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

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended March 31, 2018

OR

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

For the transition period from to

Commission File Number 1-7573

PARKER DRILLING COMPANY
(Exact name of registrant as specified in its charter)

Delaware	**73-0618660**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5 Greenway Plaza, Suite 100, Houston, Texas	**77046**
(Address of principal executive offices)	**(Zip code)**

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

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

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 27, 2018 there were 139,385,824 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)
(Unaudited)

	March 31, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 118,315	$ 141,549
Accounts and Notes Receivable, net of allowance for bad debts of $7,596 at March 31, 2018 and $7,564 at December 31, 2017	126,685	122,511
Rig materials and supplies	31,822	31,415
Other current assets	20,438	22,361
Total current assets	297,260	317,836
Property, plant and equipment, net of accumulated depreciation of $1,353,509 at March 31, 2018 and $1,343,105 at December 31, 2017	610,744	625,771
Goodwill (Note 2)	6,708	6,708
Intangible assets, net (Note 2)	6,551	7,128
Deferred income taxes	1,826	1,284
Other noncurrent assets	28,041	31,552
Total assets	$ 951,130	$ 990,279
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 90,372	$ 99,246
Accrued income taxes	4,191	4,430
Total current liabilities	94,563	103,676
Long-term debt, net of unamortized debt issuance costs of $6,596 at March 31, 2018 and $7,029 at December 31, 2017	578,404	577,971
Other long-term liabilities	11,110	12,433
Long-term deferred tax liability	78	78
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred Stock, $1.00 par value, 1,942,000 shares authorized, 7.25% Series A Mandatory Convertible, 500,000 shares issued and outstanding	500	500
Common Stock, $0.16 $^{2}/_{3}$ par value, authorized 280,000,000 shares, issued and outstanding, 139,249,563 shares (138,935,734 shares in 2017)	23,192	23,140
Capital in excess of par value	744,644	744,746
Accumulated deficit	(497,549)	(468,753)
Accumulated other comprehensive income (loss)	(3,812)	(3,512)
Total stockholders' equity	266,975	296,121
Total liabilities and stockholders' equity	$ 951,130	$ 990,279

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, 2018	Three Months Ended March 31, 2017
Revenues	$ 109,675	$ 98,271
Expenses:		
Operating expenses	91,534	85,814
Depreciation and amortization	28,549	32,202
	120,083	118,016
Total operating gross margin (loss)	(10,408)	(19,745)
General and administrative expense	(6,201)	(7,040)
Gain (loss) on disposition of assets, net	343	(352)
Total operating income (loss)	(16,266)	(27,137)
Other income (expense):		
Interest expense	(11,240)	(10,870)
Interest income	23	10
Other	291	530
Total other income (expense)	(10,926)	(10,330)
Income (loss) before income taxes	(27,192)	(37,467)
Income tax expense (benefit)	1,604	2,342
Net income (loss)	(28,796)	(39,809)
Less: Mandatory convertible preferred stock dividend	906	—
Net income (loss) available to common stockholders	$ (29,702)	$ (39,809)
Basic earnings (loss) per common share:	$ (0.21)	$ (0.31)
Diluted earnings (loss) per common share:	$ (0.21)	$ (0.31)
Number of common shares used in computing earnings per share:		
Basic	138,765,995	130,142,527
Diluted	138,765,995	130,142,527

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,	
	2018	**2017**
Comprehensive income (loss):		
Net income (loss)	$ (28,796)	$ (39,809)
Other comprehensive income (loss), net of tax:		
Currency translation difference on related borrowings	276	83
Currency translation difference on foreign currency net investments	(576)	763
Total other comprehensive income (loss), net of tax:	(300)	846
Comprehensive income (loss)	(29,096)	(38,963)

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,	
	2018	**2017**
Cash flows from operating activities:		
Net income (loss)	$ (28,796)	$ (39,809)
Adjustments to reconcile net income (loss):		
Depreciation and amortization	28,549	32,202
(Gain) loss on disposition of assets	(343)	352
Deferred tax expense (benefit)	(543)	(642)
Expenses not requiring cash	1,107	2,150
Change in assets and liabilities:		
Accounts and notes receivable	(4,179)	(4,874)
Other assets	10,011	(2,692)
Accounts payable and accrued liabilities	(17,962)	(15,937)
Accrued income taxes	(48)	1,665
Net cash provided by (used in) operating activities	(12,204)	(27,585)
Cash flows from investing activities:		
Capital expenditures	(8,924)	(14,451)
Proceeds from the sale of assets	70	46
Net cash provided by (used in) investing activities	(8,854)	(14,405)
Cash flows from financing activities:		
Payments of debt issuance costs	(1,148)	—
Preferred stock dividend	(906)	—
Shares surrendered in lieu of tax	(122)	(352)
Proceeds from the issuance of common stock	—	25,200
Proceeds from the issuance of mandatory convertible preferred stock	—	50,000
Payment of equity issuance costs	—	(2,861)
Net cash provided by (used in) financing activities	(2,176)	71,987
Net increase (decrease) in cash and cash equivalents	(23,234)	29,997
Cash and cash equivalents at beginning of period	141,549	119,691
Cash and cash equivalents at end of period	$ 118,315	$ 149,688
Supplemental cash flow information:		
Interest paid	$ 20,588	$ 20,588
Income taxes paid	$ 1,996	$ 1,551

See accompanying notes to the unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars and Shares in Thousands)
(Unaudited)

	Shares	Preferred Stock	Common Stock	Treasury Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, December 31, 2017	139,436	$ 500	$ 23,310	$ (170)	$ 744,746	$ (468,753)	$ (3,512)	$ 296,121
Activity in employees' stock plans	314	—	52	—	(175)	—	—	(123)
Amortization of stock-based awards	—	—	—	—	979	—	—	979
Mandatory convertible preferred stock dividend	—	—	—	—	(906)	—	—	(906)
Comprehensive Income:								
Net income (loss)	—	—	—	—	—	(28,796)	—	(28,796)
Other comprehensive income (loss)	—	—	—	—	—	—	(300)	(300)
Balances, March 31, 2018	139,750	$ 500	$ 23,362	$ (170)	$ 744,644	$ (497,549)	$ (3,812)	$ 266,975

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 - Summary of Significant Accounting Policies

The Consolidated Condensed Financial Statements as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 are unaudited. In the opinion of Parker Drilling Company (Parker Drilling or the Company), these consolidated condensed financial statements include all adjustments, which, unless otherwise disclosed, are of a normal recurring nature, necessary for their fair presentation for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year. The consolidated condensed financial statements presented herein should be read in connection with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Nature of Operations — Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. We report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We report our Rental Tools Services business as two reportable segments: (1) U.S. Rental Tools and (2) International Rental Tools. For more details see Note 11 - Reportable Segments.

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

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.

Use of Estimates — The preparation of our consolidated condensed 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 consolidated condensed 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.

Goodwill — We perform our annual goodwill impairment review during the fourth quarter, as of October 1, and more frequently if negative conditions or other triggering events arise. The quantitative impairment test we perform for goodwill utilizes certain assumptions, including forecasted revenues and costs assumptions. See Note 2 - 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 classified as definite lived intangibles, that 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 2 - 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.

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 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.

Earnings (Loss) Per Share (EPS) — Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. The effects of dilutive securities, stock options, unvested restricted stock, assumed conversion of mandatory convertible preferred stock and convertible debt are included in the diluted EPS calculation, when applicable.

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and natural gas companies. We generally do not require collateral on our trade receivables. We depend on a limited number of significant customers. Our largest customer, Exxon Neftegas Limited (ENL), constituted approximately 28.6 percent of our consolidated revenues for the three months ended March 31, 2018. Excluding reimbursable revenues of $12.1 million, ENL constituted approximately 20.1 percent of our total consolidated revenues for the three months ended March 31, 2018.

We had deposits in domestic banks in excess of federally insured limits of approximately $76.5 million and $97.6 million, as of March 31, 2018 and December 31, 2017, respectively. In addition, we had uninsured deposits in foreign banks of $45.1 million and $45.6 million as of March 31, 2018 and December 31, 2017, respectively.

Legal and Investigative Matters — We accrue estimates of the probable and estimable costs for the resolution of certain legal and investigative 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 - Goodwill and Intangible Assets

We account for 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 during the fourth quarter, as of October 1, and more frequently if negative conditions or other triggering events arise. Should current market conditions worsen or persist for an extended period of time, an impairment of the carrying value of our goodwill could occur.

All of the Company's goodwill and intangible assets are allocated to the International Rental Tools segment.

Goodwill

The change in the carrying amount of goodwill for the period ended March 31, 2018 is as follows:

Dollars in thousands		**Goodwill**
Balance at December 31, 2017	$	6,708
Additions		—
Balance at March 31, 2018	$	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:

		Balance at March 31, 2018							
Dollars in thousands	**Estimated Useful Life (Years)**		**Gross Carrying Amount**		**Write-off Due to Disposal**		**Accumulated Amortization**		**Net Carrying Amount**
Amortized intangible assets:									
Developed technology	6	$	11,630	$	—	$	(5,815)	$	5,815
Trade names	5		4,940		(332)		(3,872)		736
Total amortized intangible assets		$	16,570	$	(332)	$	(9,687)	$	6,551

Amortization expense was $0.6 million and $0.7 million for the three months ended March 31, 2018 and 2017, respectively.

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

Dollars in thousands		**Expected future intangible amortization expense**
2018	$	1,730
2019	$	2,306
2020	$	2,030
2021	$	485
Beyond 2021	$	—

Note 3 - Long-term Debt

The following table illustrates the Company's current debt portfolio as of March 31, 2018 and December 31, 2017:

Dollars in thousands	March 31, 2018	December 31, 2017
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	(6,596)	(7,029)
Total long-term debt	578,404	577,971

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 July 2022 (6.75% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. 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, as amended from time-to-time (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 ($4.4 million net of amortization as of March 31, 2018) are being amortized over the term of the notes using the effective interest rate method.

We may redeem all or a part of the 6.75% Notes upon appropriate notice, at redemption prices decreasing each year after January 15, 2018 to par beginning January 15, 2020. As of March 31, 2018, the redemption price is 103.375 percent and we have not made any redemptions to date. 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 limits 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. 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 ($2.2 million, net of amortization as of March 31, 2018) are being amortized over the term of the notes using the effective interest rate method.

We may redeem all or a part of the 7.50% Notes upon appropriate notice, at redemption prices decreasing each year after August 1, 2016 to par beginning August 1, 2018. As of March 31, 2018, the redemption price is 101.875 percent and we have not made any redemptions to date. 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 limits 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. The 2015 Secured Credit Agreement was originally comprised of a $200.0 million revolving credit facility (Revolver), which was reduced to $80.0 million in February 2018. The 2015 Secured Credit Agreement formerly included financial maintenance covenants, including a Leverage Ratio, Consolidated Interest Coverage Ratio, Senior Secured Leverage Ratio, and Asset Coverage Ratio, many of which were suspended beginning in September 2015.

On February 14, 2018, we executed the Fifth Amendment to the 2015 Secured Credit Agreement (the Fifth Amendment) which modified the credit facility to an Asset-Based Lending (ABL) structure and reduced the size of the Revolver from $100.0 million to $80.0 million. The Fifth Amendment eliminated the financial maintenance covenants previously in effect and replaced them with a liquidity covenant of $30.0 million and a monthly borrowing base calculation based on eligible rental equipment and eligible domestic accounts receivable. The liquidity covenant requires the Company to maintain a minimum of $30.0 million of liquidity (defined as availability under the borrowing base and cash on hand), of which $15.0 million is restricted, resulting in a maximum availability at any one time of the lesser of (a) an amount equal to our borrowing base minus $15.0 million, or (b) $65.0 million. Our ability to borrow under the 2015 Secured Credit Agreement is determined by reference to our borrowing base. The Fifth Amendment also allows for refinancing our existing Senior Notes with either secured or unsecured debt, adds the ability for the Company to designate certain of its subsidiaries as “Designated Borrowers” and removes our availability to make certain restricted payments. The debt issuance costs incurred relating to the Fifth Amendment were $1.1 million. Debt issuance costs remaining as of March 31, 2018 were $1.6 million which are being amortized through January 2020 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. In addition to the liquidity covenant and borrowing base requirements, the 2015 Secured Credit Agreement contains customary affirmative and negative covenants, such as limitations on indebtedness and liens, and restrictions on entry into certain affiliate transactions and payments (including certain payments of dividends). As of March 31, 2018, we were in compliance with all covenants contained in the 2015 Secured Credit Agreement.

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Revolving loans are available subject to a monthly borrowing base calculation. As of March 31, 2018 the borrowing base under the $80.0 million Revolver was $72.6 million, which was further reduced by $15.0 million of restricted liquidity and $5.7 million in supporting letters of credit outstanding, resulting in availability under the revolver of $51.9 million. There were no amounts drawn on the Revolver as of March 31, 2018.

Note 4 - 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 820, Fair Value Measurement and Disclosures 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 condensed 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:

	March 31, 2018		December 31, 2017	
Dollars in thousands	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Long-term debt				
6.75% Notes	$ 360,000	$ 279,900	$ 360,000	$ 296,100
7.50% Notes	225,000	205,313	225,000	206,438
Total	$ 585,000	$ 485,213	$ 585,000	$ 502,538

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, 2018.

Note 5 - 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, 2018, we had a liability for unrecognized tax benefits of $5.8 million, primarily related to foreign operations, (all of which, if recognized, would favorably impact our effective tax rate.). At December 31, 2017, we had a liability for unrecognized tax benefits of $5.4 million, all of which would favorably impact our effective tax rate upon recognition. In addition, we recognize interest and penalties that could be applied to uncertain tax positions in periodic income tax expense. As of March 31, 2018 and December 31, 2017, we had approximately $2.2 million and $2.1 million, respectively, of accrued interest and penalties related to uncertain tax positions.

Income tax expense was $1.6 million and $2.3 million for the three months ended March 31, 2018 and 2017, respectively. Despite the pre-tax loss for the first quarter of 2018, we recognized income tax expense due to the jurisdictional mix of income and loss during the quarter, along with our continued inability to recognize the benefits associated with certain losses as a result of valuation allowances.

Note 6 - 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 condensed balance sheets or statements of cash flows, although they could have a material adverse effect on our consolidated condensed statements of operations for a particular reporting period.

Note 7 - Common and Preferred Stock Issuances

In February 2017, we issued 12,000,000 shares of common stock, par value $0.16 $^{2}/_{3}$ per share, at the public offering price of $2.10 per share, and 500,000 shares of 7.25% Series A Mandatory Convertible Preferred Stock (Convertible Preferred Stock), par value $1.00 per share, with a liquidation preference of $100 per share, for total net proceeds of $72.3 million, after underwriting discount and offering expenses.

The dividends on our Convertible Preferred Stock are payable on a cumulative basis when, as and if declared by our board of directors, or an authorized committee of our board of directors, at an annual rate of 7.25 percent of the liquidation preference of $100 per share. We may pay declared dividends in cash or, subject to certain limitations, in shares of our common stock, or in any combination of cash and shares of our common stock on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 2017 and ending on, and including, March 31, 2020.

Unless converted earlier, each share of our Convertible Preferred Stock will automatically convert into between 41.4079 and 47.6190 shares of our common stock (respectively, the “minimum conversion rate” and “maximum conversion rate”), subject to anti-dilution adjustments. The number of shares of our common stock issuable on conversion will be determined based on the volume weighted-average price, of our common stock over the 20 consecutive trading day period beginning on, and including, the 23rd scheduled trading day immediately preceding March 31, 2020. Except in limited circumstances, at any time prior to March 31, 2020, a holder may convert Convertible Preferred Stock into shares of our common stock at the minimum conversion rate of 41.4079 shares of common stock per share of Convertible Preferred Stock, subject to anti-dilution adjustments.

On February 28, 2018, the Company declared a cash dividend of $1.8125 per share of our Convertible Preferred Stock for the period beginning on December 31, 2017 and ending on March 30, 2018, which was paid on April 2, 2018 to mandatory convertible preferred stockholders of record as of March 15, 2018.

Note 8 - Earnings (Loss) Per Share (EPS)

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. The effects of dilutive securities, stock options, unvested restricted stock, convertible debt and equity are included in the diluted EPS calculation, when applicable.

The following table represents the computation of earnings per share for the three months ended March 31, 2018 and 2017, respectively:

	Three months ended March 31, 2018		
	Net Income (Loss) Available to Common Stockholders (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings (loss) per common share	$ (29,702,000)	138,765,995	$ (0.21)
Effect of dilutive securities:			
Restricted stock units [(1)]	—	—	—
Mandatory convertible preferred stock [(2)]	$ —	—	—
Diluted earnings (loss) per common share	$ (29,702,000)	138,765,995	$ (0.21)

	Three months ended March 31, 2017		
	Net Income (Loss) Available to Common Stockholders (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings (loss) per common share	$ (39,809,000)	130,142,527	$ (0.31)
Effect of dilutive securities:			
Restricted stock units [(1)]	—	—	—
Mandatory convertible preferred stock [(2)]	$ —	—	—
Diluted earnings (loss) per common share	$ (39,809,000)	130,142,527	$ (0.31)

(1) For the three months ended March 31, 2018 and 2017, respectively, 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 losses during the periods, therefore, inclusion of such potential common shares would be anti-dilutive.

