TETRA TECHNOLOGIES INC
Form 10-Q
August 09, 2018

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

[ ] 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 1-13455

TETRA Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	74-2148293
(State of incorporation)	(I.R.S. Employer Identification No.)
24955 Interstate 45 North	
The Woodlands, Texas	77380
(Address of principal executive offices)	(zip code)

(281) 367-1983
(Registrant’s telephone number, including area code)

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

As of August 9, 2018, there were 125,679,432 shares outstanding of the Company’s Common Stock, $0.01 par value per share.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

TETRA Technologies, Inc. and Subsidiaries
Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Product sales	$107,687	$86,180	$183,066	$154,158
Services	152,385	93,751	276,387	185,182
Total revenues	260,072	179,931	459,453	339,340
Cost of revenues:				
Cost of product sales	86,115	61,767	146,329	111,349
Cost of services	97,177	62,845	181,920	126,494
Depreciation, amortization, and accretion	28,979	25,784	55,420	52,308
Total cost of revenues	212,271	150,396	383,669	290,151
Gross profit	47,801	29,535	75,784	49,189
General and administrative expense	33,617	29,460	64,420	56,211
Interest expense, net	18,379	14,328	33,352	28,095
Warrants fair value adjustment (income) expense	2,195	(5,545)	201	(11,521)
CCLP Series A Preferred Units fair value adjustment (income) expense	(512)	(4,834)	846	(3,203)
Litigation arbitration award income	—	—	—	(12,816)
Other expense, net	3,808	775	6,584	1,236
Loss before taxes and discontinued operations	(9,686)	(4,649)	(29,619)	(8,813)
Provision for income taxes	2,446	3,317	3,570	3,398
Loss before discontinued operations	(12,132)	(7,966)	(33,189)	(12,211)
Discontinued operations:				
Loss from discontinued operations (including 2018 loss on disposal of $33.8 million), net of taxes	(21)	(6,653)	(41,727)	(13,660)
Net loss	(12,153)	(14,619)	(74,916)	(25,871)
Loss attributable to noncontrolling interest	6,188	3,628	15,303	12,417
Loss attributable to TETRA stockholders	$(5,965)	$(10,991)	$(59,613)	$(13,454)
Basic net income (loss) per common share:				
Income (loss) before discontinued operations attributable to TETRA stockholders	$(0.05)	$(0.04)	$(0.14)	$0.00
Loss from discontinued operations attributable to TETRA stockholders	$0.00	$(0.06)	$(0.33)	$(0.12)
Net loss attributable to TETRA stockholders	$(0.05)	$(0.10)	$(0.47)	$(0.12)
Average shares outstanding	122,474	114,534	125,553	114,375
Diluted net income (loss) per common share:				
Income (loss) before discontinued operations attributable to TETRA stockholders	$(0.05)	$(0.04)	$(0.14)	$0.00
Loss from discontinued operations attributable to TETRA stockholders	$0.00	$(0.06)	$(0.33)	$(0.12)
Net loss attributable to TETRA stockholders	$(0.05)	$(0.10)	$(0.47)	$(0.12)
Average diluted shares outstanding	122,474	114,534	125,553	114,375

See Notes to Consolidated Financial Statements

TETRA Technologies, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(In Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	$(12,153)	$(14,619)	$(74,916)	$(25,871)
Foreign currency translation adjustment	(9,249)	2,968	(7,966)	5,161
Comprehensive loss	(21,402)	(11,651)	(82,882)	(20,710)
Comprehensive loss attributable to noncontrolling interest	7,942	3,303	17,442	12,233
Comprehensive loss attributable to TETRA stockholders	$(13,460)	$(8,348)	$(65,440)	$(8,477)

See Notes to Consolidated Financial Statements

TETRA Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets
(In Thousands)

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,157	$ 26,128
Restricted cash	4,273	261
Trade accounts receivable, net of allowances of $1,380 in 2018 and $1,286 in 2017	181,454	144,051
Inventories	133,367	115,438
Assets of discontinued operations	1,538	121,134
Prepaid expenses and other current assets	19,457	17,597
Total current assets	410,246	424,609
Property, plant, and equipment:		
Land and building	79,000	78,559
Machinery and equipment	1,207,766	1,167,680
Automobiles and trucks	36,502	34,744
Chemical plants	188,135	186,790
Construction in progress	44,590	31,566
Total property, plant, and equipment	1,555,993	1,499,339
Less accumulated depreciation	(722,915)	(689,907)
Net property, plant, and equipment	833,078	809,432
Other assets:		
Goodwill	22,197	6,636
Patents, trademarks and other intangible assets, net of accumulated amortization of $74,149 in 2018 and $71,114 in 2017	85,878	47,405
Deferred tax assets, net	10	10
Notes receivable	7,501	44
Other assets	20,709	20,478
Total other assets	136,295	74,573
Total assets	$ 1,379,619	$ 1,308,614

