (Lower 48) Drilling	\$ 2,085	2%	\$ 14,097	7%
International & Alaska Drilling	88,619	68%	113,921	56%
Total Drilling Services	90,704	70%	128,018	63%
Rental Tools	39,799	30%	76,058	37%
Total revenues	130,503	100%	204,076	100%
<b>Operating gross margin (loss) excluding depreciation and amortization:</b>				
<u>Drilling Services:</u>				
U.S. (Lower 48) Drilling	(3,337)	n/m	115	1%
International & Alaska Drilling	18,894	21%	35,392	31%
Total Drilling Services	15,557	17%	35,507	28%
Rental Tools	6,829	17%	29,299	39%
Total operating gross margin excluding depreciation and amortization	22,386	17%	64,806	32%
Depreciation and amortization	(35,814)		(40,539)	
Total operating gross margin	(13,428)		24,267	
General and administrative expense	(9,781)		(10,837)	
Gain (loss) on disposition of assets, net	(60)		2,441	
Total operating income (loss)	\$ (23,269)		\$ 15,871	

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

<i>Dollars in Thousands</i>	<b>U.S. (Lower 48) Drilling</b>	<b>International &amp; Alaska Drilling</b>	<b>Rental Tools</b>	<b>Total</b>
<b>Three Months Ended March 31, 2016</b>				
Operating gross margin <sup>(1)</sup>	\$ (8,558)	\$ 5,077	\$ (9,947)	\$ (13,428)
Depreciation and amortization	5,221	13,817	16,776	35,814
Operating gross margin excluding depreciation and amortization	\$ (3,337)	\$ 18,894	\$ 6,829	\$ 22,386
<b>Three Months Ended March 31, 2015</b>				
Operating gross margin <sup>(1)</sup>	\$ (5,717)	\$ 17,354	\$ 12,630	\$ 24,267
Depreciation and amortization	5,832	18,038	16,669	40,539
Operating gross margin excluding depreciation and amortization	\$ 115	\$ 35,392	\$ 29,299	\$ 64,806

- (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 March 31, 2016 and 2015, respectively:

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>U.S. (Lower 48) Drilling</b>		
Rigs available for service <sup>(1)</sup>	13.0	13.0
Utilization rate of rigs available for service <sup>(2)</sup>	7%	21%
<b>International &amp; Alaska Drilling</b>		
Eastern Hemisphere		
Rigs available for service <sup>(1)</sup>	13.0	13.0
Utilization rate of rigs available for service <sup>(2)</sup>	48%	82%
Latin America Region		
Rigs available for service <sup>(1)</sup>	7.0	9.0
Utilization rate of rigs available for service <sup>(2)</sup>	29%	45%
Alaska		
Rigs available for service <sup>(1)</sup>	2.0	2.0
Utilization rate of rigs available for service <sup>(2)</sup>	100%	100%
<b>Total International &amp; Alaska Drilling</b>		
Rigs available for service <sup>(1)</sup>	22.0	24.0
Utilization rate of rigs available for service <sup>(2)</sup>	46%	70%

- (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 \$12.0 million, or 85.1 percent, to \$2.1 million for the first quarter of 2016 compared with revenues of \$14.1 million for the first quarter of 2015. The decrease was primarily due to lower utilization in the inland waters of the GOM, which declined from 21 percent for the quarter ended March 31, 2015 to 7 percent for the quarter ended March 31, 2016 and resulted in a \$6.3 million decrease in revenue. The decline in utilization for the barge drilling business was due to substantial reductions in drilling activity by operators in the inland waters of the GOM resulting from lower oil prices. The remainder of the decrease was primarily driven by a decrease in revenues of \$4.2 million from our O&M contract supporting three platform operations located offshore California, as the O&M contract ended during the 2015 fourth quarter.

U.S. (Lower 48) Drilling segment operating gross margin excluding depreciation and amortization decreased \$3.4 million to a loss of \$3.3 million for the first quarter of 2016 compared with income of \$0.1 million for the first quarter of 2015. The decrease was primarily due to the decline in utilization and the ending of the O&M contract discussed above.

### ***International & Alaska Drilling***

International & Alaska Drilling segment revenues decreased \$25.3 million, or 22.2 percent, to \$88.6 million for the first quarter of 2016 compared with \$113.9 million for the first quarter of 2015.