(2) Weighted average common shares issuable upon the assumed conversion of our Convertible Preferred Stock (as defined below) totaling 23,809,500 shares were excluded from the computation of diluted EPS as such shares would be anti-dilutive.

Note 9 - Accumulated Other Comprehensive Income

Accumulated other comprehensive loss consisted of the following:

Dollars in thousands	Foreign Currency Items
December 31, 2017	$ (3,512)
Current period other comprehensive income (loss), net of tax	(300)
March 31, 2018	$ (3,812)

There were no amounts reclassified out of accumulated other comprehensive loss for the three months ended March 31, 2018.

Note 10 - Revenue from Contracts with Customers

We adopted the Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) effective January 1, 2018 using the modified retrospective implementation method. Accordingly, we have applied the five-step method outlined in Topic 606 for determining when and how revenue is recognized to all contracts that were not completed as of the date of adoption. Revenues for reporting periods beginning as of January 1, 2018 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported under the previous revenue recognition guidance. For contracts that were modified before the effective date, we have considered the modification guidance within the new standard and determined that the revenue recognized and contract balances recorded prior to adoption for such contracts were not impacted. While Topic 606 requires additional disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, its adoption has not had a material impact on the measurement or recognition of our revenues. As part of the adoption no adjustments were needed to the consolidated balance sheets, statements of operations and statements of cash flows.

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. See Note 11 - Reportable Segments for further details on these business lines and revenue disaggregation amounts.

Our Drilling Services and Rental Tools Services provided under each contract is a single performance obligation satisfied over time and comprised of a series of distinct time increments, or service periods. Total revenue is determined for each individual contract by estimating both fixed and variable consideration expected to be earned over the contract term. Fixed consideration generally relates to activities that are not distinct within the context of our contracts and is recognized on a straight-line basis over the contract term. Variable consideration generally relates to distinct service periods during the contract term and are recognized in the period when the services are performed. Our contract terms generally range from 2 to 60 months.

The amount estimated for variable consideration may be constrained (reduced) and is only recognized as revenue to the extent that it is probable that a significant reversal of previously recognized revenue will not occur during the contract term. When determining if variable consideration should be constrained, management considers whether there are factors outside the Company's control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. These estimates are re-assessed each reporting period as required. Accounts receivable are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Payment terms on invoiced amounts are typically 30 days.

Drilling Services Business

Dayrate Revenues - Our drilling services contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis.

Such dayrate consideration is allocated to the distinct hourly increment to which it relates within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Mobilization Revenues - We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the mobilization of our rigs.

These activities are not considered to be distinct within the context of the contract and therefore, the associated revenues are allocated to the overall performance obligation and recognized ratably over the initial term of the related drilling contract. We record a contract liability for mobilization fees received, which is amortized ratably to revenue as services are rendered over the initial term of the related drilling contract. The amortized amount is adjusted accordingly if the term of the initial contract is extended.

Capital Modification Revenues - We may, from time to time, receive fees from our customers for capital improvements to our rigs to meet contractual requirements (on either a fixed lump-sum or variable dayrate basis).

Such revenues are allocated to the overall performance obligation and recognized ratably over the initial term of the related drilling contract as these activities are not considered to be distinct within the context of our contracts. We record a contract liability for such fees and recognize them ratably as revenue over the initial term of the related drilling contract.

Demobilization Revenues - We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the demobilization of our rigs.

Due to the inherent uncertainty regarding the realization, we have elected to not recognize demobilization revenues till the uncertainty is resolved. Therefore, demobilization revenues are recognized once the related performance obligations have been completed.

Reimbursable revenues - We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement.

Such reimbursable revenues are variable and subject to uncertainty, as the amounts received and timing thereof is highly dependent on factors outside of our control. Accordingly, reimbursable revenues are not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. We are generally considered a principal in such transactions and record the associated revenues at the gross amount billed to the customer in our consolidated condensed statements of operations. Such amounts are recognized once the services have been performed. Such amounts totaled $14.3 million and $15.3 million for the three months ended March 31, 2018 and 2017, respectively.

Rental Tools Services Business

Dayrate Revenues - Our rental tools services contracts generally provide for payment on a dayrate basis depending on the rate for the tool defined in the contract.

Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Contract costs

The following is a description of the different costs that we may incur for our contracts:

Mobilization costs - These costs include certain direct and incremental costs incurred for mobilization of contracted rigs. These costs relate directly to a contract, enhance resources of the Company that will be used in satisfying its performance obligations in the future and are expected to be recovered. These costs are capitalized when incurred as a current or noncurrent asset (depending on the length of the initial contract term), and are amortized over the initial term of the related drilling contract.

Demobilization costs - These costs are incurred for the demobilization of rigs at contract completion and are recognized as incurred during the demobilization process.

Capital Modification costs - These costs are incurred for rig modifications or upgrades required for a contract, which are considered to be capital improvements, are capitalized as property, plant and equipment and depreciated over the estimated useful life of the improvement.

Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers:

Dollars in thousands	March 31, 2018	December 31, 2017
Contract assets - current (1)	915	973
Contract assets - noncurrent (1)	—	—
Total contract assets	$ 915	$ 973
Contract liabilities - current (2)	$ (200)	$ (641)
Contract liabilities - noncurrent (2)	(354)	(380)
Total contract liabilities	$ (554)	$ (1,021)

(1) Contract assets - current and contract assets - noncurrent are included in other current assets and other noncurrent assets respectively, in our consolidated condensed balance sheet as of March 31, 2018 and December 31, 2017.

(2) Contract liabilities - current and contract liabilities - noncurrent are included in accounts payable and accrued liabilities and other long-term liabilities respectively, in our consolidated condensed balance sheet as of March 31, 2018 and December 31, 2017.

Contract assets relate to mobilization costs. During the three months ended March 31, 2018, the amount of amortization of such costs was $1.0 million and there was no impairment loss in relation to capitalized costs.

Contract liabilities relate to mobilization revenues and capital modification revenues, where, cash has been received but performance obligations have not been fulfilled. These liabilities are reduced and revenue is recognized as performance obligations are fulfilled.

Contract assets and contract liabilities are netted together at the contract level and presented on a net basis as current or noncurrent contract asset or contract liability.

Significant changes to contract assets and contract liabilities balances during the three months ended March 31, 2018 are shown below:

Dollars in thousands	Contract Assets	Contract Liabilities
Balance at December 31, 2017	$ 973	$ (1,021)
Decrease due to recognition of revenue that was included in the beginning contract liability balance	(424)	467
Increase due to cash received, excluding amounts recognized as revenue during the period	—	—
Increase due to revenue recognized during the period but contingent on future performance	366	—
Balance at March 31, 2018	$ 915	$ (554)

Transaction price allocated to the remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

	Three months ended March 31, 2018				
Dollars in thousands	Remaining 2018	2019	2020	Beyond 2020	Total
Deferred revenue	$965	$324	$239	$581	$2,109

The revenues included above consists of mobilization and capital modification revenues for both wholly and partially unsatisfied performance obligations, which has been estimated for purposes of allocating across the entire corresponding performance obligations. The amounts are derived from the specific terms within contracts that contain such provisions, and the expected timing for recognition of such revenue is based on the estimated start date and duration of each respective contract based on information known at March 31, 2018. The actual timing of recognition of such amounts may vary due to factors outside of our control. We have applied the disclosure practical expedient in ASC 606-10-50-14A(b) and have not included estimated variable consideration related to wholly unsatisfied performance obligations or to distinct future time increments within our contracts.

Note 11 - Reportable Segments

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. We report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We report our Rental Tools Services business as two reportable segments: (1) U.S. Rental Tools and (2) International Rental Tools.

Within the four reportable segments, we have aggregated our Arctic, Eastern Hemisphere and Latin America business units under International & Alaska Drilling, one business unit under U.S. (Lower 48) Drilling, one business unit under U.S. Rental Tools and one business unit under International Rental Tools, for a total of six business units. The Company has aggregated each of its business units in one of the four reporting segments based on the guidelines of the FASB ASC Topic No. 280, Segment Reporting. We eliminate inter-segment revenues and expenses. We disclose revenues under the four reportable segments based on the similarity of the use and markets for the groups of products and services within each segment.

Drilling Services Business

In our Drilling Services business, we drill oil, natural gas and geothermal 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 management ("O&M") service in which operators own their own drilling rigs but choose Parker Drilling to operate and manage the rigs for them. The nature and scope of activities involved in drilling an oil and natural 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, commissioning of customer-owned drilling rig projects, operations execution, and quality and safety management. We have extensive experience and expertise in drilling geologically challenging 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 Gulf of Mexico ("GOM") barge drilling rig fleet, and markets our 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 capabilities. The barge drilling industry in the GOM is characterized by cyclical activity where utilization and dayrates are typically driven by oil and natural gas prices and our customers' access to project financing. Contract terms typically consist of well-to-well or multi-well programs, most commonly ranging from 20 to 180 days.

International & Alaska Drilling

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

- customers 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
- O&M contracts that generally cover periods of one year or more.

During the quarter ended March 31, 2018, we had rigs operating on Sakhalin Island, Russia and in Alaska, Kazakhstan, the Kurdistan Region of Iraq, Guatemala and Indonesia. In addition, we had O&M and ongoing project-related services for customer-owned rigs in Kuwait, Canada, Indonesia and on Sakhalin Island, Russia.

Rental Tools Services Business

In our Rental Tools Services business, we provide premium rental equipment and services to exploration & production ("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, all of which are available with standard or high-torque connections, tubing, drill collars, pressure control equipment, including blowout preventers and more. We also provide well construction services, which include tubular running services and downhole tool rentals, well intervention services, which include whipstock, fishing and related services, and inspection and machine shop support. Rental tools are used during drilling and/or workover programs and are requested by the customer as needed, requiring us to keep a broad inventory of rental tools in stock. Rental tools are usually rented on a daily or monthly basis.

U.S. Rental Tools

Our U.S. Rental Tools segment is headquartered in New Iberia, Louisiana. We maintain an inventory of rental tools for deepwater, drilling, completion, workover, and production applications at facilities in Louisiana, Texas, Oklahoma, Wyoming, North Dakota and West Virginia. Our largest single market for rental tools is U.S. land drilling, a cyclical market driven primarily by oil and natural gas prices and our customers' access to project financing. A portion of our U.S. rental tools business is supplying tubular goods and other equipment to offshore GOM customers.

International Rental Tools

Our International Rental Tools segment is headquartered in Dubai, United Arab Emirates. We maintain an inventory of rental tools and provide well construction, well intervention, and surface and tubular services to our customers in the Middle East, Latin America, United Kingdom, Europe, and Asia-Pacific regions.

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

Dollars in thousands	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Revenues: (1)		
Drilling Services:		
U.S. (Lower 48) Drilling	$ 1,354	$ 1,215
International & Alaska Drilling	56,096	63,213
Total Drilling Services	57,450	64,428
Rental Tools Services:		
U.S. Rental Tools	34,748	20,231
International Rental Tools	17,477	13,612
Total Rental Tools Services	52,225	33,843
Total revenues	109,675	98,271
Operating gross margin: (2)		
Drilling Services:		
U.S. (Lower 48) Drilling	(5,288)	(7,226)
International & Alaska Drilling	(5,336)	(1,785)
Total Drilling Services	(10,624)	(9,011)
Rental Tools Services:		
U.S. Rental Tools	4,231	(3,773)
International Rental Tools	(4,015)	(6,961)
Total Rental Tools Services	216	(10,734)
Total operating gross margin	(10,408)	(19,745)
General and administrative expense	(6,201)	(7,040)
Gain (loss) on disposition of assets, net	343	(352)
Total operating income (loss)	(16,266)	(27,137)
Interest expense	(11,240)	(10,870)
Interest income	23	10
Other income (loss)	291	530
Income (loss) before income taxes	$ (27,192)	$ (37,467)

(1) For the three months ended March 31, 2018, our largest customer, ENL, constituted approximately 28.6 percent of our total consolidated revenues and approximately 55.9 percent of our International & Alaska Drilling segment revenues. Excluding reimbursable revenues of $12.1 million, ENL constituted approximately 20.1 percent of our total consolidated revenues and approximately 45.9 percent of our International & Alaska Drilling segment revenues.

For the three months ended March 31, 2017, our largest customer, ENL, constituted approximately 34.9 percent of our total consolidated revenues and approximately 54.3 percent of our International & Alaska Drilling segment revenues. Excluding reimbursable revenues of $13.0 million, ENL constituted approximately 25.7 percent of our total consolidated revenues and approximately 44.4 percent of our International & Alaska Drilling segment revenues. Our second largest customer, BP, constituted 11.3 percent, of our total consolidated revenues and approximately 17.6 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.

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The following table shows the Company’s revenues by geographic region:

	Three months ended March 31, 2018						
Dollars in thousands	**United States**	**Russia**	**EMEA & Asia**	**Latin America**	**Other CIS**	**Other**	**Total**
Revenues	$43,995	$31,292	$20,044	$3,513	$3,550	$7,281	$109,675

	Three months ended March 31, 2017						
Dollars in thousands	**United States**	**Russia**	**EMEA & Asia**	**Latin America**	**Other CIS**	**Other**	**Total**
Revenues	$32,573	$34,448	$15,101	$2,866	$6,308	$6,975	$98,271

Note 12 - Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This accounting standards update requires (a) an entity to separate the lease components from the non-lease components in a contract where the lease component will be accounted for under ASU 2016-02 and the non-lease component will be accounted for under ASU 2014-09, (b) recognition of lease assets and lease liabilities by lessees and derecognition of the leased asset and recognition of a net investment in the lease by the lessor and (c) additional disclosure requirements for both lessees and lessors. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, although early adoption is permitted. Upon adoption, a retrospective approach is required for leases that exist, or are entered into, after the beginning of the earliest comparative period presented. Under the updated accounting standard, we have determined that our drilling contracts may contain a lease component; therefore, our adoption of the standard could require that we separately recognize revenues associated with the lease and service components. In January 2018, the FASB issued a Proposed Accounting Standard Update to provide targeted improvements to Update 2016-02, which (1) provides for a new transition method whereby entities may elect to adopt the Update using a prospective with cumulative catch-up approach and (2) provides lessors with a practical expedient to not separate non-lease components from the related lease components, by class of underlying asset. On March 28, 2018, the FASB held a meeting to approve certain additional amendments to Update 2016-02, including a revision to the practical expedient that would allow a lessor to account for the combined lease and non-lease components under Topic 606 when the non-lease component is the predominant element of the combined component. Depending on the criteria included in the final Update, this practical expedient may be available to us. We will adopt ASU 2016-02 on January 1, 2019. Our adoption, and the ultimate effect on our consolidated condensed financial statements, will be based on an evaluation of the contract-specific facts and circumstances, and such effect could introduce variability to the timing of our revenue recognition relative to current accounting standards. We are evaluating the requirements to determine the effect such requirements may have on our consolidated balance sheets, statements of operations, statements of cash flows and on the disclosures contained in our notes to the consolidated financial statements upon the adoption of ASU 2016-02. Depending on the results of the evaluation our ultimate conclusions may vary.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU supersedes the revenue recognition requirements in ASC 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. Effective January 1, 2018, we adopted ASU 2014-09 using the modified retrospective approach and it did not have a material impact on our consolidated balance sheets, statement of operations, statements of cash flows, and on the disclosures contained in our notes to the consolidated financial statements. See Note 10 - Revenue from Contracts with Customers for further details.

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

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

- in connection with any sale or other disposition of all or substantially all of the assets of that guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) a subsidiary of the Company;

- in connection with any sale of such amount of capital stock as would result in such guarantor no longer being a subsidiary to a person that is not (either before or after giving effect to such transaction) a subsidiary of the Company;

- if the Company designates any restricted subsidiary that is a guarantor as an unrestricted subsidiary;

- if the guarantee by a guarantor of all other indebtedness of the Company or any other guarantor is released, terminated or discharged, except by, or as a result of, payment under such guarantee; or

- upon legal defeasance or covenant defeasance (satisfaction and discharge of the indenture).

There are currently no restrictions on the ability of the restricted subsidiaries to transfer funds to Parker Drilling in the form of cash dividends, loans or advances. Parker Drilling is a holding company with no operations, other than through its subsidiaries. Separate financial statements for each guarantor company are not provided as the Company complies with the exception to Rule 3-10(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, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017, respectively. The consolidating condensed financial statements present investments in both consolidated and unconsolidated subsidiaries using the equity method of accounting.