See Notes to Consolidated Financial Statements

TETRA Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Share Amounts)

	June 30, 2018 (Unaudited)	December 31, 2017
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	$55,292	$70,847
Unearned income	30,718	18,701
Accrued liabilities	72,829	58,478
Liabilities of discontinued operations	8,343	73,913
Total current liabilities	167,182	221,939
Long-term debt, net	810,739	629,855
Deferred income taxes	3,889	4,404
Asset retirement obligations, net of current portion	12,073	11,738
CCLP Series A Preferred Units	45,644	61,436
Warrants liability	13,403	13,202
Other liabilities	15,627	13,479
Total long-term liabilities	901,375	734,114
Commitments and contingencies		
Equity:		
TETRA stockholders' equity:		
Common stock, par value $0.01 per share; 250,000,000 shares authorized at June 30, 2018 and December 31, 2017; 128,349,334 shares issued at June 30, 2018 and 118,515,797 shares issued at December 31, 2017	1,283	1,185
Additional paid-in capital	457,082	425,648
Treasury stock, at cost; 2,015,775 shares held at June 30, 2018, and 2,638,093 shares held at December 31, 2017	(18,865)	(18,651)
Accumulated other comprehensive income (loss)	(49,594)	(43,767)
Retained earnings (deficit)	(215,948)	(156,335)
Total TETRA stockholders' equity	173,958	208,080
Noncontrolling interests	137,104	144,481
Total equity	311,062	352,561
Total liabilities and equity	$1,379,619	$1,308,614

See Notes to Consolidated Financial Statements

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TETRA Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Six Months Ended June 30,	
	2018	2017
Operating activities:		
Net loss	$(74,916)	$(25,871)
Reconciliation of net loss to cash used in operating activities:		
Depreciation, amortization, and accretion	57,505	58,098
Provision (benefit) for deferred income taxes	(280)	(316)
Equity-based compensation expense	3,422	5,444
Provision for doubtful accounts	665	1,244
Non-cash loss on disposition of business	32,369	—
Amortization of deferred financing costs	2,133	2,266
CCLP Series A Preferred offering costs	—	37
CCLP Series A Preferred accrued paid in kind distributions	2,838	3,797
CCLP Series A Preferred fair value adjustment	846	(3,203)
Warrants fair value adjustment	201	(11,521)
Contingent consideration liability fair value adjustment	4,300	—
Expense for unamortized finance costs and other non-cash charges and credits	3,616	(335)
Gain on sale of assets	(65)	(533)
Changes in operating assets and liabilities:		
Accounts receivable	(46)	(30,970)
Inventories	(18,398)	(10,690)
Prepaid expenses and other current assets	(2,434)	(1,983)
Trade accounts payable and accrued expenses	(23,246)	14,605
Decommissioning liabilities	—	(497)
Other	(637)	(133)
Net cash used in operating activities	(12,127)	(561)
Investing activities:		
Purchases of property, plant, and equipment, net	(67,441)	(16,643)
Acquisition of businesses, net of cash acquired	(42,002)	—
Proceeds from disposal of business	3,121	—
Proceeds on sale of property, plant, and equipment	307	380
Other investing activities	(332)	235
Net cash used in investing activities	(106,347)	(16,028)
Financing activities:		
Proceeds from long-term debt	508,250	178,700
Principal payments on long-term debt	(325,300)	(156,550)
CCLP distributions	(8,982)	(10,944)
Tax remittances on equity based compensation	(593)	(407)
Debt issuance costs	(7,881)	(1,291)
Net cash provided by financing activities	165,494	9,508
Effect of exchange rate changes on cash	1,021	530
Increase (decrease) in cash and cash equivalents	48,041	(6,551)
Cash and cash equivalents and restricted cash at beginning of period	26,389	36,531
Cash and cash equivalents and restricted cash at end of period	$74,430	$29,980