The decrease in revenues was primarily due to the following:

- a decrease of \$24.0 million resulting from decreased utilization for Parker-owned rigs. Utilization for the segment decreased to 46 percent for the quarter ended March 31, 2016 from 70 percent for the quarter ended March 31, 2015, primarily resulting from the continued impact of the decline in oil prices which led to reduced customer activity; and
- a decrease of \$3.2 million related to demobilization revenue earned in the first quarter of 2015 that did not recur in the first quarter of 2016.

The decrease in revenues was partially offset by an increase of \$5.1 million of revenues generated from our project service activities.

International & Alaska Drilling segment operating gross margin excluding depreciation and amortization decreased \$16.5 million, or 46.6 percent, to \$18.9 million for the first quarter of 2016 compared with \$35.4 million for the first quarter of 2015. The decrease in operating gross margin excluding depreciation and amortization was primarily due to the impact of lower utilization discussed above.

## **Rental Tools Services Business Line**

Rental Tools segment revenues decreased \$36.3 million, or 47.7 percent, to \$39.8 million for the first quarter of 2016 compared with \$76.1 million for the first quarter of 2015. The decrease was due to a \$23.3 million decrease in our U.S. revenues and a \$13.0 million decrease in our international revenues. The decreases were primarily attributable to the continued reduction in customer activity and pricing pressures resulting from lower oil prices.

Rental Tools segment operating gross margin excluding depreciation and amortization decreased \$22.5 million, or 76.8 percent, to \$6.8 million in the first quarter of 2016 compared with \$29.3 million for the first quarter of 2015. The decrease in operating gross margin excluding depreciation and amortization primarily consists of a \$13.8 million decrease for our U.S. operations and an \$8.7 million decrease for our international operations, in both cases the decrease was due to the declines in oil prices and customer activity discussed above.

## **Other Financial Data**

### ***General and administrative expense***

General and administration expense decreased \$1.0 million to \$9.8 million for the first quarter of 2016, compared with \$10.8 million for the first quarter of 2015. General and administrative expense in the first quarter of 2015 was primarily driven by increased expenses as we implemented the second phase of our new enterprise resource planning system during the quarter. Additionally, general and administrative expense in the first quarter of 2016 benefited from cost savings initiatives.

### ***Gain/loss on disposition of assets***

Net losses recognized on asset dispositions were nominal during the first quarter of 2016, compared with net gains of \$2.4 million during the first quarter of 2015. The net gains for the first quarter of 2015 were primarily due to an insurance settlement received during the quarter related to previously realized asset losses. Additionally, we periodically sell equipment deemed to be excess, obsolete, or not currently required for operations.

### ***Interest income and expense***

Interest expense increased \$0.5 million to \$11.6 million for the first quarter of 2016 compared with \$11.1 million for the first quarter of 2015. The increase in interest expense is a result of the accretion of the contingent consideration related to the acquisition of 2M-Tek, a Louisiana-based manufacturer of equipment for tubular running and related well services (the 2M-Tek Acquisition). Interest income during each of the 2016 and 2015 first quarters was nominal.

### ***Other income and expense***

Other income for the first quarter of 2016 was \$2.5 million compared with other expense for the first quarter of 2015 of \$1.4 million. Other income for the first quarter of 2016 was primarily attributable to a reclassification of \$1.9 million of realized foreign currency translation gains from accumulated other comprehensive income (AOCI) and the settlement of certain legal claims, resulting in other income, of \$0.6 million. Other expense for the first quarter of 2015 was primarily driven by losses related to foreign currency fluctuations.

### ***Income tax expense (benefit)***

During the first quarter of 2016 we had income tax expense of \$63.5 million compared to a tax benefit of \$0.2 million during the first quarter of 2015. Despite the pre-tax operating loss for the first quarter of 2016, we recognized income tax expense as a result of recording a valuation allowance of \$73.1 million against our U.S. domestic deferred tax assets, which primarily consist of U.S. federal net operating losses. We established the valuation allowance based on the weight of positive and negative evidence available, including the recent and current results of operations which reflect continued degradation in market activity and including the increased contractual uncertainty materializing during the first quarter of 2016 in the U.S. jurisdictions in which we operate. In order to determine the need for a valuation allowance, we must make estimates and assumptions regarding events occurring in the first quarter of 2016. Changes in these estimates and assumptions, including changes in tax laws and other changes impacting our ability to recognize the underlying deferred tax assets, may require us to adjust the valuation allowances in the future. The income tax benefit in the first quarter of 2015 was primarily related to changes in the carrying value of certain deferred tax assets due to changes in tax law and taxing jurisdictions.