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

	March 31, 2018				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 56,723	$ 16,509	$ 45,083	$ —	$ 118,315
Accounts and Notes receivable, net	—	35,177	91,508	—	126,685
Rig materials and supplies	—	(2,869)	34,318	373	31,822
Other current assets	—	5,613	14,825	—	20,438
Total current assets	56,723	54,430	185,734	373	297,260
Property, plant and equipment, net	(19)	423,377	187,144	242	610,744
Goodwill	—	6,708	—	—	6,708
Intangible assets, net	—	6,551	—	—	6,551
Investment in subsidiaries and intercompany advances	2,931,773	2,983,588	4,024,920	(9,940,281)	—
Other noncurrent assets	(256,973)	234,495	533,156	(480,811)	29,867
Total assets	$ 2,731,504	$ 3,709,149	$ 4,930,954	$(10,420,477)	$ 951,130
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	$ (70,088)	$ 191,260	$ 586,677	$ (617,477)	$ 90,372
Accrued income taxes	80,627	(59,776)	(16,660)	—	4,191
Total current liabilities	10,539	131,484	570,017	(617,477)	94,563
Long-term debt, net	578,404	—	—	—	578,404
Other long-term liabilities	2,867	3,875	4,368	—	11,110
Deferred tax liability	—	—	78	—	78
Intercompany payables	1,871,869	1,468,837	2,495,167	(5,835,873)	—
Total liabilities	2,463,679	1,604,196	3,069,630	(6,453,350)	684,155
Total equity	267,825	2,104,953	1,861,324	(3,967,127)	266,975
Total liabilities and stockholders' equity	$ 2,731,504	$ 3,709,149	$ 4,930,954	$(10,420,477)	$ 951,130

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

	December 31, 2017				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 75,342	$ 20,655	$ 45,552	$ —	$ 141,549
Accounts and Notes receivable, net	—	32,338	90,173	—	122,511
Rig materials and supplies	—	(3,025)	34,440	—	31,415
Other current assets	—	6,362	15,999	—	22,361
Total current assets	75,342	56,330	186,164	—	317,836
Property, plant and equipment, net	(19)	428,556	197,234	—	625,771
Goodwill	—	6,708	—	—	6,708
Intangible assets, net	—	7,128	—	—	7,128
Investment in subsidiaries and intercompany advances	2,955,050	2,971,456	3,955,553	(9,882,059)	—
Other noncurrent assets	(261,232)	237,755	537,124	(480,811)	32,836
Total assets	$ 2,769,141	$ 3,707,933	$ 4,876,075	$(10,362,870)	$ 990,279
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	$ (51,060)	$ 179,247	$ 588,536	$ (617,477)	$ 99,246
Accrued income taxes	76,883	(56,870)	(15,583)	—	4,430
Total current liabilities	25,823	122,377	572,953	(617,477)	103,676
Long-term debt, net	577,971	—	—	—	577,971
Other long-term liabilities	2,867	5,741	3,825	—	12,433
Deferred tax liability	(1)	—	79	—	78
Intercompany payables	1,865,810	1,465,744	2,430,340	(5,761,894)	—
Total liabilities	2,472,470	1,593,862	3,007,197	(6,379,371)	694,158
Total equity	296,671	2,114,071	1,868,878	(3,983,499)	296,121
Total liabilities and stockholders' equity	$ 2,769,141	$ 3,707,933	$ 4,876,075	$(10,362,870)	$ 990,279

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

	Three months ended March 31, 2018				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Revenues	$ —	$ 42,591	$ 81,622	$ (14,538)	$ 109,675
Operating expenses	—	25,817	80,255	(14,538)	91,534
Depreciation and amortization	—	19,996	8,553	—	28,549
Total operating gross margin (loss)	—	(3,222)	(7,186)	—	(10,408)
General and administrative expense [1]	(89)	(5,983)	(129)	—	(6,201)
Gain (loss) on disposition of assets, net	—	11	332	—	343
Total operating income (loss)	(89)	(9,194)	(6,983)	—	(16,266)
Other income (expense):					
Interest expense	(12,228)	223	(2,056)	2,821	(11,240)
Interest income	182	181	2,481	(2,821)	23
Other	—	2	289	—	291
Equity in net earnings of subsidiaries	(16,372)	—	—	16,372	—
Total other income (expense)	(28,418)	406	714	16,372	(10,926)
Income (loss) before income taxes	(28,507)	(8,788)	(6,269)	16,372	(27,192)
Income tax expense (benefit)	288	329	987	—	1,604
Net income (loss)	(28,795)	(9,117)	(7,256)	16,372	(28,796)
Less: Mandatory convertible preferred stock dividend	906	—	—	—	906
Net income (loss) available to common stockholders	$ (29,701)	$ (9,117)	$ (7,256)	$ 16,372	$ (29,702)

(1) General and administrative 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, 2017				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Revenues	$ —	$ 27,893	$ 88,237	$ (17,859)	$ 98,271
Operating expenses	—	20,950	82,723	(17,859)	85,814
Depreciation and amortization	—	21,188	11,014	—	32,202
Total operating gross margin (loss)	—	(14,245)	(5,500)	—	(19,745)
General and administrative expense (1)	(78)	(6,870)	(92)	—	(7,040)
Gain (loss) on disposition of assets, net	—	(216)	(136)	—	(352)
Total operating income (loss)	(78)	(21,331)	(5,728)	—	(27,137)
Other income (expense):					
Interest expense	(11,669)	(45)	(1,942)	2,786	(10,870)
Interest income	149	179	2,468	(2,786)	10
Other	—	32	498	—	530
Equity in net earnings of subsidiaries	(21,780)	—	—	21,780	—
Total other income (expense)	(33,300)	166	1,024	21,780	(10,330)
Income (loss) before income taxes	(33,378)	(21,165)	(4,704)	21,780	(37,467)
Income tax expense (benefit)	6,430	(5,577)	1,489	—	2,342
Net income (loss)	(39,808)	(15,588)	(6,193)	21,780	(39,809)
Less: Mandatory convertible preferred stock dividend	—	—	—		—
Net income (loss) available to common stockholders	$ (39,808)	$ (15,588)	$ (6,193)	$ 21,780	$ (39,809)

(1) General and administrative 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, 2018				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Comprehensive income (loss):					
Net income (loss)	$ (28,795)	$ (9,117)	$ (7,256)	$ 16,372	$ (28,796)
Other comprehensive income (loss), net of tax:					
Currency translation difference on related borrowings	—	—	276	—	276
Currency translation difference on foreign currency net investments	—	—	(576)	—	(576)
Total other comprehensive income (loss), net of tax:	—	—	(300)	—	(300)
Comprehensive income (loss)	(28,795)	(9,117)	(7,556)	16,372	(29,096)

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

	Three Months Ended March 31, 2017				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Comprehensive income (loss):					
Net income (loss)	$ (39,808)	$ (15,588)	$ (6,193)	$ 21,780	$ (39,809)
Other comprehensive income (loss), net of tax:					
Currency translation difference on related borrowings	—	—	83	—	83
Currency translation difference on foreign currency net investments	—	—	763	—	763
Total other comprehensive income (loss), net of tax:	—	—	846	—	846
Comprehensive income (loss)	(39,808)	(15,588)	(5,347)	21,780	(38,963)

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

	Three Months Ended March 31, 2018				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (28,795)	$ (9,117)	$ (7,256)	$ 16,372	$ (28,796)
Adjustments to reconcile net income (loss):					
Depreciation and amortization	—	19,996	8,553	—	28,549
(Gain) loss on disposition of assets	—	(11)	(332)	—	(343)
Deferred tax expense (benefit)	(3,420)	3,015	(138)	—	(543)
Expenses not requiring cash	1,411	(10)	(11,032)	10,738	1,107
Change in assets and liabilities:					
Accounts and notes receivable	—	(2,840)	(1,339)	—	(4,179)
Other assets	23,587	(10,095)	(61,331)	57,850	10,011
Accounts payable and accrued liabilities	(12,971)	5,333	74,636	(84,960)	(17,962)
Accrued income taxes	3,745	(2,907)	(886)	—	(48)
Net cash provided by (used in) operating activities	(16,443)	3,364	875	—	(12,204)
Cash flows from investing activities:					
Capital expenditures	—	(7,554)	(1,370)	—	(8,924)
Proceeds from the sale of assets	—	44	26	—	70
Net cash provided by (used in) investing activities	—	(7,510)	(1,344)	—	(8,854)
Cash flows from financing activities:					
Payments of debt issuance costs	(1,148)	—	—	—	(1,148)
Preferred stock dividend	(906)	—	—	—	(906)
Shares surrendered in lieu of tax	(122)	—	—	—	(122)
Net cash provided by (used in) financing activities	(2,176)	—	—	—	(2,176)
Net increase (decrease) in cash and cash equivalents	(18,619)	(4,146)	(469)	—	(23,234)
Cash and cash equivalents at beginning of period	75,342	20,655	45,552	—	141,549
Cash and cash equivalents at end of period	$ 56,723	$ 16,509	$ 45,083	$ —	$ 118,315

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

	Three Months Ended March 31, 2017				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (39,808)	$ (15,588)	$ (6,193)	$ 21,780	$ (39,809)
Adjustments to reconcile net income (loss)					
Depreciation and amortization	—	21,188	11,014	—	32,202
(Gain) loss on disposition of assets	—	216	136	—	352
Deferred tax expense (benefit)	(5,641)	5,165	(166)	—	(642)
Expenses not requiring cash	1,781	91	278	—	2,150
Equity in net earnings of subsidiaries	21,780	—	—	(21,780)	—
Change in assets and liabilities:					
Accounts and notes receivable	—	(3,668)	(1,206)	—	(4,874)
Other assets	17,984	(18,296)	(2,380)	—	(2,692)
Accounts payable and accrued liabilities	(34,867)	15,591	3,339	—	(15,937)
Accrued income taxes	(5,783)	7,055	393	—	1,665
Net cash provided by (used in) operating activities	(44,554)	11,754	5,215	—	(27,585)
Cash flows from investing activities:					
Capital expenditures	—	(10,994)	(3,457)	—	(14,451)
Proceeds from the sale of assets	—	—	46	—	46
Net cash provided by (used in) investing activities	—	(10,994)	(3,411)	—	(14,405)
Cash flows from financing activities:					
Proceeds from the issuance of common stock	25,200	—	—	—	25,200
Proceeds from the issuance of mandatory convertible preferred stock	50,000	—	—	—	50,000
Payment of equity issuance costs	(2,861)	—	—	—	(2,861)
Shares surrendered in lieu of tax	(352)	—	—	—	(352)
Intercompany advances, net	4,106	(2,090)	(2,016)	—	—
Net cash provided by (used in) financing activities	76,093	(2,090)	(2,016)	—	71,987
Net change in cash and cash equivalents	31,539	(1,330)	(212)	—	29,997
Cash and cash equivalents at beginning of period	65,000	14,365	40,326	—	119,691
Cash and cash equivalents at end of period	$ 96,539	$ 13,035	$ 40,114	$ —	$ 149,688

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

Management's discussion and analysis 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, 2017.

Executive Summary

The oil and natural 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 to exploratory and development drilling.

Historical market indicators are listed below:

	Three Months Ended March 31,		
	2018	2017	% Change
Worldwide Rig Count (1)			
U.S. (land and offshore)	965	739	31 %
International (2)	970	939	3 %
Commodity Prices (3)			
Crude Oil (Brent)	67.23	54.57	23 %
Crude Oil (West Texas Intermediate)	62.89	51.78	21 %
Natural Gas (Henry Hub)	2.85	3.06	(7)%

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

(2) Excludes Canadian Rig Count.

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

Financial Results

Our revenues for the 2018 first quarter increased 11.6 percent to $109.7 million from $98.3 million for the 2017 first quarter. Operating gross margin increased $9.3 million to a $10.4 million loss for the three months ended March 31, 2018 compared with a loss of $19.7 million for the three months ended March 31, 2017. The increases were primarily driven by higher U.S. land rentals associated with higher levels of customer activity.

Outlook

In the U.S. (Lower 48) Drilling segment, based in discussion with operators in the region, we expect utilization in the second quarter will improve slightly from the first quarter. In the International & Alaska Drilling segment, we anticipate second quarter financial performance to be similar to first quarter.

In the U.S. Rental Tools segment, we anticipate incremental improvement, primarily in U.S. land activity, with both revenues and gross margin increasing over first quarter levels while activity in deepwater remains uncertain over the medium term. For the International Rental Tools segment, we expect revenues to increase slightly in the second quarter, mostly due to an increase in well construction activity in the Middle East and Latin America.

Results of Operations

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. We report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We report our Rental Tools Services business as two reportable segments: (1) U.S. Rental Tools and (2) International Rental Tools. 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 Note 11 - Reportable Segments to our consolidated condensed financial statements. We monitor our reporting segments based on several criteria, including operating gross margin and operating gross margin excluding depreciation and amortization. Operating gross margin excluding depreciation and amortization is computed as revenues less direct operating expenses, and excludes depreciation and amortization expense, where applicable. Operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin excluding depreciation and amortization amounts and percentages should not be used as a substitute for those amounts reported under 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 provides valuable insight into the information management considers important in managing the business.

Three months ended March 31, 2018 Compared with Three months ended March 31, 2017

Revenues increased $11.4 million, or 11.6 percent, to $109.7 million for the three months ended March 31, 2018 compared with revenues of $98.3 million for the three months ended March 31, 2017. Operating gross margin increased $9.3 million to a loss of $10.4 million for the three months ended March 31, 2018 compared with a loss of $19.7 million for the three months ended March 31, 2017.

The following table presents our operating results for the comparable periods by reportable segment:

	Three Months Ended March 31,			
Dollars in Thousands	2018		2017	
Revenues:				
Drilling Services:				
U.S. (Lower 48) Drilling	$ 1,354	1 %	$ 1,215	1 %
International & Alaska Drilling	56,096	51 %	63,213	64 %
Total Drilling Services	57,450	52 %	64,428	65 %
Rental Tools Services:				
U.S. Rental Tools	34,748	32 %	20,231	21 %
International Rental Tools	17,477	16 %	13,612	14 %
Total Rental Tools Services	52,225	48 %	33,843	35 %
Total revenues	109,675	100 %	98,271	100 %
Operating gross margin (loss) excluding depreciation and amortization:				
Drilling Services:				
U.S. (Lower 48) Drilling	(2,699)	(199)%	(2,985)	(246)%
International & Alaska Drilling	4,670	8 %	11,029	17 %
Total Drilling Services	1,971	3 %	8,044	12 %
Rental Tools Services:				
U.S. Rental Tools	15,810	45 %	6,776	33 %
International Rental Tools	360	2 %	(2,363)	(17)%
Total Rental Tools Services	16,170	31 %	4,413	13 %
Total operating gross margin (loss) excluding depreciation and amortization	18,141	17 %	12,457	13 %
Depreciation and amortization	(28,549)		(32,202)	
Total operating gross margin (loss)	(10,408)		(19,745)	
General and administrative expense	(6,201)		(7,040)	
Gain (loss) on disposition of assets, net	343		(352)	
Total operating income (loss)	$ (16,266)		$ (27,137)	

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

Dollars in Thousands	U.S. (Lower 48) Drilling	International & Alaska Drilling	U.S. Rental Tools	International Rental Tools	Total
Three months ended March 31, 2018					
Operating gross margin (loss) [1]	$ (5,288)	$ (5,336)	$ 4,231	$ (4,015)	$ (10,408)
Depreciation and amortization	2,589	10,006	11,579	4,375	28,549
Operating gross margin (loss) excluding depreciation and amortization	$ (2,699)	$ 4,670	$ 15,810	$ 360	$ 18,141
Three months ended March 31, 2017					
Operating gross margin (loss) [1]	$ (7,226)	$ (1,785)	$ (3,773)	$ (6,961)	$ (19,745)
Depreciation and amortization	4,241	12,814	10,549	4,598	32,202
Operating gross margin (loss) excluding depreciation and amortization	$ (2,985)	$ 11,029	$ 6,776	$ (2,363)	$ 12,457

(1) Operating gross margin (loss) 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, 2018 and 2017, respectively:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
U.S. (Lower 48) Drilling		
Rigs available for service [1]	13.0	13.0
Utilization rate of rigs available for service [2]	5%	4%
International & Alaska Drilling		
Eastern Hemisphere		
Rigs available for service [1]	11.3	13.0
Utilization rate of rigs available for service [2]	41%	31%
Latin America Region		
Rigs available for service [1]	7.0	7.0
Utilization rate of rigs available for service [2]	14%	14%
Alaska		
Rigs available for service [1]	2.0	2.0
Utilization rate of rigs available for service [2]	50%	100%
Total International & Alaska Drilling		
Rigs available for service [1]	20.3	22.0
Utilization rate of rigs available for service [2]	33%	32%

(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 for such year. Our method of computation of rigs available for service may or 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 or may not be comparable to other similarly titled measures of other companies.

Drilling Services Business

U.S. (Lower 48) Drilling

U.S. (Lower 48) Drilling segment revenues increased $0.1 million or 11.4 percent, to $1.4 million for the first quarter of 2018 compared with revenues of $1.2 million for the first quarter of 2017. The increase was primarily due to an increase in revenues per day for certain barge rigs as well as an increase in utilization to 5.0 percent for the quarter ended March 31, 2018 from 4.0 percent for the quarter ended March 31, 2017.

U.S. (Lower 48) Drilling segment operating gross margin excluding depreciation and amortization increased $0.3 million, or 9.6 percent, to a loss of $2.7 million for the first quarter of 2018 compared with a loss of $3.0 million for the first quarter of 2017. The improvement was primarily due to the increase in revenues per day discussed above and reduction in operating costs.