Supplemental cash flow information:		
Interest paid	$18,610	$22,716
Income taxes paid	3,314	4,416

See Notes to Consolidated Financial Statements

TETRA Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

NOTE A – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

We are a geographically diversified oil and gas services company, focused on completion fluids and associated products and services, water management, frac flowback, production well testing and offshore rig cooling services, and compression services and equipment. We were incorporated in Delaware in 1981. Following the acquisition and disposition transactions that closed during the three month period ended March 31, 2018, we reorganized our reporting segments and are now composed of three divisions – Completion Fluids & Products, Water & Flowback Services, and Compression. Unless the context requires otherwise, when we refer to “we,” “us,” and “our,” we are describing TETRA Technologies, Inc. and its consolidated subsidiaries on a consolidated basis.

Our consolidated financial statements include the accounts of our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The information furnished reflects all normal recurring adjustments, which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods. Operating results for the period ended June 30, 2018 are not necessarily indicative of results that may be expected for the twelve months ended December 31, 2018.

We consolidate the financial statements of CSI Compressco LP and its subsidiaries ("CCLP") as part of our Compression Division, as we determined that CCLP is a variable interest entity and we are the primary beneficiary. We control the financial interests of CCLP and have the ability to direct the activities of CCLP that most significantly impact its economic performance through our ownership of its general partner. The share of CCLP net assets and earnings that is not owned by us is presented as noncontrolling interest in our consolidated financial statements. Our cash flows from our investment in CCLP are limited to the quarterly distributions we receive on our CCLP common units and general partner interest (including incentive distribution rights) and the amounts collected for services we perform on behalf of CCLP, as TETRA's capital structure and CCLP's capital structure are separate, and do not include cross default provisions, cross collateralization provisions, or cross guarantees.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission ("SEC") and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. These financial statements should be read in connection with the financial statements for the year ended December 31, 2017, and notes thereto included in our Annual Report on Form 10-K, which we filed with the SEC on March 5, 2018.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and impairments during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Reclassifications

Certain previously reported financial information has been reclassified to conform to the current period’s presentation. For a discussion of the reclassification of the financial presentation of our Offshore Division as discontinued operations, see Note C - "Discontinued Operations."

Cash Equivalents

We consider all highly liquid cash investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash is classified as a current asset when it is expected to be repaid or settled in the next twelve month period. Restricted cash as of June 30, 2018 consists of cash used to secure outstanding letters of credit of our Compression Division.

Inventories

Inventories are stated at the lower of cost or net realizable value. Except for work in progress inventory discussed below, cost is determined using the weighted average method. Components of inventories as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
	(In Thousands)	
Finished goods	$60,011	$ 66,377
Raw materials	3,934	4,027
Parts and supplies	44,585	33,632
Work in progress	24,837	11,402
Total inventories	$133,367	$ 115,438

Finished goods inventories include newly manufactured clear brine fluids as well as used brines that are repurchased from certain customers for recycling. Recycled brines are recorded at cost, using the weighted average method. Work in progress inventory consists primarily of new compressor packages located in the CCLP fabrication facility in Midland, Texas. The cost of work in progress is determined using the specific identification method. We write down the value of inventory by an amount equal to the difference between its cost and its estimated net realizable value.

Net Income (Loss) per Share

The following is a reconciliation of the weighted average number of common shares outstanding with the number of shares used in the computations of net income (loss) per common and common equivalent share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In Thousands)			
Number of weighted average common shares outstanding	122,474	114,534	125,553	114,375
Assumed exercise of equity awards and warrants	—	—	—	—
Average diluted shares outstanding	122,474	114,534	125,553	114,375

For the three and six month periods ended June 30, 2018 and June 30, 2017, the average diluted shares outstanding excludes the impact of all outstanding equity awards and warrants, as the inclusion of these shares would have been anti-dilutive due to the net losses recorded during the periods. In addition, for the three and six month periods ended June 30, 2018 and June 30, 2017, the calculation of diluted earnings per common share excludes the impact of the CCLP Preferred Units, as the inclusion of the impact from conversion of the CCLP Preferred Units into CCLP common units would have been anti-dilutive.