### **Backlog**

Backlog is our estimate of the dollar amount of revenues we expect to realize in the future as a result of executing awarded contracts. The Company's backlog of firm orders was approximately \$228 million at March 31, 2016 and \$495 million at March 31, 2015 and is primarily attributable to the International & Alaska segment of our Drilling Services business. We estimate that, as of March 31, 2016, 51 percent of our backlog will be recognized as revenues within the fiscal year.

The amount of actual revenues earned and the actual periods during which revenues are earned could be different from amounts disclosed in our backlog calculations due to a lack of predictability of various factors, including unscheduled repairs, maintenance requirements, weather delays, contract terminations or renegotiations, new contracts and other factors. See "Our backlog of contracted revenue may not be fully realized and may reduce significantly in the future, which may have a material adverse effect on our financial position, results of operations or cash flows" in Item 1A. Risk Factors of our 2015 Form 10-K.

### **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. 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 expect that these sources of liquidity 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. When determined necessary we may seek to raise additional capital in the future. We do not pay dividends to our shareholders.

## Liquidity

The following table provides a summary of our total liquidity:

	<b>March 31, 2016</b>	
<i>Dollars in thousands</i>		
Cash and cash equivalents on hand <sup>(1)</sup>	\$	108,427
Availability under 2015 Revolver <sup>(2), (3)</sup>		187,165
<b>Total liquidity</b>	<b>\$</b>	<b>295,592</b>

(1) As of March 31, 2016, approximately \$46.6 million of the \$108.4 million of cash and equivalents was held by our foreign subsidiaries.

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

(3) In order to access the 2015 Revolver, we must be in compliance with the covenants contained in the 2015 Secured Credit Agreement. The consolidated leverage ratio covenant currently limits our ability to borrow under the 2015 Secured Credit Agreement and remain in compliance with the covenant. If a transaction were to occur, the pro-forma results of the transaction would be included in the consolidated leverage ratio calculation on a trailing twelve-month basis. As conditions in the oil and gas industry continue to decline, we continue to engage in discussions with our lenders regarding certain covenants and restrictions in the 2015 Secured Credit Agreement. We are currently seeking to amend our 2015 Secured Credit Agreement to ensure we remain in compliance and expect to have an amendment complete before the end of the second quarter. While we expect the amendment to provide covenant relief and flexibility, we also expect a reduction in size of the credit facility as part of the agreed amendment.

The earnings of foreign subsidiaries as of March 31, 2016 were reinvested to fund our international operations. If in the future we decide to repatriate earnings to the United States, the Company may be required to pay taxes on these amounts based on applicable United States tax law, which would reduce the liquidity of the Company at that time.

We do not have any unconsolidated special-purpose entities, off-balance sheet financing arrangements or guarantees of third-party financial obligations. As of March 31, 2016, we have no energy, commodity, or foreign currency derivative contracts.

## Cash Flow Activity

As of March 31, 2016, we had cash and cash equivalents of \$108.4 million, a decrease of \$25.9 million from cash and cash equivalents of \$134.3 million at December 31, 2015. The following table provides a summary of our cash flow activity:

	<b>Three Months Ended March 31, 2016</b>	
	<b>2016</b>	<b>2015</b>
<i>Dollars in thousands</i>		
Operating Activities	\$ (15,279)	\$ 67,231
Investing Activities	(7,835)	(30,709)
Financing Activities	(2,753)	(31,779)
Net change in cash and cash equivalents	\$ (25,867)	\$ 4,743

### *Operating Activities*

Cash flows for operating activities were a use of \$15.3 million for the three months ended March 31, 2016 compared to a source of \$67.2 million for the three months ended March 31, 2015. Cash flows for operating activities in each quarter were largely impacted by our earnings and changes in working capital. Changes in working capital were a use of cash of \$18.7 million for the three months ended March 31, 2016 compared to a source of cash of \$29.9 million for the three months ended March 31, 2015. In addition to the impact of earnings and working capital changes cash flows for operating activities in each quarter were impacted by non-cash charges such as depreciation expense, gains on asset sales, deferred tax benefit, stock compensation expense, debt extinguishment and amortization of debt issuance costs.