International & Alaska Drilling

International & Alaska Drilling segment revenues decreased $7.1 million, or 11.3 percent, to $56.1 million for the first quarter of 2018 compared with $63.2 million for the first quarter of 2017. The decrease was primarily due to the following:

- a decrease of $3.7 million, excluding revenue from reimbursable costs (“reimbursable revenues”), resulting from decreased utilization for certain Company-owned rigs in Alaska and Russia;

- a decrease of $2.7 million driven by a decline in average revenue per day primarily resulting from certain Company owned rigs being in standby mode during the first quarter of 2018 compared with operating mode during the first quarter of 2017;

- a decrease of $1.1 million in reimbursable revenues, which decreased revenues but had a minimal impact on operating margins.

International & Alaska Drilling segment operating gross margin excluding depreciation and amortization decreased $6.4 million, or 57.7 percent, to $4.7 million for the first quarter of 2018 compared with $11.0 million for the first quarter of 2017. The decrease in operating gross margin excluding depreciation and amortization was primarily due to the decrease in utilization for certain Company-owned rigs in Alaska and Russia as well as the impact of declines in average revenue per day.

Rental Tools Services Business

U.S. Rental Tools

U.S. Rental Tools segment revenues increased $14.5 million, or 71.8 percent, to $34.7 million for the first quarter of 2018 compared with $20.2 million for the first quarter of 2017. The increase was primarily driven by an increase in U.S. land rentals due to higher levels of customer activity.

U.S. Rental Tools segment operating gross margin excluding depreciation and amortization increased $9.0 million, or 133.3 percent, to $15.8 million for the first quarter of 2018 compared with $6.8 million for the first quarter of 2017. The improvement was primarily due to the increase in revenues discussed above.

International Rental Tools

International Rental Tools segment revenues increased $3.9 million, or 28.4 percent, to $17.5 million for the first quarter of 2018 compared with $13.6 million for the first quarter of 2017. The increase was primarily attributable to increased customer activity in the Middle East onshore rentals.

International Rental Tools segment operating gross margin excluding depreciation and amortization increased $2.7 million, or 115.2 percent, to a gain of $0.4 million for the first quarter of 2018 compared with a loss of $2.4 million for the first quarter of 2017. The improvement was primarily due to cost savings initiatives.

Other Financial Data

General and administrative expense

General and administrative expense decreased $0.8 million to $6.2 million for the first quarter of 2018 compared with $7.0 million for the first quarter of 2017, primarily due to the continued benefit from cost savings initiatives.

Gain (loss) on disposition of assets

Net gains recognized on asset dispositions were $0.3 million for the first quarter of 2018 compared with a net loss of $0.4 million for the first quarter of 2017. We periodically sell equipment deemed to be excess, obsolete, or not currently required for operations. During the first quarter of 2018 we sold two rigs located in Indonesia. The rigs had a carrying value at the time of sale of $1.6 million and were sold for a $2.0 million note receivable, resulting in a net gain of approximately $0.4 million.

Interest income and expense

Interest expense was $11.2 million for the first quarter of 2018 compared with $10.9 million for the first quarter of 2017. The increase was primarily due to the increase in amortization expense related to the fifth amendment to the 2015 Secured Credit Agreement executed in February 2018. Interest income was nominal during each of the 2018 and 2017 first quarters.

Other income and expense

Other income and expense was $0.3 million and $0.5 million of income for the first quarters of 2018 and 2017, respectively. Activity in both periods primarily included the impact of foreign currency fluctuations.

Income tax expense (benefit)

During the first quarter of 2018, we had income tax expense of $1.6 million compared with income tax expense of $2.3 million during the first quarter of 2017. Despite the pre-tax loss for the first quarter of 2018, we recognized income tax expense due to the jurisdictional mix of income and loss during the period, along with our continued inability to recognize the benefits associated with certain losses as a result of valuation allowances.

Backlog

Backlog is our estimate of the dollar amount of revenues we expect to realize in the future as a result of executing awarded drilling contracts. The Company’s backlog of firm orders was approximately $246 million at March 31, 2018 and $323 million at March 31, 2017, and is primarily attributable to the International & Alaska Drilling segment of our Drilling Services business. We estimate that, as of March 31, 2018, 38.0 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 balance sheets, statement of operations or cash flows” in Item 1A. Risk Factors of our 2017 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-term liquidity requirements we primarily rely on our cash on hand and cash from operations. We also have access to cash through the revolving credit facility (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 current operations and required capital expenditures. We may need to fund expansion capital expenditures, acquisitions, debt principal payments, or pursuits of business opportunities that support our strategy, through additional borrowings or the issuance of additional common stock or other forms of equity. We do not pay dividends on our common stock.

Liquidity

On February 14, 2018, we entered into the Fifth Amendment to the 2015 Secured Credit Agreement which modified the credit facility to an Asset-Based Lending (ABL) structure and reduced the size of the Revolver from $100 million to $80 million. The Fifth Amendment eliminated the financial maintenance covenants previously in effect and replaced them with a liquidity covenant of $30 million and a monthly borrowing base calculation based on eligible rental equipment and eligible domestic accounts receivable. The Liquidity covenant requires the Company to maintain a minimum of $30 million of liquidity (defined as availability under the borrowing base and cash on hand), of which $15 million is restricted, resulting in a maximum availability at any one time of $65 million. The Fifth Amendment also allows for refinancing our existing Senior Notes with either secured or unsecured debt.

The following table provides a summary of our total liquidity:

Dollars in thousands		March 31, 2018
Cash and cash equivalents on hand [1]	$	118,315
Availability under Revolver [2]		51,889
Total liquidity	$	170,204

(1) As of March 31, 2018, approximately $45.1 million of the $118.3 million of cash and equivalents was held by our foreign subsidiaries.

(2) The borrowing base under the $80.0 million Revolver was $72.6 million, which was further reduced by $15.0 million of restricted liquidity and $5.7 million in supporting letters of credit outstanding, resulting in availability under the revolver of $51.9 million.

The earnings of foreign subsidiaries as of March 31, 2018 were reinvested to fund our international operations. If in the future we decide to repatriate earnings, the Company may be required to pay taxes on these amounts, which could 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, 2018, we have no energy, commodity, or foreign currency derivative contracts.

Cash Flow Activity

As of March 31, 2018, we had cash and cash equivalents of $118.3 million, a decrease of $23.2 million from cash and cash equivalents of $141.5 million at December 31, 2017. The following table provides a summary of our cash flow activity:

Dollars in thousands	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating activities	$ (12,204)	$ (27,585)
Investing activities	(8,854)	(14,405)
Financing activities	(2,176)	71,987
Net change in cash and cash equivalents	$ (23,234)	$ 29,997

Operating Activities

Cash flows from operating activities were a use of $12.2 million and $27.6 million for the three months ended March 31, 2018 and 2017, respectively. Cash flows from operating activities in each period were largely impacted by our earnings and changes in working capital. Changes in working capital were a use of cash of $12.2 million for the three months ended March 31, 2018 compared with a use of cash of $21.8 million for the three months ended March 31, 2017. In addition to the impact of earnings and working capital changes, cash flows from operating activities in each period were impacted by various non-cash charges.

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. Given the current oil and natural gas services market over the past few years, our short-term focus is to preserve liquidity by managing our costs and capital expenditures. While the overall market for oilfield services remains challenging, we are beginning to see a market recovery that is expected to increase our working capital and capital spending as we pursue attractive investment opportunities.

Investing Activities

Cash flows from investing activities were a use of $8.9 million and $14.4 million for the three months ended March 31, 2018 and 2017, respectively. Our primary uses of cash during the three months ended March 31, 2018 and 2017 were $8.9 million and $14.5 million, respectively, for capital expenditures. Capital expenditures in each period were primarily for tubular and other products for our Rental Tools Services business and for rig-related maintenance.

Financing Activities

Cash flows from financing activities were a use of $2.2 million for the three months ended March 31, 2018, primarily related to the debt issuance costs incurred relating to the Fifth Amendment to the 2015 Secured Credit Agreement in the amount of $1.1 million. Additionally during the three months ended March 31, 2018, the Company paid dividends of $0.9 million on our Convertible Preferred Stock. For the 2017 comparable period, cash flows from financing activities were a source of $72.0 million for the three months ended March 31, 2017, primarily related to the issuances of common stock and Convertible Preferred Stock, which yielded combined proceeds of $72.3 million, net of underwriting discount and offering expenses.

Long-Term Debt Summary

Our principal amount of long-term debt, including current portion, was $585.0 million as of March 31, 2018 which consisted of:

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

6.75% Senior Notes, due July 2022

On January 22, 2014, we issued $360.0 million aggregate principal amount of 6.75% Senior Notes due July 2022 (6.75% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. 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, as amended from time-to-time (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 ($4.4 million net of amortization as of March 31, 2018) are being amortized over the term of the notes using the effective interest rate method.

We may redeem all or a part of the 6.75% Notes upon appropriate notice, at redemption prices decreasing each year after January 15, 2018 to par beginning January 15, 2020. As of March 31, 2018, the redemption price is 103.375 percent and we have not made any redemptions to date. 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 limits 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. 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 ($2.2 million, net of amortization as of March 31, 2018) are being amortized over the term of the notes using the effective interest rate method.

We may redeem all or a part of the 7.50% Notes upon appropriate notice, at redemption prices decreasing each year after August 1, 2016 to par beginning August 1, 2018. As of March 31, 2018, the redemption price is 101.875 percent and we have not made any redemptions to date. 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 limits 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. The 2015 Secured Credit Agreement was originally comprised of a $200.0 million revolving credit facility (Revolver), which was reduced to $80.0 million in February 2018. The 2015 Secured Credit Agreement formerly included financial maintenance covenants, including a Leverage Ratio, Consolidated Interest Coverage Ratio, Senior Secured Leverage Ratio, and Asset Coverage Ratio, many of which were suspended beginning in September 2015.

On February 14, 2018, we executed the Fifth Amendment to the 2015 Secured Credit Agreement (the Fifth Amendment) which modified the credit facility to an Asset-Based Lending (ABL) structure and reduced the size of the Revolver from $100.0 million to $80.0 million. The Fifth Amendment eliminated the financial maintenance covenants previously in effect and replaced them with a liquidity covenant of $30.0 million and a monthly borrowing base calculation based on eligible rental equipment and eligible domestic accounts receivable. The liquidity covenant requires the Company to maintain a minimum of $30.0 million of liquidity (defined as availability under the borrowing base and cash on hand), of which $15.0 million is restricted, resulting in a maximum availability at any one time of the lesser of (a) an amount equal to our borrowing base minus $15.0 million, or (b) $65.0 million. Our ability to borrow under the 2015 Secured Credit Agreement is determined by reference to our borrowing base. The Fifth Amendment also allows for refinancing our existing Senior Notes with either secured or unsecured debt, adds the ability for the Company to designate certain of its subsidiaries as “Designated Borrowers” and removes our availability to make certain restricted payments. The debt issuance costs incurred relating to the Fifth Amendment were $1.1 million. Debt issuance costs remaining as of March 31, 2018 were $1.6 million which are being amortized through January 2020 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. In addition to the liquidity covenant and borrowing base requirements, the 2015 Secured Credit Agreement contains customary affirmative and negative covenants, such as limitations on indebtedness and liens, and restrictions on entry into certain affiliate transactions and payments (including certain payments of dividends). As of March 31, 2018, we were in compliance with all covenants contained in the 2015 Secured Credit Agreement.

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Revolving loans are available subject to a monthly borrowing base calculation. As of March 31, 2018 the borrowing base under the $80.0 million Revolver was $72.6 million, which was further reduced by $15.0 million of restricted liquidity and $5.7 million in supporting letters of credit outstanding, resulting in availability under the revolver of $51.9 million. There were $0 million amounts drawn on the Revolver as of March 31, 2018.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended, (the Exchange Act). All statements contained in this Form 10-Q, other than statements of historical facts, are forward-looking statements for purposes of these provisions. 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. 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 or referenced under “Risk Factors” in Item 1A. in our Annual Report on Form 10-K for the year ended December 31, 2017 which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

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 2017 Form 10-K. For more information on market risk, see Part II, Item 7A in our 2017 Form 10-K.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (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, 2018, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and is (2) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

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 have materially affected, or are 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 6 - 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

The statements in this section describe the known material risks to our business and should be considered carefully. Except as set forth below, there have been no material changes in risk factors previously disclosure in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

We are currently out of compliance with the New York Stock Exchange's minimum share price requirement and are at risk of the NYSE delisting our common stock, which would have an adverse impact on the trading volume, liquidity and market price of our common stock.

On March 14, 2018, we received a notice from the NYSE that the average closing price of our common stock over a 30 consecutive trading day period was below $1.00 per share, and, as a result, the price per share of our common stock was below the minimum average closing price required to maintain listing on the NYSE. We have six months following receipt of the NYSE's notice to regain compliance with the NYSE's minimum share price requirement. We may regain compliance only if on the last trading day of any calendar month during the cure period our common stock has a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading day of such month.

We are seeking stockholder approval at our annual meeting to be held on May 10, 2018 of an amendment to our Restated Certificate of Incorporation to implement, at the discretion of our Board, a reverse stock split in a range of not less than five shares and not more than fifteen shares into one share of common stock (the "Reverse Split"). There can be no assurance that our stockholders will approve the Reverse Split or that, if approved and implemented, the Reverse Split will be sufficient to bring our common stock into compliance with the NYSE's minimum listing standards. Furthermore, even if our common stock regains compliance with NYSE listing standards, we cannot assure you that the average closing price of our common stock over a consecutive 30 trading-day period will not fall below $1.00 per share in the future.

A delisting of our common stock from the NYSE could negatively impact us as it would likely reduce the liquidity and market price of our common stock; reduce the number of investors willing to hold or acquire our common stock; and negatively impact our ability to access equity markets and obtain financing. Moreover, a delisting of our common stock would constitute a "fundamental change" under the terms of our Convertible Preferred Stock, which might require us to reserve a significantly greater number of shares of our common stock for issuance upon conversion of the Convertible Preferred Stock and deplete the number of authorized shares of common stock available for issuance for other purposes.

We have a significant level of debt, which could have significant consequences for our business and future prospects.

As of March 31, 2018, we had $585.0 million principal amount of long-term debt, operating lease commitments, and $5.7 million of standby letters of credit. Our ability to meet our debt service obligations depends on our ability to generate positive cash flows from operations. We have in the past, and may in the future, incur negative cash flows from one or more segments of our operating activities. Our future cash flows from operating activities will be influenced by the demand for our drilling services, the utilization of our rigs, the dayrates that we receive for our rigs, demand for our rental tools, oil and natural gas prices, general economic conditions, and other factors affecting our operations, many of which are beyond our control.

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

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

Despite our current level of indebtedness, we may still be able to incur more debt. This could further exacerbate the risks associated with our substantial indebtedness, including limiting our liquidity and our ability to pursue other business opportunities.

In addition to our currently outstanding debt, at March 31, 2018, our 2015 Secured Credit Agreement provides us with a revolver of up to $80.0 million. In addition, although the 2015 Credit Agreement and the indentures that govern our Senior Notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. If new debt is added to our current debt levels, the related risks that we now face could intensify. Our level of indebtedness could, for instance, prevent us from engaging in transactions that might otherwise be beneficial to us or from making desirable capital expenditures. This could put us at a competitive disadvantage relative to other less leveraged competitors that have more cash flow to devote to their operations. In addition, the incurrence of additional debt could make it more difficult to satisfy our existing financial obligations.

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

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

Our ability to borrow under our 2015 Secured Credit Agreement is subject to borrowing base and liquidity requirements, and the 2015 Secured Credit Agreement and the indentures for our Senior Notes impose significant operating and financial restrictions, which may prevent us in the future from obtaining financing or capitalizing on business opportunities.

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Revolving loans are available subject to a monthly borrowing base calculation. As of March 31, 2018 the borrowing base under the $80 million Revolver was $72.6 million, which was further reduced by $15.0 million of restricted liquidity and $5.7 million in supporting letters of credit, resulting in availability under the revolver of $51.9 million.

Further, the 2015 Secured Credit Agreement grants the administrative agent for the lenders under such agreement significant discretion to establish additional reserves, which may further reduce our borrowing base availability. If a reduction in our borrowing base results in the outstanding amount under the facility exceeding the borrowing base less restricted liquidity, we will be required to repay the deficiency and cash collateralize any outstanding letters of credit. These covenants may adversely affect our ability to finance our future operations and capital needs and to pursue available business opportunities.

The 2015 Secured Credit Agreement, the amendments thereto, and the indentures governing our Senior Notes also impose significant operating and financial restrictions on us. These restrictions limit our ability to:

- make investments and other restricted payments, including dividends;
- incur additional indebtedness;
- create liens;
- engage in sale leaseback transactions;
- repurchase our common stock or Senior Notes;
- sell our assets or consolidate or merge with or into other companies; and
- engage in transactions with affiliates.

These limitations are subject to a number of important qualifications and exceptions.

A breach of any of the covenants in the 2015 Secured Credit Agreement or in the Senior Notes could result in a default with respect to the related indebtedness. If a default were to occur, the lenders under our 2015 Secured Credit Agreement and the holders of our Senior Notes could elect to declare the indebtedness, if any outstanding at that time, together with accrued interest, immediately due and payable. If the repayment of the indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness.

We may be unable to repay or refinance our debt as it becomes due, whether at maturity or as a result of acceleration.

We may not be able to repay our debt as it comes due, or to refinance our debt on a timely basis or on terms acceptable to us and within the limitations contained in the 2015 Secured Credit Agreement and the indentures governing our outstanding Senior Notes. Our 2015 Secured Credit Facility matures in January 2020, and certain of our Senior Notes mature in August 2020. Failure to repay or to timely refinance any portion of our debt could result in a default under the terms of all our debt instruments and permit the acceleration of all indebtedness outstanding.

While we intend to take appropriate mitigating actions to refinance our indebtedness prior to maturity or otherwise extend the maturity dates, and to cure any potential defaults, there is no assurance that any particular actions with respect to refinancing existing indebtedness, extending the maturity of existing indebtedness or curing potential defaults in our existing and future debt agreements will be sufficient.

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.

Table of Contents

Item 6. Exhibits

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

Exhibit Number		Description
3.1	—	Restated Certificate of Incorporation of the Company, as amended on May 16, 2007 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2007).
3.2	—	By-laws of the Company, as amended and restated as of March 9, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 14, 2017).
3.3	—	Certificate of Designations of 7.25% Series A Mandatory Convertible Preferred Stock of Parker Drilling Company, dated February 27, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 27, 2017).
10.1	—	Employment Agreement dated January 1, 2017 between the Company and Bryan R. Collins.
10.2	—	Employment Agreement dated April 2, 2018 between the Company and Jennifer F. Simons (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed April 3, 2018.
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	—	Michael W. Sumruld, 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, 18 U.S.C. Section 1350 Certification.
32.2	—	Michael W. Sumruld, Senior Vice President and Chief Financial Officer, 18 U.S.C. Section 1350 Certification.
101.INS	—	XBRL Instance Document.
101.SCH	—	XBRL Taxonomy Schema Document.
101.CAL	—	XBRL Calculation Linkbase Document.
101.LAB	—	XBRL Label Linkbase Document.
101.PRE	—	XBRL Presentation Linkbase Document.
101.DEF	—	XBRL Definition Linkbase Document.

SIGNATURES

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

PARKER DRILLING COMPANY

Date: May 2, 2018	By: /s/ Gary G. Rich Gary G. Rich Chairman, President and Chief Executive Officer
	By: /s/ Michael W. Sumruld Michael W. Sumruld Senior Vice President and Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**") is made and entered into as of January 1, 2017 (the "**Effective Date**"), by and between PARKER DRILLING COMPANY, a Delaware corporation, PARKER DRILLING MANAGEMENT SERVICES, LTD., and BRYAN R. COLLINS ("**Executive**"). For the purposes of this Agreement, Parker Drilling Company and Parker Drilling Management Services, Ltd., together with any Successor Entity, shall be collectively referred to as the "**Company**". The Company and Executive may sometimes hereafter be referred to singularly as a "**Party**" or collectively as the "**Parties**." Defined terms shall have the meanings ascribed to them in Appendix A of the Agreement.

W I T N E S S E T H:

WHEREAS, the Executive is currently an employee of the Company; and

WHEREAS, the Company desires to modify the employment terms of Executive's employment as set forth herein; and

WHEREAS, Executive is willing to enter into the Agreement upon the terms and conditions set forth;

NOW, THEREFORE, in consideration of Executive's change in employment with the Company, and the mutual promises and agreements contained herein, the Parties hereto agree as follows:

1.**Employment**. During the Employment Period, the Company shall employ Executive, and Executive shall serve as President of Drilling Operations of Parker Drilling Company. Executive's principal place of employment shall be at the corporate offices of the Company in Houston, Texas. Executive understands and agrees that he may be required to travel from time to time for purposes of the Company's business.

2. **Compensation**. Compensation shall be paid or provided to Executive during the Employment Period as follows:

(a) ***Base Salary***. The Company shall pay to Executive a base salary of $315,000 per year, payable in accordance with the Company's normal payroll schedule and procedures for its executives. Executive's Base Salary shall be subject to at least annual review and may be increased (but not decreased during the Employment Period without Executive's express written consent or unless any decrease applies to Senior Officers). Nothing contained herein shall preclude the payment of any other compensation to Executive at any time.

(b) ***Annual Bonus***. Executive shall be eligible to participate in an annual incentive plan. The annual incentive bonus target shall be not less than 75% of Executive's Base Salary and shall be subject to review and may be increased (but not decreased during the Employment Period without Executive's express written consent or unless any decrease applies to Senior Officers). Any annual incentive bonus shall be paid in a form in accordance with the terms of the applicable bonus plan as in effect from time to time, including any discretionary and performance provisions in such plan, and in no event later than the end of the year following the year for which the bonus was earned.

(c) ***Long-Term Incentives***. Executive shall be eligible to receive grants of long-term incentives, such as stock options, stock appreciation rights, restricted stock, rights to acquire stock or other securities of the Company or cash, all as commensurate with his position, and to the extent permitted by and in accordance with the terms of the Company's long-term incentive plan or plans as in effect from time to time.

3. **Duties and Responsibilities of Executive**. Executive shall have responsibilities, duties and authorities reasonably accorded to, expected of, and consistent with Executive's position as President of Drilling Operations. During the Employment Period, Executive shall devote his full business time and attention to the Company's business and shall promote its success and shall perform the duties and responsibilities assigned to him by the Reporting Authority from time to time to the best of his ability and with reasonable diligence. This Section 3 shall not be construed as preventing Executive from (a) serving on advisory committees or boards with the written permission of the Reporting Authority, such permission not to be unreasonably withheld or delayed; (b) engaging in reasonable volunteer services for charitable, educational or civic organizations; or (c) managing his personal investments in a form or manner that will not require Executive's services in the operation of the entities in which such investments are made. In any event, no such activity shall conflict with Executive's loyalties and duties to the Company or his ability to fulfill his duties and responsibilities hereunder. Executive shall at all times endeavor to in good faith comply with laws applicable to Executive's actions on behalf of the Company and its Affiliates.

4. **Term of Employment.** Executive's initial term of employment with the Company under the Agreement shall be for the period from the Effective Date through April 30, 2017 (**the "Initial Term of Employment"**). Thereafter, the Initial Term of Employment shall be automatically extended repetitively for one-year period(s) commencing on May 1, 2017, and each anniversary thereof, unless notice is given by either the Company or Executive to the other Party at least 60 days prior to the end of the Initial Term of Employment, or any one-year extension thereof, as applicable, that the term of employment will not be renewed. The Initial Term of Employment and any extension of the Initial Term of Employment hereunder shall each be referred to herein as a "**Term of Employment**." The Term of Employment shall also be extended upon a Change in Control as provided in Section 7, but shall not thereafter be extended under this Section 4. The Term of Employment shall automatically end in the event of the death or Disability of Executive. The Company and Executive shall each have the right to give Notice of Termination (pursuant to Section 8) at will, with or without cause, at any time, subject however to the terms and conditions of the Agreement regarding the rights and duties of the Parties upon termination of employment. The period from the Effective Date through the earlier of the date of Executive's termination of employment for whatever reason or the end of the Term of Employment shall be referred to herein as the "**Employment Period**."

5. **Benefits**. Subject to the terms and conditions of the Agreement, Executive shall be entitled to the following:

(a) ***Ongoing Benefits***. During the Employment Period, Executive shall be entitled to the following:

(1) ***Reimbursement of Expenses***. The Company shall pay or reimburse Executive for all reasonable travel, entertainment and other expenses paid or incurred by Executive in the performance of his duties hereunder. The Company shall also provide Executive with suitable office space, including staff support.

(2) ***Other Employee Benefits***. Executive shall be eligible to participate in any pension, retirement, 401(k), and profit-sharing, non-qualified deferred compensation and other group retirement plans or programs of the Company, to the same extent as available to Senior Officers under the terms of such plans or programs. Executive shall also be entitled to participate in any medical, dental, life, accident, disability and other group insurance plans or programs of the Company, to the same extent as available to Senior Officers under the terms of such plans or programs.

(3) ***Paid Time Off***. Executive shall be entitled to the number of hours of paid time off each year that is accorded under the Company's paid time policy for other employees of the Company of the same level, but not less than 200 hours of paid time off annually.

(b) ***Payments Upon Termination***. Upon termination of employment during the Term of Employment and without requirement of execution of a Waiver and Release, Executive shall be entitled to the following minimum payments, in addition to any other payments or benefits he is entitled to receive under the terms of the Agreement and any employee benefit plan or program;

(1) his unpaid Base Salary which has accrued through his Termination Date;

(2) his unpaid vacation pay for that year which has accrued through his Termination Date; and

(3) reimbursement of incurred business expenses in accordance with the Company's normal procedures.

Any such salary and accrued vacation pay shall be paid to Executive in a cash lump sum within five business days following the Termination Date.

6. **Severance Benefits Upon Certain Terminations Prior to a Change in Control** . Except in the event of termination of Executive's employment (i) due to Executive's death or Disability, (ii) due to Executive's voluntary resignation or termination, in either case without Good Reason, (iii) by the Company for Cause, or (iv) after a Change in Control under the circumstances and within the time limits provided in Section 7, and subject to the Waiver and Release requirement described in Section 6(c) and the forfeiture provision in Section 16, Executive's right to compensation and benefits for periods after the Termination Date shall be determined in accordance with this Section 6, as follows:

(a) ***Cash Payments***. In the event that during the Term of Employment, (i) Executive's employment is terminated by the Company for any reason other than Cause, or (ii) Executive terminates his own employment hereunder for Good Reason, then in either such event under clause (i) or (ii), the following cash payments shall be provided to Executive or, in the event of his death before receiving such benefits, to his Designated Beneficiary following his death:

(1) the Company shall pay to Executive as additional compensation (the "Additional Payment"), an amount which is equal to "Total Cash" (defined below) multiplied by 1.5 (the "Severance Multiplier"). "Total Cash" means the greater of (x) or (y), where (x) equals the greater of Executive's Base Salary as in effect on the date Notice of Termination is given or on the date immediately prior to his Termination Date plus Executive's current annual incentive target bonus; and (y) equals the sum of Executive's highest Base Salary paid and highest annual incentive bonus earned with respect to any of the three calendar years immediately preceding the year containing the Termination Date. For clauses (x) and (y) of this definition: (a) the calculation of the annual bonus of Executive shall include a calendar year during which Executive was employed by the Company and a participant in a bonus or incentive cash compensation plan even if Executive did not earn any bonus or incentive cash compensation for that calendar year and (b) the "target bonus" for Executive for the calendar year of the Company in which the Termination Date occurs shall be the amount identified in Section 2(b) as the "target", subject to adjustment as provided in Section 2(b); the Additional Payment shall be paid to Executive in a cash lump sum payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(2) a portion of his annual incentive bonus equal to the annual incentive bonus as provided in Section 2(b) based on actual performance, multiplied by a fraction, the numerator of which equals the number of days from the commencement of the year in which such termination occurs through the Termination Date, and the denominator of which equals 365; any such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year following the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(3) if his Termination Date occurs after the end of the Company's fiscal year and prior to the payment of his annual incentive bonus for such year, the same annual incentive bonus to which he would have been entitled had his employment continued through the normal bonus payment date, if any; such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(4) his Base Salary for the period commencing on the Termination Date and ending on the last day of the month in which the Termination Date occurs; any such amount shall be paid to Executive in a cash lump sum payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired; and

(5) an amount determined by the Company in its reasonable discretion to compensate the Executive for eighteen months of health and dental insurance coverage comparable to the coverage provided to the Executive by the Company prior to the Termination Date (the "**COBRA Payment**"); any such amount shall be paid to Executive in a cash lump sum payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired.

The COBRA Payment shall be provided in a manner that is intended to either comply with Code Section 409A or satisfy an exception to Code Section 409A, and therefore not be treated as an arrangement providing for nonqualified deferred compensation that is subject to taxation under Code Section 409A, as determined by the Company in its discretion, including (a) providing such benefits on a nontaxable basis to Executive, (b) providing for the reimbursement of covered expenses incurred during the time period during which Executive would be entitled to continuation coverage under a group health plan of the Company in accordance with Code Section 4980B (*i.e.*, COBRA Coverage), (c) providing that such benefits constitute the reimbursement or provision of in-kind benefits payable at a specified time or pursuant to a fixed schedule as permitted under Code Section 409A and the authoritative guidance thereunder, and/or (d) such other manner as determined by the Company in compliance with Code Section 409A.

(b) ***No Benefits***. In the event that (i) Executive voluntarily resigns or otherwise voluntarily terminates his own employment at any time, in either case without Good Reason, (ii) his employment is terminated by the Company for Cause, or (iii) his employment is terminated due to his death or Disability, then the Company shall have no obligation to provide any severance benefits under Section 6(a). In any such event, Executive and his covered dependents, if any, shall be entitled to only elect continuation coverage under the Company's group health plan and group dental plan pursuant to COBRA and the Company's procedures for COBRA administration after his Termination Date.

(c) ***Waiver and Release***. Notwithstanding any provision of the Agreement to the contrary, in order to receive the severance benefits payable under Section 6(a) or Section 7, as applicable, Executive must first execute an appropriate waiver and release agreement (substantially in the form attached hereto as Appendix B) (the "Waiver and Release") whereby Executive agrees to release and waive, in return for such severance benefits, any claims that he may have against the Company including, without limitation for unlawful discrimination (including, without limitation, any claims for discrimination under any federal or state statute or regulation); provided, however, such Waiver and Release shall not release any claim or cause of action by or on behalf of Executive for any payment or vested benefit that is due under either the Agreement or any employee benefit plan or program of the Company until fully paid prior to the receipt thereof. Executive shall have 21 days after receipt of the Waiver and Release to consider and timely execute and return it to the Company. After return, Executive shall have an additional seven days in which he can revoke the Waiver and Release; thereafter, the Waiver and Release shall be irrevocable. The Company shall provide the Waiver and Release to Executive no later than five days after his Termination Date. If the Waiver and Release is not timely executed and returned, or it is revoked within the seven-day revocation period, no benefits shall be paid under any of Section 6(a) or Section 7.

(d) ***No Duplication***. The severance payments provided under the Agreement shall supersede and replace any severance payments under any severance pay plan that the Company or any Affiliate maintains for employees generally. Notwithstanding the preceding sentence, in the event that a severance payment under the Agreement would constitute a change in the form or timing of payment under Code Section 409A of any severance benefit otherwise payable to Executive under any other plan or other arrangement, then the portion of the severance payment payable under the Agreement that is equal to the amount payable under such other severance arrangement shall be paid in the form, and at the time, applicable under such other severance arrangement and, in such event, any excess severance payment as determined under the Agreement shall be paid in the time and form as specified in the Agreement.

7. **Severance Benefits Upon Certain Terminations Following a Change in Control** . Except in the event of termination of Executive's employment (i) due to Executive's death or Disability, (ii) due to Executive's voluntary resignation or termination, in either case without Good Reason, (iii) by the Company for Cause, or (iv) prior to a Change in Control under the circumstances and within the time limits provided in Section 6, and subject to the Waiver and Release requirement described in Section 6(c) and the forfeiture provision in Section 16, Executive's right to compensation and benefits for periods after the Termination Date and after a Change in Control shall be determined in accordance with this Section 7, as follows:

(a) The provisions of this Section 7 shall not apply unless (a) there shall have been a Change in Control during the Term of Employment, and (b) Executive's employment with the Company shall have been terminated for any reason other than Cause by the Company within two years after the date of such Change in Control, or Executive shall have terminated his employment from the Company for Good Reason within two years after the date of such Change in Control. Upon the occurrence of a Change in Control, the Term of Employment shall automatically be extended so that it expires on the second anniversary of the Change in Control.