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 fund maintenance and growth of our rental tool assets and drilling rigs; 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 and capital expenditures.

### ***Investing Activities***

Cash flows used in investing activities were \$7.8 million for the three months ended March 31, 2016 compared with \$30.7 million for the three months ended March 31, 2015. Our primary use of cash during the three months ended March 31, 2016 and 2015 was \$7.9 million and \$33.5 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 maintenance.

### ***Financing Activities***

Cash flows used in financing activities were \$2.8 million for the three months ended March 31, 2016, primarily due to the payment of \$2.0 million of the contingent consideration related to the 2M-Tek Acquisition. The payment was made upon the achievement of certain milestones during the first quarter of 2016. Cash flows used in financing activities were \$31.8 million for the 2015 comparable period, primarily driven by the repayment of the \$30.0 million term loan in the first quarter of 2015.

### **Long-Term Debt Summary**

Our principal amount of long-term debt, including current portion, was \$575.2 million as of March 31, 2016 which consisted of:

- \$360.0 million aggregate principal amount of 6.75% Notes; and
- \$225.0 million aggregate principal amount of 7.50% Notes; less
- \$9.8 million of unamortized debt issuance costs

#### ***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 pursuant to a tender and consent solicitation offer commenced on January 7, 2014.

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 (\$6.0 million net of amortization as of March 31, 2016) 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 (\$3.8 million, net of amortization as of March 31, 2016) 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.

### ***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. The 2012 Secured Credit Agreement consisted of an \$80.0 million revolving credit facility and a \$50.0 million term loan. At the closing of the 2015 Secured Credit Agreement, the outstanding balance on the term loan was \$30.0 million, and we repaid this balance with a \$30.0 million draw on the 2015 Revolver. 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." On September 29, 2015, we executed the second amendment to the 2015 Secured Credit Agreement (the "Second Amendment"). Among other things, the Second Amendment: (a) gradually increases the permissible consolidated leverage ratio from a maximum of 4.00:1.00 to 5.75:1.00 through December 31, 2016, which thereafter gradually reduces to 4.00:1.00 by December 31, 2017; (b) reduces the consolidated interest coverage ratio from 2.50:1.00 to 2.25:1.00 for each quarter of 2016, and returning to 2.50:1.00 thereafter; (c) increases the Applicable Rate for certain higher levels of consolidated leverage to a maximum of 4.00 percent per annum for LIBOR rate loans and to 3.00 percent per annum for base rate loans; (d) allows multi-year letters of credit up to an aggregate amount of \$5 million; (e) limits payment prior to September 30, 2017 of certain restricted payments and certain prepayments of unsecured senior notes and other specified forms of indebtedness; and (f) removes the option of the Company, subject to the consent of the lenders, to increase the Credit Agreement up to an additional \$75 million. We incurred debt issuance costs related to the 2015 Secured Credit Agreement of approximately \$2.0 million and had approximately \$0.8 million of remaining debt issuance costs for the 2012 Secured Credit agreement. The total debt issuance costs of \$2.8 million (\$2.3 million, net of amortization as of March 31, 2016) are being amortized over the term of the 2015 Secured Credit Agreement on a straight line basis.

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, certain U.S.-based rental equipment of the Company and its subsidiary guarantors and the equity interests of certain of the Company's subsidiaries. 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, a consolidated leverage ratio, as described above, a consolidated interest coverage ratio, as described above, and a maximum senior secured leverage ratio of 1.50:1.00 at each quarter end). We were in compliance with all such covenants as of March 31, 2016.

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. As a result of the Second Amendment, the Applicable Rate ranges from 2.50 percent to 4.00 percent per annum for LIBOR rate loans and from 1.50 percent to 3.00 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 certain U.S.-based 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 March 31, 2016 totaled \$12.8 million. There were no amounts drawn on the 2015 Revolver as of March 31, 2016.

### **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 2015 Form 10-K. For more information on market risk, see Part II, Item 7A in our 2015 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 March 31, 2016, 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 SEC'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*

The SEC's rules permit the exclusion of an assessment of the effectiveness of a registrant's disclosure controls and procedures as they relate to its internal controls over financial reporting for an acquired business during the first year following such acquisition, if among other circumstances and factors there is not adequate time between the acquisition date and the date of assessment. As previously noted in this Form 10-Q, we completed the 2M-Tek Acquisition on April 17, 2015. 2M-Tek represents approximately 1.3 percent of our total assets as of March 31, 2016 and approximately 0 percent and 0.4 percent of revenues and net income (loss), respectively, for the three-month period then ended. The 2M-Tek Acquisition did not have a material impact on internal control over financial reporting. Management's assessment and conclusion on the effectiveness of the Company's disclosure controls and procedures as of March 31, 2016 excluded an assessment of the internal control over financial reporting of 2M-Tek. We are in the process of reviewing 2M-Tek's internal controls and processes and of extending to 2M-Tek our Section 404 compliance program under the Sarbanes-Oxley Act of 2002 and the applicable rules and regulations under such Act. Other than changes resulting from the 2M-Tek Acquisition discussed above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

For information regarding legal proceedings, see Note 12, "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 2015 Form 10-K.

### **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 Parker Drilling 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	— Form of Parker Drilling Company Time-Based Phantom Stock Unit Award Incentive Agreement under the 2010 LTIP (as amended and restated effective May 8, 2013).*
12.1	— Computation of Ratio of Earnings to Fixed Charges.
31.1	— Gary G. Rich, Chairman, 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, Chairman, President and Chief Executive Officer, Section 1350 Certification.
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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: May 4, 2016

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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**PARKER DRILLING COMPANY****PHANTOM STOCK UNIT AWARD INCENTIVE AGREEMENT**

**THIS PHANTOM STOCK UNIT AWARD INCENTIVE AGREEMENT** (this “**Agreement**”) is made and entered into by and between Parker Drilling Company, a Delaware corporation (the “**Company**”), and **First Last**, an individual and employee of the Company (“**Grantee**”), as of the 10<sup>th</sup> day of **March**, 2016 (the “**Grant Date**”), subject to the terms and conditions of the Parker Drilling Company 2010 Long-Term Incentive Plan, as Amended and Restated as of May 8, 2013, as it may be further amended from time to time thereafter (the “**Plan**”). The Plan is hereby incorporated herein in its entirety by this reference. Capitalized terms not otherwise defined in this Agreement shall have the meaning given to such terms in the Plan.

**WHEREAS**, Grantee is an employee of a Company subsidiary (the “**Employer**”) holding the position of **Employee Title** of the Company, and in connection therewith, the Company desires to grant a Stock-Based Award to Grantee, subject to the terms and conditions of this Agreement and the Plan, with a view to increasing Grantee’s interest in the Company’s success and growth; and

**WHEREAS**, Grantee desires to be the holder of a Stock-Based Award subject to the terms and conditions of this Agreement and the Plan;

**NOW, THEREFORE**, in consideration of the premises, mutual covenants and agreements contained herein, and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

**1. Grant of Phantom Stock Units.** Subject to the terms and conditions of this Agreement and the Plan, the Company hereby grants to Grantee **X,XXX** Phantom Stock Units as described herein (the “**Phantom Stock Units**”). Each Phantom Stock Unit shall represent an unsecured promise of the Company to deliver payment as set forth in Section 5 herein. As a holder of Phantom Stock Units, the Grantee has the rights of a general unsecured creditor of the Company unless and until the Vesting Payment (as defined in Section 5) is paid out to Grantee, as set forth herein.

**2. Transfer Restrictions.** Grantee shall not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, “**Transfer**”) any Phantom Stock Units granted hereunder. Any purported Transfer of Phantom Stock Units in breach of this Agreement shall be void and ineffective, and shall not operate to Transfer any interest or title to the purported transferee.