(b) If the Company terminates Executive's employment with the Company for any reason other than Cause, or if Executive terminates his employment with the Company for Good Reason prior to the second anniversary of a Change in Control, then Executive's severance benefits shall be determined in accordance with the provisions of Section 6, after taking into account the modifications in this Section 7, as follows:

(1) the Severance Multiplier for purposes of determining the amount of the Additional Payment under Section 6(a)(1) shall be two (2); such Additional Payment shall be paid to Executive in a lump sum cash payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(2) a portion of his annual incentive bonus equal to the annual incentive bonus as provided in Section 2(b) based on actual performance, multiplied by a fraction, the numerator of which equals the number of days from the commencement of the year in which such termination occurs through the Termination Date, and the denominator of which equals 365; any such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year following the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(3) if his Termination Date occurs after the end of the Company's fiscal year and prior to the payment of his annual incentive bonus for such year, the same annual incentive bonus to which he would have been entitled had his employment continued through the normal bonus payment date, if any; such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(4) his Base Salary for the period commencing on the Termination Date and ending on the last day of the month in which the Termination Date occurs; any such amount shall be paid to Executive in a lump sum cash payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(5) payment approximating the costs for group health and dental benefits under Section 6(a)(5) shall be increased to approximate the costs for providing for 36 months of health and dental insurance coverage comparable to the coverage provided to the Executive by the Company prior to the Termination Date from the Termination Date, provided Executive complies with the otherwise applicable requirements of Section 6 (such benefits described in this Section 7(b)(5) herein referred to as "**Continuation Coverage**");

(6) the Continuation Coverage shall be provided in a manner that is intended to either comply with Code Section 409A or satisfy an exception to Code Section 409A, and therefore not treated as an arrangement providing for nonqualified deferred compensation that is subject to taxation under Code Section 409A, as determined by the Company in its discretion, including (a) providing such benefits on a nontaxable basis to Executive, (b) in the case of group health and dental benefits, providing for the reimbursement of covered expenses incurred during the time period during which Executive would be entitled to continuation coverage under a group health plan of the Company in accordance with Code Section 4980B (*i.e.*, COBRA coverage), (c) providing that such benefits constitute the reimbursement or provision of in-kind benefits payable at a specified time or pursuant to a fixed schedule as permitted under Code Section 409A and the authoritative guidance thereunder, and/or (d) such other manner as determined by the Company in compliance with Code Section 409A;

(7) In determining whether Executive has Good Reason to terminate his employment with the Company following a Change in Control, there shall also be treated as events of Good Reason:

(A) the events described in clause D of the definition of Good Reason without regard to whether such changes apply to Senior Officers on the same basis;

(B) the taking of any action by the Company which would adversely affect Executive's participation in or materially reduce his benefits under or deprive Executive of any material fringe benefit enjoyed by him at the time of a Change in Control, or the failure by the Company to provide Executive with the number of hours of paid time off to which he was entitled in accordance with the Company policies in effect at the time of a Change in Control;

(C) any loss of significant authority, power or control over that exercised by Executive immediately prior to the Change in Control (including a change in superior to whom Executive reports);

(D) if the Company becomes a division, a wholly or majority-owned subsidiary or other similar captive entity of another person or entity or combination thereof (*i.e*. of a "parent"); and if Executive is not placed in the identical or equivalent position within the parent person or entity, then such occurrence will be deemed to be an assignment of duties materially inconsistent with Executive's position as described above thereby constituting Good Reason; and

(E) any failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including any plan or arrangement to receive and exercise stock options, stock appreciation rights, restricted stock or grants thereof or to acquire stock or other securities of the Company) in which Executive is participating at the time of a Change in Control (unless substitute plans or arrangements are implemented and continued providing Executive with substantially similar benefits with respect to the Company's successor after a Change in Control) (hereinafter referred to as "**Securities Plans**") or the taking of any action by the Company which would adversely affect Executive's participation in or materially reduce his benefits under any such Securities Plan.

(c) ***Expenses***. The Company shall pay to Executive all reasonable legal fees and expenses incurred by him as a result of the termination of his employment after a Change in Control other than by the Company for Cause or by reason of death incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by Section 7 of the Agreement, provided Executive establishes that his termination was covered by the provisions of this Section 7. Such reimbursements or payments shall be made upon Executive's substantiation of such legal expenses; provided, however, that in no event shall reimbursement be made later than the end of the year following the year in which Executive incurs the expenses.

(d) ***No Benefits***. In the event that (i) Executive voluntarily resigns or otherwise voluntarily terminates his own employment at any time, in either case without Good Reason, (ii) his employment is terminated by the Company for Cause or (iii) his employment is terminated due to his death or Disability, then the Company shall have no obligation to provide any severance benefits under Section 7. In any such event, Executive and his covered dependents, if any, shall be entitled to only elect continuation coverage under the Company's group health plan and group dental plan pursuant to COBRA and the Company's procedures for COBRA administration after his Termination Date.

(e) ***Legal Fees and Dispute Resolution.*** In the event that following a Change in Control the employment of Executive is terminated for Cause for a reason set out in Section 39, the Company will advance reasonable legal fees to Executive in the event Executive contests such termination for Cause. Notwithstanding the provisions of Section 28 otherwise requiring arbitration, Executive may at his election contest whether Cause exists by means of litigation but only in courts within Houston, Harris County, Texas. No legal fees are to be advanced to cover the costs of Executive's presentation of the matter to the Board as described in Section 39. Executive shall prepare a written estimate of legal fees expected to be incurred in the following 90 days and submit same to the Company; such estimated amount shall be paid by the Company to Executive within 10 days of receipt of the written estimate. At the end of the 90 days, and each 90 days thereafter, Executive shall prepare and submit a subsequent written estimate and copies of paid invoices for legal services rendered during such 90-day period; such subsequent estimate shall include an offset in the event estimated fees for the preceding 90-day period exceeded actual fees incurred. The Company agrees to pay such subsequent estimates within 10 days of receipt of same. Within 10 days of resolution of the matter, Executive will submit an appropriate accounting of actual and estimated expenses and refund to the Company any amount by which the estimated fees exceeded the actual fees incurred. Unless the Executive substantially prevails in the matter, Executive will reimburse the Company for all amounts advanced hereunder within 10 days of resolution of the matter.

(f) ***Potential Reduction in Payments.*** Notwithstanding any other provision of the Agreement to the contrary, if any Payment would be subject to the Excise Tax, then the Payment shall be either (i) delivered in full pursuant to the terms of this Agreement, or (ii) reduced in accordance with this Section 7(f) to the extent necessary to avoid the Excise Tax, based on which of (i) or (ii) would result in the greater Net After-Tax Receipt to Executive.

If Payments are reduced, the reduction shall be accomplished first by reducing cash Payments under this Agreement, in the order in which such cash Payments otherwise would be paid and then by forfeiting any equity-based awards that vest as a result of the Change in Control, starting with the most recently granted equity-based awards, to the extent necessary to accomplish such reduction.

All determinations under this Section 7(f) shall be made by the Company's independent accountants or compensation consultants (the "Third Party") and all such determinations shall be conclusive, final and binding on the parties hereto. The Company and Executive shall furnish to the Third Party such information and documents as the Third Party may reasonably request in order to make a determination under this Section 7(f). The Company shall bear all reasonable fees and costs of the Third Party with respect to determinations under or contemplated by this Section 7(f).

8. **Notice of Termination**. Any termination by the Company or Executive of his employment from the Company shall be communicated by Notice of Termination to the other Party hereto. For purposes of the Agreement, the term "**Notice of Termination**" means a written notice which indicates the specific termination provision of the Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

9. **Mitigation**. Executive shall not be required to mitigate the amount of any payment provided for under the Agreement by seeking other employment or in any other manner.

10. **Confidential Information**.

(a) ***Access to Confidential Information and Specialized Training***. In connection with his employment and continuing on an ongoing basis during employment, the Company agrees to give Executive access to Confidential Information (as defined below) (including, without limitation, Confidential Information of the Company's Affiliates and subsidiaries), which Executive did not have access to or knowledge of before Executive's employment with the Company. Executive acknowledges and agrees that, as between the Parties, all Confidential Information is and shall remain the exclusive property of the Company and that all Confidential Information is confidential and a valuable, special and unique asset of the Company that gives the Company an advantage over its actual and potential, current and future competitors. Executive further acknowledges and agrees that Executive shall preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information may constitute "trade secrets" under applicable laws, and that unauthorized disclosure or unauthorized use of the Company's Confidential Information would irreparably injure the Company.

The Company agrees to provide Executive with initial and ongoing Specialized Training, which Executive does not have access to or knowledge of before the execution of the Agreement, and the Company agrees to continue providing such Specialized Training on an ongoing basis during employment. "**Specialized Training**" includes the training the Company provides to Executive that is unique to its business and enhances Executive's ability to perform his job duties effectively, which includes, without limitation, orientation training; sales methods/techniques training; operation methods training; and computer and systems training.

(b) ***Agreement Not to Use or Disclose Confidential Information***. Both during the term of Executive's employment and after the termination of Executive's employment for any reason (including wrongful termination), Executive shall hold all Confidential Information in strict confidence, and shall not use any Confidential Information except for the benefit of the Company, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive's employment), disclose any Confidential Information to any person or entity (except other employees of the Company who have a need to know the information in connection with the performance of their employment duties), without the prior written consent of the Board, or permit any other person in the Executive's immediate family (which shall mean the spouse and children of the Executive) to do so; provided, however, Executive may make such disclosures to third parties where the disclosure is made during the Employment Period to third parties who have executed confidentiality agreements acceptable to the Company. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). The Agreement applies to all Confidential Information, whether now known or later to become known to Executive.

(c) ***Agreement to Refrain from Derogatory Statements***. Executive shall refrain, both during the employment relationship and after the employment relationship terminates, from publishing any oral or written statements about the Company or any of its Affiliates' directors, officers, employees, agents, investors or representatives that are untruthful and harmful to the business interest or reputation of the Company or any of its Affiliates; or that disclose private or confidential information about the Company or any of its Affiliates' business affairs, directors, officers, employees, agents, investors or representatives; or that constitute an intrusion into the seclusion or private lives of the Company's or any of its Affiliates' directors, officers, employees, agents, investors or representatives; or that give rise to negative publicity about the private lives of such directors, officers, employees, agents, investors or representatives; or that place such directors, officers, employees, agents, investors or representatives in a false light before the public; or that constitute a misappropriation of the name or likeness of such directors, officers, employees, agents, investors or representatives. A violation or threatened violation of this prohibition may be enjoined. This Section does not apply to communications with regulatory authorities or other communications protected or required by law.

(d) ***Definition of Confidential Information***. As used in the Agreement, the term "**Confidential Information**" shall mean any information or material known to or used by or for the Company or an Affiliate (whether or not owned or developed by the Company or an Affiliate and whether or not developed by Executive) that is not generally known to any person not employed by or acting as a director or consultant to the Company or its Affiliates. Confidential Information includes, but is not limited to, the following: all trade secrets of the Company or an Affiliate; all non-public information that the

Company or an Affiliate has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all non-public information concerning the Company's or Affiliate's products, services, prospective products or services, research, product designs, prices, discounts, costs, marketing plans, marketing techniques, market studies, test data, customers, customer lists and records, suppliers and contracts; all business records and plans; all personnel files; all financial information of or concerning the Company or an Affiliate; all information relating to the Company's operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to the Company or an Affiliate; all computer hardware or software manuals of the Company or an Affiliate; all Company or Affiliate training or instruction manuals; and all Company or Affiliate data and all computer system passwords and user codes.

11. **Duty to Return Company Documents and Property**. Upon the termination of Executive's employment with the Company, for any reason whatsoever, Executive shall immediately return and deliver to the Company any and all papers, books, records, documents, memoranda and manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, belonging to the Company, relating to its business or containing Confidential Information, in Executive's possession, whether prepared by Executive or others. If at any time after the Employment Period, Executive determines that he has any Confidential Information in his possession or control, Executive shall immediately return to the Company all such Confidential Information in his possession or control, including all copies and portions thereof.

12. **Employee Developments**.

(a) ***Assignment of Employee Developments***. Executive hereby assigns to the Company, without additional compensation, all right, title and interest Executive has in and to any Employee Developments. If copyright protection is available for any Employee Development, such Employee Development will be considered a "work for hire" as that term is defined under copyright law and will be the exclusive property of the Company.

(b) ***Executive Duties***. During and after Executive's employment with the Company, Executive shall, without additional compensation: (i) promptly disclose to the Company any Employee Development, specifically identifying any inventions, improvements or other portions of the Employee Development that are potential patentable or susceptible to protection as a trade secret; (ii) execute and deliver any and all applications, assignments, documents, and other instruments that the Company shall deem necessary to protect the right, title and interest of the Company or its designee in or to any Employee Development; (iii) reasonably cooperate and assist in providing information for making and completing regulatory and other filings in connection with any Employee Development; (iv) reasonably cooperate and assist in providing information for or participating in any action, threatened action, or considered action relating to any Employee Development; and (v) take any and all other actions as the Company may otherwise require with respect to any Employee Development.

(c) ***Third Party Obligations***. Executive acknowledges that the Company from time to time may have agreements with other persons or entities which impose obligations or restrictions on the Company regarding development-related work made during the course of work thereunder or regarding the confidential nature of such work. Executive agrees to be bound by all such obligations and restrictions and to take all action necessary to discharge the obligations of the Company.

(d) ***Definition of Employee Developments***. As used in this Agreement, the term "**Employee Developments**" shall mean all inventions, ideas, and discoveries (whether patentable or not), designs, products, processes, procedures, methods, developments, formulae, techniques, analyses, drawings, notes, documents, information, materials, and improvements, including, but not limited to, computer programs and related documentation, and all intellectual property rights therein, made, conceived, developed, or prepared, in whole or in part, by Executive during the course of employment with the Company, alone or with others, whether or not during work hours or on Company's premises, which are (i) within the scope of business operations of Company, or a reasonable or contemplated expansion thereof, (ii) related to any Company or Affiliate work or project, present, past or contemplated, (iii) created with the aid of Company's materials, equipment, facilities or personnel, or (iv) based upon information to which Executive has access as a result of or in connection with his employment with Company. Executive recognizes that all ideas, inventions, and discoveries of the type described in this Section 12(d), conceived or made by Executive alone or with others within one year after termination of employment (voluntary or otherwise), are likely to have been conceived in significant part either while employed by the Company or as a direct result of knowledge Executive had of proprietary information or Confidential Information. Accordingly, Executive agrees that such ideas, inventions or discoveries shall be presumed to have been conceived during his employment with the Company, unless and until the contrary is clearly established by Executive, and shall be treated as Employee Developments hereunder.

13. **Non-Solicitation Restriction**. To protect the Confidential Information, and in the event of Executive's termination of employment for any reason whatsoever, whether by Executive or the Company, it is necessary to enter into the following restrictive covenants, which are ancillary to the enforceable promises between the Company and Executive in Sections 10 through 12 of the Agreement. Executive hereby covenants and agrees that he will not, directly or indirectly, either individually or as a principal, partner, agent, consultant, contractor, employee, or as a director or officer of any corporation or association, or in any other manner or capacity whatsoever, except on behalf of the Company or an Affiliate, solicit business, or attempt to solicit business, in products or services competitive with any products or services sold (or offered for sale) by the Company or any Affiliate, from the Company's or Affiliate's customers or prospective customer, or those individuals or entities with whom the Company or Affiliate did business during the Employment Period, including, without limitation, the Company's or Affiliate's prospective or potential customers. Subject to Section 17, the prohibition set forth in this Section 13 shall remain in effect for a period of one year from the Termination Date for whatever reason.

14. **Non-Competition Restriction**. Executive hereby covenants and agrees that during his employment with the Company or any of its Affiliates, and for a period of one year following the Termination Date, Executive will not, without the prior written consent of the Board, participate in any capacity in which Executive would perform any duties similar to those performed while at the Company or an Affiliate, directly or indirectly (whether as proprietor, stockholder, director, partner, employee, agent, independent contractor, consultant, trustee, beneficiary, or in any other capacity), with any Competitor; provided, however, Executive shall not be deemed to be participating with a Competitor solely by virtue of his ownership of not more than one percent (1%) of any class of stock or other securities which are publicly traded on a national securities exchange or in a recognized over-the-counter market. For purposes of this Agreement, "Competitor" means an individual, partnership, firm, corporation or other business organization or entity that materially competes with a significant business owned or operated by the Company or one of its Affiliates.

15. **Non-Recruitment Restriction**. Executive agrees that during his employment with the Company or any of its Affiliates, and for a period of one year from the Termination Date for whatever reason, Executive will not, either directly or indirectly, or by acting in concert with others, solicit or influence any employee of the Company or any Affiliate to terminate or reduce his or her employment with the Company or any Affiliate. In the event any such employee shall take such action after communicating with Executive at a time when Executive is no longer employed by the Company, a presumption of recruitment shall apply unless Executive conclusively demonstrates to the contrary.

16. **Forfeiture of Severance Payment**. A "**Forfeiture Event**" for purposes of the Agreement will occur if (a) Executive violates any of the covenants or restrictions contained in Sections 13 through 15, or (b) the Company learns of facts within two years following Executive's Termination Date that, if had been known by the Reporting Authority as of the Termination Date, would have resulted in the termination of Executive's employment hereunder for Cause. In the event of a Forfeiture Event, within 30 days of being notified by the Company in writing of the Forfeiture Event, Executive shall pay to the Company the full the amount of the severance payment received by Executive pursuant to Section 6(a)(1), or such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court or arbitrator. The provisions of this Section 16 are in addition to any forfeiture provisions of other Company plans, programs or agreements applicable to the Executive. Executive specifically recognizes and affirms that this Section 16 is a material part of the Agreement without which the Company would not have entered into the Agreement. Executive further covenants and agrees that should all or any part or application of this Section 16 be held or found invalid or unenforceable for any reason whatsoever by a court of competent

jurisdiction or arbitrator in an action between Executive and the Company, then Executive shall promptly pay to the Company the amount of the severance payment received by Executive pursuant to Section 6(a)(1), or such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court or arbitrator, as applicable.

17. **Tolling**. If Executive violates any of the restrictions contained in Sections 10 through 16, the restrictive period will be suspended and will not run in favor of Executive from the time of the commencement of any violation until the time when Executive cures the violation to the Company's reasonable satisfaction.

18. **Reformation**. If a court or arbitrator concludes that any time period or the geographic area specified in any restrictive covenant in Sections 10 through 16 is unenforceable, then the time period will be reduced by the number of months, or the geographic area will be reduced by the elimination of the overbroad portion, or both, so that the restrictions shall be enforced in the geographic area and for the time to the full extent permitted by law.

19. **Conflicts of Interest.** In keeping with his fiduciary duties to the Company, Executive hereby agrees that he shall not become involved in a conflict of interest, or upon discovery thereof, allow such a conflict to continue at any time during the Employment Period. Moreover, Executive agrees that he shall immediately disclose to the Reporting Authority any known facts which might involve a conflict of interest of which the Reporting Authority is not aware.