**3. Vesting of Phantom Stock Units.**

(a) *Vesting Dates.* Grantee’s interest in the Phantom Stock Units granted hereunder shall vest with respect to one-third of the Phantom Stock Units on the first anniversary of the Grant Date and an additional one-third of the Phantom Stock Units on each of the second and third anniversaries of the Grant Date (each anniversary, a “**Vesting Date**”), provided that the Grantee is still an Employee and has continuously been an Employee from the Grant Date through the applicable Vesting Date, except as provided in Section 4 hereof.

(b) Settlement of Phantom Stock Units. Except with respect to Phantom Stock Units that become vested by reason of Section 4(c), within sixty (60) days after any Phantom Stock Units become vested, the Company shall transfer to Grantee the Vesting Payment (as defined in Section 5, below) attributable to the vested Phantom Stock Units and such Phantom Stock Units shall expire when such Vesting Payment is made. Phantom Stock Units that become vested during a calendar year by reason of Section 4(c) shall be settled within sixty (60) days of the earlier of the close of such calendar year or termination of the Grantee's Employment.

(c) Dividends and Splits. If the Company (i) declares a stock dividend or makes a distribution on its Shares, (ii) subdivides or reclassifies outstanding Shares into a greater number of Shares, or (iii) combines or reclassifies outstanding Shares into a smaller number of Shares, then the number of Phantom Stock Units granted under this Agreement shall be proportionately increased or reduced, as applicable, so as to prevent the enlargement or dilution of Grantee's rights and duties hereunder. The determination of the Committee regarding such adjustments shall be binding.

**4. Termination of Employment.** If Grantee's Employment is voluntarily or involuntarily terminated during the Performance Period, then Grantee shall immediately forfeit the outstanding Phantom Stock Units, except as provided below in this Section 4. Upon the forfeiture of any Phantom Stock Units hereunder, the Grantee shall cease to have any rights in connection with such Phantom Stock Units as of the date of forfeiture.

(a) Termination of Employment. Except as provided in Section 4(c) and Section 4(e), if the Grantee's Employment is terminated for any reason other than due to death, Disability, or Involuntary Termination Without Cause, any non-vested Phantom Stock Units at the time of such termination shall automatically expire and terminate and no vesting shall occur after the termination of Employment date. In such event, the Grantee will receive no payment for unvested Phantom Stock Units.

(b) Involuntary Termination Without Cause. Except as provided in Section 4(e), in the event of the Grantee's Involuntary Termination Without Cause (as defined below), all of the restrictions and any other conditions for all Phantom Stock Units then outstanding shall be fully satisfied on a Pro Rata Basis (as defined by the Plan), and thus only that portion of the outstanding Phantom Stock Units shall become free of all restrictions and vested, and any remaining unvested Phantom Stock Units shall be forfeited. For purposes of this Agreement, "Involuntary Termination Without Cause" means the Employment of Grantee is involuntarily terminated by the Company (or by any successor to the Company) for any reason, including, without limitation, as the result of a Change in Control, except due to death, Disability, Retirement or Cause; provided, that in the event of a dispute regarding whether Employment was terminated voluntarily or involuntarily, or with or without Cause, such dispute will be resolved by the Committee, in good faith, in the exercise of its discretion.

(c) Retirement. Except as provided in Section 4(e), upon the Grantee's satisfaction of the eligibility requirements for Retirement (as defined in the Plan), all of the restrictions and any other conditions for all Phantom Stock Units then Outstanding shall be fully satisfied on a Pro Rata Basis, and thus only that portion of the outstanding Phantom Stock Units shall become free of all restrictions and vested; and any remaining outstanding Phantom Stock Units shall continue to vest in a like manner each month until the earlier of the next Vesting Date or termination of Grantee's Employment. Any

non-vested Phantom Stock Units at the time of such termination shall automatically expire and terminate and no vesting shall occur after the termination of Employment date. In such event, the Grantee will receive no payment for unvested Phantom Stock Units.

(d) *Disability or Death*. Upon termination of Grantee's Employment as the result of Grantee's Disability (as defined below) or death, then all of the outstanding Phantom Stock Units shall become 100% vested and free of all restrictions on such date. For purposes of this Agreement, "Disability" means (i) a disability that entitles the Grantee to benefits under the Company's long-term disability plan, as may be in effect from time to time, as determined by the plan administrator of the long-term disability plan or (ii) a disability whereby the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(e) *Change in Control*. If there is a Change in Control of the Company (as defined in the Plan), then in the event of the Grantee's Involuntary Termination Without Cause within two (2) years following the effective date of the Change in Control, all the outstanding Phantom Stock Units shall automatically become 100% vested and free of all restrictions on the Grantee's termination of Employment date.

(f) *Cause*. For purposes of this Agreement and notwithstanding any other agreement between the Grantee and the Company, the definition of "Cause" as set out in the Plan shall also include, when used in connection with Grantee's Employment, the termination of the Grantee's Employment by the Company or any Subsidiary by reason of unsatisfactory performance or violations of Company policies.

**5. Payment for Phantom Stock Units.** Payment for the vested Phantom Stock Units subject to this Agreement shall be made to the Grantee as soon as practicable following the time such Phantom Stock Units become vested in accordance with Section 3 or Section 4 prior to their expiration, but not later than sixty (60) days following the date of such vesting event.

Any amount paid in respect of the vested Phantom Stock Units shall be payable in U.S. dollars in cash or other form of immediately-available funds. The amount payable to the Grantee pursuant to this Agreement (each, a "**Vesting Payment**") shall be an amount equal to (a) the number of vested Phantom Stock Units, multiplied by (b) the closing price per Share on the trading day immediately preceding the Vesting Date.

**6. Detrimental Conduct.** In the event that the Committee should determine, in its sole and absolute discretion, that, during Employment or within two (2) years following Employment termination for any reason, the Grantee engaged in Detrimental Conduct (as defined below), the Committee may, in its sole and absolute discretion, if payment previously has been made to the Grantee pursuant to Section 5 upon vesting of his Phantom Stock Units, direct the Company to send a notice of recapture (a "**Recapture Notice**") to such Grantee. Within ten (10) days after receiving a Recapture Notice from the Company, the Grantee will deliver to the Company a cash payment in an amount equal to the payment to the Grantee at the time when paid to the Grantee, unless the Recapture Notice demands repayment of a lesser sum. All repayments hereunder shall be net of the taxes that were withheld by the Company when the payment was originally made to Grantee following vesting of the

Phantom Stock Units pursuant to Section 5. For purposes of this Agreement, a Grantee has committed “**Detrimental Conduct**” if the Grantee (a) violated a confidentiality, non-solicitation, non-competition or similar restrictive covenant between the Company or one of its Affiliates and such Grantee, including violation of a Company policy relating to such matters, or (b) engaged in willful fraud that causes harm to the Company or one of its Affiliates or that is intended to manipulate the performance results of any Incentive Award, including, without limitation, any material breach of fiduciary duty, embezzlement or similar conduct that results in a restatement of the Company’s financial statements.

**7. Grantee’s Representations.** Notwithstanding any provision hereof to the contrary, the Grantee hereby agrees and represents that neither Grantee nor the Company shall be obligated hereunder to the extent such obligation constitutes a violation by the Grantee or the Company of any law or regulation of any governmental authority. Any determination in this regard that is made by the Committee, in good faith, shall be final and binding. The rights and obligations of the Company and the Grantee are subject to all applicable laws and regulations.

**8. Tax Withholding.** To the extent that the receipt of the payment hereunder results in compensation income to Grantee for federal, state or local income tax purposes, Grantee shall deliver to Company at such time the sum that the Company requires to meet its tax withholding obligations under applicable law or regulation, and, if Grantee fails to do so, Company is authorized to withhold from any cash or other remuneration (including any Shares), then or thereafter payable to Grantee, any tax required to be withheld to satisfy such tax withholding requirements before transferring the resulting net funds to Grantee in satisfaction of its obligations under this Agreement.

**9. Independent Legal and Tax Advice.** The Grantee acknowledges that (a) the Company is not providing any legal or tax advice to Grantee and (b) the Company has advised the Grantee to obtain independent legal and tax advice regarding this Agreement and any payment hereunder.

**10. No Rights in Shares.** The Grantee shall have no rights as a stockholder in respect of any Shares, unless and until the Grantee becomes the record holder of such Shares on the Company’s records.