Executive and the Company recognize and acknowledge that it is not possible to provide an exhaustive list of actions or interests which may constitute a "conflict of interest." Moreover, the Company and Executive recognize there are many borderline situations. In some instances, full disclosure of facts by Executive to the Reporting Authority may be all that is necessary to enable the Company to protect its interests. In others, if no improper motivation appears to exist and the Company's interests have not demonstrably suffered, prompt elimination of the outside interest may suffice. In egregious and material instances it may be necessary for the Company to terminate Executive's employment for Cause; provided, however, Executive cannot be terminated for Cause hereunder unless the Company first provides Executive with notice and a reasonable opportunity to cure such conflict of interest pursuant to the same procedures as set forth in clause (E) of the definition of Cause.

Executive hereby agrees that any interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest could adversely affect the Company or any Affiliate, involves a possible conflict of interest. Circumstances in which a conflict of interest on the part of Executive would or might arise, and which should be reported to the Reporting Authority, include, but are not limited to, any of the following:

(a) Ownership of more than a *de minimis* interest in any lender, supplier, contractor, customer or other entity with which Company or any Affiliate does business;

(b) Intentional misuse of information, property or facilities to which Executive has access in a manner which is demonstrably and materially injurious to the interests of the Company or any Affiliate, including its business, reputation or goodwill; or

(c) Materially trading in products or services connected with products or services designed or marketed by or for the Company or any Affiliate.

20. **Remedies**. Executive acknowledges that the restrictions contained in Sections 10 through 19, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, and that any violation of the Agreement would result in irreparable injury to the Company. In the event of a breach or a threatened breach by Executive of any provision of Sections 10 through 19, the Company shall be entitled to a temporary restraining order and injunctive relief restraining Executive from the commission of any breach, and to recover the Company's attorneys' fees, costs and expenses related to the breach or threatened breach. Nothing contained in the Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach, including, without limitation, the recovery of money damages, attorneys' fees, and costs. These covenants and disclosures shall each be construed as independent of any other provisions in the Agreement, and the existence of any claim or cause of action by Executive against the Company, whether predicated on the Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants and agreements.

21. **Withholdings: Right of Offset**. The Company may withhold and deduct from any benefits and payments made or to be made pursuant to the Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling, (b) all other normal employee deductions made with respect to the Company's employees generally, and (c) any advances made to Executive and owed to the Company.

22. **Nonalienation**. The right to receive payments under the Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge or encumbrance by Executive, his dependents or beneficiaries, or to any other person who is or may become entitled to receive such payments hereunder. The right to receive payments hereunder shall not be subject to or liable for the debts, contracts, liabilities, engagements or torts of any person who is or may become entitled to receive such payments, nor may the same be subject to attachment or seizure by any creditor of such person under any circumstances, and any such attempted attachment or seizure shall be void and of no force and effect.

23. **Incompetent or Minor Payees**. Should the Reporting Authority determine, in its discretion, that any person to whom any payment is payable under the Agreement has been determined to be legally incompetent or is a minor, any payment due hereunder, notwithstanding any other provision of the Agreement to the contrary, may be made in any one or more of the following ways: (a) directly to such minor or person; (b) to the legal guardian or other duly appointed personal representative of the person or estate of such minor or person; or (c) to such adult or adults as have, in the good faith knowledge of the Reporting Authority, assumed custody and support of such minor or person; and any payment so made shall constitute full and complete discharge of any liability under the Agreement in respect to the amount paid.

24. **Indemnification**. THE COMPANY SHALL, TO THE FULL EXTENT PERMITTED BY LAW, INDEMNIFY AND HOLD HARMLESS EXECUTIVE FROM AND AGAINST ANY AND ALL LIABILITY, COSTS AND DAMAGES ARISING FROM HIS SERVICE AS AN EMPLOYEE, OFFICER OR DIRECTOR OF THE COMPANY OR ITS AFFILIATES, SPECIFICALLY INCLUDING LIABILITY, COSTS AND DAMAGES THAT ARISE IN WHOLE OR IN PART FROM ANY NEGLIGENCE OR ALLEGED NEGLIGENCE OF EXECUTIVE, EXCEPT, HOWEVER, TO THE EXTENT THAT ANY SUCH LIABILITY, COST OR DAMAGE RESULTED FROM AN ACT OR OMISSION BY EXECUTIVE THAT CONSTITUTES GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON HIS PART. Executive shall also be provided directors' and officers' liability insurance and any contractual indemnification provided to Senior Officers at any given time. To the full extent permitted by Delaware law, the Company shall retain counsel to defend Executive, or shall advance legal fees and expenses to Executive for counsel selected by Executive, in connection with any litigation or proceeding related to his service as an employee, officer and director of the Company or any Affiliate within 20 days after receipt by the Company of a written request for such advance. Such request shall include an itemized list of the costs and expenses and an undertaking by Executive to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses. This Section 24 shall be in addition to, and shall not limit in any way, the rights of Executive to any other indemnification from the Company, as a matter of law, contract or otherwise.

25. **Severability**. It is the desire of the parties hereto that the Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction or arbitrator (pursuant to Section 28), the parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of the Agreement. The Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.

26. **Title and Headings; Construction**. Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement and not to any particular provision hereof. The masculine gender is intended to include the feminine gender.

27. **Choice of Law**. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, THE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW.

28. **Arbitration**. Subject to Section 20, any dispute or other controversy other than as provided in Section 7(e) (hereafter a "**Dispute**") arising under or in connection with the Agreement, whether in contract, in tort, statutory or otherwise, shall be finally and solely resolved by binding arbitration in Harris County, Texas, administered by the American Arbitration Association (the " **AAA**") in accordance with the Commercial Dispute Resolution Rules of the AAA, this Section 28 and, to the maximum extent applicable, the Federal Arbitration Act. Such arbitration shall be conducted by a single arbitrator (the "**Arbitrator**"). If the parties cannot agree on the choice of an Arbitrator within 30 days after the Dispute has been filed with the AAA, then the Arbitrator shall be selected pursuant to the Employment Dispute Resolution Rules of the AAA. The Arbitrator may proceed to an award notwithstanding the failure of any party to participate in such proceedings. The prevailing party in the arbitration proceeding may be entitled to an award of reasonable attorneys' fees incurred in connection with the arbitration in such amount, if any, as determined by the Arbitrator in his discretion. The costs of the arbitration shall be borne equally by the parties unless otherwise determined by the Arbitrator in his discretion.

To the maximum extent practicable, an arbitration proceeding hereunder shall be concluded within 180 days of the filing of the Dispute with the AAA. The Arbitrator may allow discovery in its discretion but shall be mindful of the Parties' goal of settling disputes in the most efficient manner possible. The Arbitrator shall be empowered to impose sanctions and to take such other actions as the Arbitrator deems necessary to the same extent a judge could impose sanctions or take such other actions pursuant to the Federal Rules of Civil Procedure and applicable law. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential except for disclosure of information required by applicable law which cannot be waived.

The award of the Arbitrator shall be (a) the sole and exclusive remedy of the parties, and (b) final and binding on the parties hereto except for any appeals provided by the Federal Arbitration Act. Only the district courts of Texas shall have jurisdiction to enter a judgment upon any award rendered by the Arbitrator, and the parties hereby consent to the personal jurisdiction of such courts and waive any objection that such forum is inconvenient. This Section 28 shall not preclude (i) the parties at any time from agreeing to pursue non-binding mediation of the Dispute prior to arbitration hereunder or (ii) the Company from pursuing the remedies available under Section 20 in any court of competent jurisdiction.

29. **Binding Effect: Third Party Beneficiaries**. The Agreement shall be binding upon and inure to the benefit of the parties hereto, and to their respective heirs, executors, beneficiaries, personal representatives, successors and permitted assigns hereunder, but otherwise the Agreement shall not be for the benefit of any third parties.

30. **Entire Agreement; Amendment and Termination** . The Agreement contains the entire agreement of the parties with respect to Executive's employment and the other matters covered herein; moreover, the Agreement supersedes all prior and contemporaneous agreements and understandings, oral or written, between the Parties hereto concerning the subject matter hereof. Notwithstanding the foregoing, any indemnity agreement between the Company and Executive as of the Effective Date shall continue in effect until otherwise amended or superseded. The Agreement may be amended, waived or terminated only by a written instrument that is identified as an amendment or termination hereto and that is executed on behalf of both Parties.

31. **Survival of Certain Provisions**. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder, including but not limited to the rights and obligations set out in Sections 2, 5 through 7, 10 through 20, 24, 27, 28 and 34 shall survive any termination or expiration of the Agreement.

32. **Waiver of Breach**. No waiver by either Party hereto of a breach of any provision of the Agreement by any other Party, or of compliance with any condition or provision of the Agreement to be performed by such other Party, will operate or be construed as a waiver of any subsequent breach by such other Party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either Party hereto to take any action by reason of any breach will not deprive such Party of the right to take action at any time while such breach continues.

33. **Successors and Assigns**. The Agreement shall be binding upon and inure to the benefit of the Company and its Affiliates, and its and their successors, and upon any person or entity acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the business and/or assets of the Company or its successor. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform the Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided, however, no such assumption shall relieve the Company of its obligations hereunder.

The Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, and heirs. In the event of the death of Executive while any amount is payable hereunder including, without limitation, pursuant to Sections 2, 5, 6, and 7, all such amounts, unless otherwise specifically provided herein, shall be paid in accordance with the terms of the Agreement to the beneficiary designated by Executive in a writing delivered to the Company, or if none, to Executive's surviving spouse if any, or if not, then to the personal representative of Executive's estate.

34. **Notices**. Each notice or other communication required or permitted under the Agreement shall be in writing and transmitted, delivered, or sent by personal delivery, prepaid courier or messenger service (whether overnight or same-day), or prepaid certified United States mail (with return receipt requested), addressed (in any case) to the other Party at the address for that Party set forth below that Party's signature on the Agreement, or at such other address as the recipient has designated by Notice to the other Party. Either party may change the address for notice by notifying the other party of such change in accordance with this Section 34.

Each notice or communication so transmitted, delivered, or sent (a) in person, by courier or messenger service, or by certified United States mail shall be deemed given, received, and effective on the date delivered to or refused by the intended recipient (with the return receipt, or the equivalent record of the courier or messenger, being deemed conclusive evidence of delivery or refusal), or (b) by telecopy or facsimile shall be deemed given, received, and effective on the date of actual receipt (with the confirmation of transmission being deemed conclusive evidence of receipt, except where the intended recipient has promptly notified the other Party that the transmission is illegible). Nevertheless, if the date of delivery or transmission is not a business day, or if the delivery or transmission is after 5:00 p.m. on a business day, the notice or other communication shall be deemed given, received, and effective on the next business day.

35. **Executive Acknowledgment**. Executive acknowledges that (a) he is knowledgeable and sophisticated as to business matters, including the subject matter of the Agreement, (b) he has read the Agreement and understands its terms and conditions, (c) he has had ample opportunity to discuss the Agreement with his legal counsel prior to execution, and (d) no strict rules of construction shall apply for or against the drafter or any other Party. Executive represents that he is free to enter into the Agreement including, without limitation, that he is not subject to any covenant not to compete that would conflict with his duties under the Agreement.

36. **Intention to Comply with Code Section 409A**. The Agreement is intended to comply with Code Section 409A. Executive acknowledges that if any

provision of the Agreement (or of any award of compensation or benefits) would cause Executive to incur any additional tax or interest under Code Section 409A and accompanying Treasury regulations and other authoritative guidance, such additional tax and interest shall solely be his responsibility.

Pursuant to Code Section 409A, any reimbursement of expenses made under the Agreement (including payments related to health and dental expenses under Sections 5 through 7), shall only be made for eligible expenses incurred during the Term of Employment, and no reimbursement of any expense shall be made by the Company after December 31st of the year following the calendar year in which the expense was incurred. The amount eligible for reimbursement under the Agreement during a taxable year may not affect expenses eligible for reimbursement in any other taxable year, and the right to reimbursement under the Agreement is not subject to liquidation or exchange for another benefit.

For purposes of Code Section 409A, each payment under this Agreement shall be deemed to be a separate payment. Except as permitted under Code Section 409A, any deferred compensation (within the meaning of Code Section 409A) payable to Executive under the Agreement may not be reduced by, or offset against, any amount owing by Executive to the Company or any of its Affiliates.

37. **Six-Month Delay**. Notwithstanding any provision in the Agreement to the contrary, if the payment of any benefit herein would be subject to additional taxes and interest under Code Section 409A because the timing of such payment is not delayed as provided in Code Section 409A for a "**specified employee**" (within the meaning of Code Section 409A), then if Executive is a "specified employee," any such payment that Executive would otherwise be entitled to receive during the first six months following the Termination Date shall be accumulated and paid or provided, as applicable, within 10 days after the date that is six months following the Termination Date, or such earlier date upon which such amount can be paid or provided under Code Section 409A without being subject to such additional taxes and interest such as, for example, upon the death of Executive.

38. **Counterparts**. The Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party hereto, but together signed by both parties.

39. **United States Foreign Corrupt Practices Act and Other Laws.** Executive represents that he has at all times complied with, and agrees that he shall at all times comply with, in all material respects with all laws applicable to Executive's actions on behalf of the Company, including specifically, without limitation, the United States Foreign Corrupt Practices Act, generally codified in 15 U.S.C. 78 (the "**FCPA**"), as the FCPA may hereafter be amended, and/or its successor statutes. If (i) Executive pleads guilty to or *nolo contendere* or admits civil or criminal liability under the FCPA, or (ii) if a court finds that Executive has personal civil or criminal liability under the FCPA, or (iii) if the Board reasonably determines, after providing Executive, or his representative, an opportunity to present information regarding the matter to the Board, that Executive took an action or failed to take an action resulting, or that could reasonably be expected to result, in the Company or any of its subsidiaries having civil or criminal liability under the FCPA, and that Executive had knowledge that such activities would give rise to such FCPA liability or knowledge of facts from which Executive should have reasonably inferred that activities giving rise to such FCPA liability had occurred or were likely to occur, such action or finding shall constitute "Cause" for termination under this Agreement if the Board determines by resolution that the actions or inactions by Executive in violation of the FCPA were not taken in good faith or were not in compliance with all policies of the Company applicable at the time of the action or inaction by Executive.

40. **No Previous Restrictive Agreements**. Executive represents that he has disclosed in writing to the Company the existence of any agreement with any previous employer or other party purporting to obligate Executive to (a) refrain from using or disclosing any trade secret or confidential or proprietary information in the course of Executive's employment by the Company or (b) refrain from competing, directly or indirectly, with the business of such previous employer or any other party. Executive further represents that he believes his performance of all the terms of the Agreement and his work duties for the Company does not, and will not, breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Executive in confidence or in trust prior to Executive's employment with the Company, and Executive will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

IN WITNESS WHEREOF, Executive has hereunto set his hand and Company has caused the Agreement to be executed in its name and on its behalf by its duly authorized officer, to be effective as of the Effective Date.

EXECUTIVE:

Signature:________
BRYAN R. COLLINS

Date:__________

Address for Notices:

____

____

PARKER DRILLING COMPANY:

By:__
GARY G. RICH
President & Chief Executive Officer

PARKER DRILLING MANAGEMENT SERVICES, LTD.:

By:__
GARY G. RICH
President

Date:__________

Address for Notices:

Parker Drilling Company

Attn: Chairman, Compensation Committee of the Board of Directors
5 Greenway Plaza
Suite 100
Houston, TX 77046

APPENDIX A

DEFINITIONS

For purposes of the Agreement:

(1) "**AAA**" means the American Arbitration Association.

(2) "**Additional Payment**" is as defined in Section 6 of the Agreement.

(3) "**Affiliate**" means any entity which owns or controls, is owned or controlled by, or is under common control with, the Company.

(4) "**Agreement**" has the meaning given it in the first paragraph of the Agreement.

(5) "**Arbitrator**" is as defined in Section 28 of the Agreement.

(6) **"Base Salary"** means such amount as specified in Section 2(a) and as thereafter adjusted.

(7) **"Board"** means the Board of Directors of the Company.

(8) "**Business Combination**" is as defined in the definition of Change in Control.

(9) In addition to the matters set forth in Section 39, "**Cause**" means any of the following:

(A) Executive's conviction by a court of competent jurisdiction as to which no further appeal can be taken of a crime involving moral turpitude or a felony or entering the plea of *nolo contendere* to such crime by Executive;

(B) the commission by Executive of a material or intentional act of fraud upon the Company or any Affiliate;

(C) the material misappropriation of funds or property of the Company or any Affiliate by Executive;

(D) the knowing engagement by Executive without the written approval of the Board, in any material activity which directly competes with the business of the Company or any Affiliate, or which would directly result in a material injury to the business or reputation of the Company or any Affiliate; or

(E) (i) material breach by Executive during the Employment Period of any of Sections 10 through 15, or Section 19, or (ii) the willful, material and repeated nonperformance of Executive's duties to the Company or any Affiliate (other than by reason of Executive's illness or incapacity), but Cause shall not exist under this clause (E)(i) or (E)(ii) until after written notice from the Reporting Authority has been given to Executive of such material breach or nonperformance (which notice specifically identifies the manner and sets forth specific facts, circumstances and examples in which the Reporting Authority reasonably believes that Executive has breached the Agreement or not substantially performed his duties) and Executive has failed to cure such alleged breach or nonperformance within a reasonable time period set by the Reporting Authority, but in no event less than 30 business days after his receipt of such notice; and, for purposes of this clause (E), no act or failure to act on Executive's part shall be deemed "willful" unless it is done or omitted by Executive not in good faith and without his reasonable belief that such action or omission was in the best interest of the Company (assuming disclosure of the pertinent facts, any action or omission by Executive after consultation with, and in accordance with the advice of, legal counsel reasonably acceptable to the Company shall be deemed to have been taken in good faith and to not be willful under the Agreement).

Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Executive a letter from the Reporting Authority stating that, in the good faith opinion of the Reporting Authority, Executive was guilty of actions or omissions constituting Cause and specifying the particulars thereof in detail.

(10) "**Change in Control**." For purposes of the Agreement, a "Change in Control" shall be deemed to have occurred as of any date if, after the Effective Date:

(A) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") (a "**Person**")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (i) the then outstanding shares of common stock of the Company (the "**Outstanding Company Common Stock**") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company or any subsidiary, (ii) any acquisition by the Company or any subsidiary or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, or (iii) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar business combination involving the Company (a "**Merger**"), if, following such Merger, the conditions described in (C) (below) are satisfied;

(B) Individuals who, as of the Effective Date, constitute the Board (the " **Incumbent Board**") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(C) There is a consummation by the Company of a reorganization, merger or consolidation (a " **Business Combination**"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, immediately following such Business Combination, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common equity and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or comparable governing persons, as the case may be, of the entity surviving or resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be;

(D) The sale or other disposition of all or substantially all of the assets of the Company, unless immediately following such sale or other disposition, (i) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to the consummation of such sale or other disposition beneficially own, directly or indirectly, more than 50% of the common stock of the corporation acquiring such assets in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to the consummation of such sale or disposition, and (ii) at least a majority of the members of the board of directors of such corporation (or its parent corporation) were members of the Incumbent Board at the time of execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company;

(E) The consummation of any plan or proposal for the complete liquidation or dissolution of the Company; or

(F) Any other event that a majority of the Board, in its sole discretion, determines to constitute a Change in Control hereunder.

(G) Notwithstanding any other provision of the Agreement, unless otherwise agreed to by the parties in an amendment to the Agreement, if more than one event occurs after the Effective Date that constitutes a Change in Control for purposes of the Agreement, the Term of the Agreement shall not be extended as provided in Section 7 beyond the date which is two years from the date of the first such event that constitutes a Change in Control.

(11) "**COBRA Coverage**" is as defined in Section 6 of the Agreement.

(12) "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(13) "**Code**" means the Internal Revenue Code of 1986, as amended, or its successor. References herein to any Code Section shall include any successor provisions of the Code.

(14) "**Company**" has the meaning given it in the first paragraph of the Agreement.

(15) **"Competitor"** is as defined in Section 14 of the Agreement.

(16) "**Confidential Information**" is as defined in Section 10 of the Agreement.

(17) "**Continuation Coverage**" is as defined in Section 7 of the Agreement.

(18) "**Designated Beneficiary**" means such beneficiary as designated in writing by Executive and delivered to the Company; or if none, Executive's surviving spouse, if any. If there is no written beneficiary designation or surviving spouse at the time of Executive's death, then the Designated Beneficiary hereunder shall be the legal representative of Executive's estate for the benefit of such estate.

(19) "**Disability**" means, upon expiration of any applicable waiting/elimination period, a disability of Executive that qualifies Executive for disability benefits.

(20) "**Dispute**" means any dispute or controversy arising under or in connection with the Agreement, whether in contract, in tort, statutory or otherwise.

(21) "**Effective Date**" means January 1, 2017.

(22) "**Employee Developments**" is as defined in Section 12(d) of the Agreement.

(23) "**Employment Period**" is as defined in Section 4 of the Agreement.

(24) "**Exchange Act**" means the Securities Exchange Act of 1934.

(25) "**Excise Tax**" means the excise imposed by Section 4999 of the Code or any similar or successor provision thereto.

(26) "**Executive**" means BRYAN R. COLLINS.

(27) "**FCPA**" is as defined in Section 39 of the Agreement.

(28) "**Forfeiture Event**" is as defined in Section 16 of the Agreement.

(29) "**Good Reason**" means the occurrence of any of the following events without Executive's express written consent:

(A) a reduction in Executive's Base Salary, as in effect from time to time, or annual target incentive bonus opportunity;

(B) a relocation of Executive's principal place of employment with the Company or its successor by more than 30 miles;

(C) a substantial and adverse change in Executive's primary duties, control, authority, status or position, or the assignment to Executive of duties or responsibilities which are materially inconsistent with such status or position, or a material reduction in the primary duties and responsibilities previously exercised by Executive, except in connection with the termination of his employment for Cause;

(D) the Company or its successor fails to continue in effect any pension plan, life insurance plan, health-and-accident plan, retirement plan, disability plan, stock option or other similar plan, deferred compensation plan or executive incentive compensation plan under which Executive was receiving material benefits (unless the Company substitutes and continues other plans providing Executive with substantially similar benefits), or the taking of any action by the Company or its successor that, in any such case or cases, would materially and adversely affect Executive's participation in or materially reduce his benefits under any such plan, unless any such adverse change to any such plan applies on the same terms to Senior Officers; or

(E) any failure of any successor to the Company to have expressly assumed the Company's obligations under the Agreement as contemplated by Section 33 hereof, unless such assumption occurs by operation of law, or any other material breach by the Company or its successor of any other material provision of the Agreement.

Notwithstanding the definition of "Good Reason" for purposes of the Agreement, Executive may not terminate his employment hereunder for Good Reason unless he (i) first notifies the Board in writing of the event (or events) which Executive believes constitutes a Good Reason event and the specific paragraph of the Agreement under which such event has occurred, within 90 days from the date of such event, and (ii) provides the Company with at least 30 days to cure the Good Reason event so that it either (1) does not constitute a Good Reason event hereunder or (2) Executive reasonably agrees, in writing, that after any such modification or accommodation made by the Company that such event shall not constitute a Good Reason event hereunder.

(30) "**Incumbent Board**" is as defined in the definition of Change in Control.

(31) "**Initial Term of Employment**" is as defined in Section 4.

(32) "**Net After-Tax Receipt**" means the present value (as determined in accordance with Section 280G of the Code) of the Payments net of all applicable federal, state and local income, employment, and other applicable taxes and the Excise Tax.

(33) "**Notice of Termination**" is as defined in Section 8 of the Agreement.

(34) "**Outstanding Company Common Stock**" means the then outstanding shares of common stock of the Company.

(35) "**Outstanding Company Voting Securities**" means the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors.

(36) "**Party**" or "**Parties**" means the Company and/or Executive.

(37) "**Payment**" means, for purposes of Section 7(f), any payment, distribution, or other benefit to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise that constitutes a "parachute payment" within the meaning of Section 280G of the Code.

(38) "**Person**" is as defined in the definition of Change in Control.

(39) "**Reporting Authority**" means the Chief Executive Officer of the Company.

(40) "**Securities Plans**" is as defined in Section 7 of the Agreement.

(41) "**Senior Officers**" are the employees of the Company, at the relevant time, holding one or more of the following positions or equivalent thereof of the Company: Chief Executive Officer, President, Senior Vice President, Chief Operating Officer, Chief Financial Officer, and Chief Administrative Officer.

(42) "**Severance Multiplier**" is as defined in Section 6 of the Agreement.

(43) "**Specialized Training**" is as defined in Section 10 of the Agreement.

(44) "**Subsidiary**" means any corporation, partnership, trust or other entity controlled by the Company.

(45) "**Term of Employment**" is as defined in Section 4 of the Agreement.

(46) "**Termination Date**" means the date on which Executive's employment with the Company terminates, whether during the Term of Employment or at any time thereafter, for whatever reason and such termination constitutes a severance from employment within the meaning of Code Section 409A.

(47) "**Total Cash**" is as defined in Section 6 of the Agreement.

(48) "**Waiver and Release**" is as defined in Section 6 of the Agreement.

APPENDIX B

FORM WAIVER AND RELEASE

Pursuant to the terms of the Employment Agreement made as of _________, ____, between Parking Drilling Company, Parker Drilling Management Services, Ltd. (collectively, the "Company") and me (the "Employment Agreement"), and in consideration of the payments made to me and other benefits to be received by me pursuant thereto, I, ____________________, do freely and voluntarily enter into this WAIVER AND RELEASE (the "Release"), which shall become effective and binding on the eighth day following my signing the Release as provided herein (the "Effective Date"). It is my intent to be legally bound, according to the terms set forth below.

In exchange for the payments and other benefits to be provided to me by the Company pursuant to Section ___ of the Employment Agreement (the "Separation Payment" and "Separation Benefits"), I hereby agree and state as follows:

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1. I, individually and on behalf of my heirs, personal representatives, successors, and assigns, release, waive, and discharge Company, its predecessors, successors, parents, subsidiaries, merged entities, operating units, affiliates, divisions, insurers, administrators, trustees, and the agents, representatives, officers, directors, shareholders, employees and attorneys of each of the foregoing (hereinafter "Released Parties"), from all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions, and causes of action, whether in law or in equity, whether known or unknown, suspected or unsuspected, arising from my employment and termination from employment with Company, including but not limited to any and all claims pursuant to Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (42 U.S.C. § 2000e, *et seq*.), which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Civil Rights Act of 1866 (42 U.S.C. §§1981, 1983 and 1985), which prohibits violations of civil rights; the Age Discrimination in Employment Act of 1967, as amended, and as further amended by the Older Workers Benefit Protection Act (29 U.S.C. §621, *et seq*.), which prohibits age discrimination in employment; the Employee Retirement Income Security Act of 1974, as amended (29 U.S.C. § 1001, *et seq*.), which protects certain employee benefits; the Americans with Disabilities Act of 1990, as amended (42 U.S.C. § 12101, *et seq*.), which prohibits discrimination against the disabled; the Family and Medical Leave Act of 1993 (29 U.S.C. § 2601, *et seq*.), which provides medical and family leave; the Fair Labor Standards Act (29 U.S.C. § 201, *et seq.*), including the wage and hour laws relating to payment of wages; and all other federal, state and local laws and regulations prohibiting employment discrimination. This Release also includes, but is not limited to, a release of any claims for breach of contract, mental pain, suffering and anguish, emotional upset, impairment of economic opportunities, unlawful interference with employment rights, defamation, intentional or negligent infliction of emotional distress, fraud, wrongful termination, wrongful discharge in violation of public policy, breach of any express or implied covenant of good faith and fair dealing, that Company has dealt with me unfairly or in bad faith, and all other common law contract and tort claims.

   Notwithstanding the foregoing, I am not waiving any rights or claims that may arise after this Release is signed by me. Moreover, this Release does not apply to any claims or rights which, by operation of law, cannot be waived, including the right to file an administrative charge or participate in an administrative investigation or proceeding. I agree that I will not, without the Company's express prior approval or unless required by law, furnish information to or cooperate with any non-governmental entity or person in connection with any proceeding or legal action involving the Company. However, nothing in this Release prohibits me from filing a charge with, or reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the U.S. Equal Opportunity Commission, the Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. This Release does not limit my ability to communicate with any government agencies or participate in any investigation or proceeding that may be conducted by any government agency, including providing documents or other information, without notice to the Company. In addition, this Release does not limit my right to receive an award for information provided to any government agencies. Further, I acknowledge that I have been advised that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

2. Nothing in this Release shall affect in any way my rights of indemnification and directors and officers liability insurance coverage provided to me pursuant to the Company's by-laws, my Employment Agreement, and/or pursuant to any other agreements or policies in effect prior to the effective date of my termination, which shall continue in full force and effect, in accordance with their terms, following the Effective Date.

3. I forever waive and relinquish any right or claim to reinstatement to active employment with Company, its affiliates, subsidiaries, divisions, parent, and successors. I further acknowledge that Company has no obligation to rehire or return me to active duty at any time in the future.

4. I acknowledge that all agreements applicable to my employment respecting noncompetition, nonsolicitation, nonrecruitment, derogatory statements, and the confidential or proprietary information of the Company shall continue in full force and effect as described in the Employment Agreement.

5. I hereby acknowledge and affirm as follows:

I have been advised to consult with an attorney prior to signing this Release.

I have been extended a period of 21 days in which to consider this Release.

I understand that for a period of seven days following my execution of this Release, I may revoke the Release by notifying the Company, in writing, of my desire to do so. I understand that after the seven-day period has elapsed and I have not revoked the Release, it shall then become effective and enforceable. I understand that the Separation Payment will not be made and I will not be entitled to the Severance Benefits made under the Employment Agreement until after the seven-day period has elapsed and I have not revoked the Release.

I acknowledge that I have received payment for all wages due at time of my employment termination, including any reimbursement for any and all business related expenses. I further acknowledge that the Separation Payment and the Separation Benefits include consideration to which I am not otherwise entitled under any Company plan, program, or prior agreement.

I certify that I have returned all property of the Company, including but not limited to, keys, credit and fuel cards, files, lists, and documents of all kinds regardless of the medium in which they are maintained.

I have carefully read the contents of this Release and I understand its contents. I am executing this Release voluntarily, knowingly, and without any duress or coercion.

6. Other than certain matters for which I was responsible and that were properly resolved in the course of my employment with the Company, I have reported all matters, to the best of my knowledge and as part of my Separation Payment, that may potentially violate the law, the Company's Code of Conduct or its policies to the Company's Chief Compliance Officer, to its internal legal counsel or through its ethics helpline. To the best of my knowledge, all matters that I have reported have been, or are in the process of being, properly examined and addressed by the Company, or, to the extent I believe they have not been, I have identified those matters that I do not believe to have been properly examined and addressed by the Company to its Chief Compliance Officer or to its internal legal counsel.

7. I acknowledge that this Release shall not be construed as an admission by any of the Released Parties of any liability whatsoever, or as an admission by any of the Released Parties of any violation of my rights or of any other person, or any violation of any order, law, statute, duty or contract.

8. I agree that the terms and conditions of this Release are confidential and that I will not, directly or indirectly, disclose the existence of or terms of this Release to anyone other than my attorney or tax advisor, except to the extent such disclosure may be required for accounting or tax reporting purposes or otherwise be required by law or direction of a court. Nothing in this provision shall be construed to prohibit me from disclosing this Release to the Equal Employment Opportunity Commission in connection with any complaint or charge submitted to that agency.

9. In the event that any provision of this Release should be held void, voidable, or unenforceable, the remaining portions shall remain in full force and effect.

10. I hereby declare that this Release constitutes the entire and final settlement between me and the Company, superseding any and all prior agreements, and that the Company has not made any promise or offered any other agreement, except those expressed in this Release, to induce or persuade me to enter into this Release.

IN WITNESS WHEREOF, I have signed this Release on the ___ day of ___________, 20__.

____

[INSERT NAME]

EXHIBIT 12.1

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

	Three Months Ended March 31, 2018	Fiscal Year Ended December 31, 2017	2016	2015	2014	2013
Pretax income (loss)	(27,192)	(109,661)	(156,644)	(71,971)	48,537	52,787
Fixed charges	11,240	44,231	45,974	45,379	45,436	50,196
Amortization of capitalized interest	935	3,810	3,916	3,793	3,939	4,058
Capitalized interest	—	(5)	(162)	(224)	(1,171)	(2,376)
Earnings before income tax & fixed charges	(15,017)	(61,625)	(106,916)	(23,023)	96,741	104,665
Interest expense	11,240	44,226	45,812	45,155	44,265	47,820
Capitalized interest	—	5	162	224	1,171	2,376
Total fixed charges	11,240	44,231	45,974	45,379	45,436	50,196
Preferred dividends	906	3,051	—	—	—	—
Combined fixed charges and preferred stock dividends	12,146	47,282	45,974	45,379	45,436	50,196
Ratio of earnings to fixed charges	(1)	(3)	(3)	(3)	2.1x	2.1x
Ratio of earnings to combined fixed charges and preferred dividends	(2)	(4)	(5)	(5)	(5)	(5)

(1) For the three months ended March 31, 2018, earnings were deficient to cover fixed charges by $15.0 million.

(2) For the three months ended March 31, 2018, earnings were inadequate to cover combined fixed charges and preferred stock dividends by $15.9 million.

(3) For the years ended December 31, 2017, 2016 and 2015, earnings were deficient to cover fixed charges by $61.6 million, $106.9 million and $23.0 million, respectively.

(4) For the year ended December 31, 2017, earnings were inadequate to cover combined fixed charges and preferred stock dividends by $64.7 million.

(5) The ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earning to fixed charges as there was no preferred stock outstanding for the respective years.

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

EXHIBIT 31.1

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, 2018, 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 2, 2018

/s/ Gary G. Rich

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

EXHIBIT 31.2

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

I, Michael W. Sumruld, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2018, 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 2, 2018

/s/ Michael W. Sumruld

Michael W. Sumruld

Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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, 2018 (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 2, 2018

/s/ Gary G. Rich

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

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

EXHIBIT 32.2

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, 2018 (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 2, 2018

/s/ Michael W. Sumruld

Michael W. Sumruld

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.