**11. Conflicts with Plan, Correction of Errors, and Grantee’s Consent .** In the event that any provision of this Agreement conflicts in any way with a provision of the Plan, such provisions shall be reconciled, or such discrepancy shall be resolved, by the Committee in the exercise of its discretion. In the event that, due to administrative error, this Agreement does not accurately reflect the Phantom Stock Units properly granted to the Grantee, the Committee reserves the right to cancel any erroneous document and, if appropriate, to replace the canceled document with a corrected document. All determinations and computations under this Agreement shall be made by the Committee (or its authorized delegate) in its discretion as exercised in good faith.

This Agreement and any award of Phantom Stock Units or payment hereunder are intended to comply with or be exempt from Section 409A of the Internal Revenue Code and shall be interpreted accordingly. Accordingly, Grantee consents to such amendment of this Agreement as the Committee may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available, to Grantee a copy of any such amendment.

## 12. Miscellaneous.

(a) Transferability of Phantom Stock Units. The Phantom Stock Units are transferable only to the extent permitted under the Plan at the time of transfer (i) by will or by the laws of descent and distribution, or (ii) by a domestic relations order in such form as is acceptable to the Company. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, obligations or torts of the Grantee or any permitted transferee thereof.

(b) Not an Employment Agreement. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create any Employment relationship between Grantee and the Company for any time period. The Employment of Grantee with the Company shall be subject to termination to the same extent as if this Agreement did not exist.

(c) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal in-hand delivery, by telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address, and to Grantee at the address indicated on the Company's records, or at such other address and number as a party has last previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by courier or delivery service, or sent by certified or registered mail, return receipt requested.

(d) Amendment, Termination and Waiver. This Agreement may be amended, modified, terminated or superseded only by written instrument executed by or on behalf of the Grantee and the Company (by action of the Committee or its delegate). Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than Grantee. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

(e) No Guarantee of Tax or Other Consequences. The Company makes no commitment or guarantee that any tax treatment will apply or be available to the Grantee or any other person. The Grantee has been advised, and provided with ample opportunity, to obtain independent legal and tax advice regarding this Agreement.

(f) Governing Law and Severability. This Agreement shall be governed by the laws of the State of Texas without regard to its conflicts of law provisions, except as preempted by controlling federal law. The invalidity of any provision of this Agreement shall not affect any other provision hereof or of the Plan, which shall remain in full force and effect.

(g) Successors and Assigns. This Agreement shall bind, be enforceable by, and inure to the benefit of, the Company and Grantee and any permitted successors and assigns under the Plan.

*[Signature page follows.]*



IN WITNESS WHEREOF, this Agreement is hereby approved and executed as of the date first written above.

**Parker Drilling Company**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title:

**Grantee**

Signature

Print Name

Grantee's Address for Notices:

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

	Three Months Ended	Fiscal Year Ended December 31,				
	March 31, 2016	2015	2014	2013	2012	2011
Pretax Income (Loss)	(32,339)	(71,971)	48,537	52,787	70,977	(65,412)
Fixed Charges	11,604	45,380	45,436	50,196	43,782	41,865
Amortization of Capitalized Interest	952	3,793	3,939	4,058	1,887	1,557
Capitalized Interest	(42)	(224)	(1,171)	(2,376)	(10,240)	(19,271)
Earnings before Income Tax & Fixed Charges	(19,825)	(23,022)	96,741	104,665	106,406	(41,261)
Interest Expense	11,562	45,155	44,265	47,820	33,542	22,594
Capitalized Interest	42	224	1,171	2,376	10,240	19,271
Total Fixed Charges	11,604	45,379	45,436	50,196	43,782	41,865
<b>Ratio of Earnings to Fixed Charges</b>	(1)	(2)	2.1x	2.1x	2.4x	(3)

(1) For the quarter ended March 31, 2016, earnings were deficient to cover fixed charges by \$19.8 million.

(2) For the year ended December 31, 2015, earnings were deficient to cover fixed charges by \$23.0 million.

(3) 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 March 31, 2016, 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: May 4, 2016

/s/ Gary G. Rich

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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 March 31, 2016, 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: May 4, 2016

/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 March 31, 2016 (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: May 4, 2016

/s/ Gary G. Rich

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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 March 31, 2016 (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: May 4, 2016

/s/ Christopher T. Weber

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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.