Foreign Currency Translation

We have designated the euro, the British pound, the Norwegian krone, the Canadian dollar, the Brazilian real, the Argentine peso, and the Mexican peso, as the functional currencies for our operations in Finland and Sweden, the United Kingdom, Norway, Canada, Brazil, Argentina, and certain of our operations in Mexico, respectively. The U.S. dollar is the designated functional currency for all of our other foreign operations. The cumulative translation effects of translating the applicable accounts from the functional currencies into the U.S. dollar at current exchange rates are included as a separate component of equity. Foreign currency exchange (gains) and losses are included in other (income) expense, net and totaled $0.6 million and $(0.3) million during the three and six month periods ended June 30, 2018 and $0.6 million and $1.2 million during the three and six month periods ended June 30, 2017, respectively.

On June 30, 2018, we determined the economy in Argentina to be highly inflationary. As a result of this determination, beginning July 1, 2018, our reporting of our operations in Argentina will reflect the remeasurement of the functional currency from the Argentine peso to the U.S. dollar.

Income Taxes

Our consolidated provision for income taxes during the first six months of 2017 and 2018 is primarily attributable to taxes in certain foreign jurisdictions and Texas gross margin taxes. Our consolidated effective tax rate for the six month period ended June 30, 2018 of negative 12.1% was primarily the result of losses generated in entities for which no related tax benefit has been recorded. The losses generated by these entities do not result in tax benefits due to offsetting valuation allowances being recorded against the related net deferred tax assets. We establish a valuation allowance to reduce the deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Included in our deferred tax assets are net operating loss carryforwards and tax credits that are available to offset future income tax liabilities in the U.S. as well as in certain foreign jurisdictions.

The Tax Cuts and Jobs Act (the “Act”) was enacted on December 22, 2017. At June 30, 2018 and December 31, 2017, we had not completed our accounting for the tax effects of enactment of the Act; however, in certain cases, as described below, we made reasonable estimates of the effects and recorded provisional amounts. We will continue to make and refine our calculations as additional analysis is completed. The accounting for the tax effects of the Act will be completed in 2018 as provided by the U.S. Securities and Exchange Commission’s SAB No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act. We recognized an income tax expense of $54.1 million in the fourth quarter of 2017 associated with the impact of the Act, which was fully offset by a decrease in the valuation allowance previously recorded on our net deferred tax assets. As such, the Act resulted in no net tax expense in the fourth quarter of 2017. We have considered in our estimated annual effective tax rate for 2018, the impact of the statutory changes enacted by the Act, including reasonable estimates of those provisions effective for the 2018 tax year. Our estimate on Global Intangible Low Taxed Income (“GILTI”), Foreign Derived Intangible Income (“FDII”), Base Erosion and Anti-Abuse Tax (“BEAT”), and IRC Section 163(j) interest limitation do not impact our effective tax rate for the three and six month periods ended June 30, 2018.

Asset Retirement Obligations

We operate facilities in various U.S. and foreign locations that are used in the manufacture, storage, and sale of our products, inventories, and equipment. These facilities are a combination of owned and leased assets. We are required to take certain actions in connection with the retirement of these assets. The values of our asset retirement obligations for these properties were $12.1 million and $11.7 million as of June 30, 2018 and December 31, 2017, respectively. Asset retirement obligations are recorded in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 410, "Asset Retirement and Environmental Obligations," whereby the estimated fair value of a liability for asset retirement obligations is recognized in the period in which it is incurred and in which a reasonable estimate can be made. Such estimates are based on relevant assumptions that we believe are reasonable. We have reviewed our obligations in this regard in detail and estimated the cost of these actions. The associated asset retirement costs are capitalized as part of the carrying amount of these long-lived assets and are depreciated on a straight-line basis over the life of the assets.

The changes in the values of our asset retirement obligations during the three and six month period ended June 30, 2018, are as follows:

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	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(In Thousands)	
Beginning balance for the period, as reported	$11,929	$11,738
Activity in the period:		
Accretion of liability	150	309
Revisions in estimated cash flows	(6)	26
Ending balance	$12,073	$12,073

We review the adequacy of our asset retirement obligation liabilities whenever indicators suggest that the estimated cash flows underlying the liabilities have changed.

Fair Value Measurements

Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” within an entity’s principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that may differ from the transaction price or market price of the asset or liability.

Under U.S. generally accepted accounting principles ("GAAP"), the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs, where possible. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs may be needed to measure fair value in situations where there is little or no market activity for the asset or liability at the measurement date and are developed based on the best information available in the circumstances, which could include the reporting entity’s own judgments about the assumptions market participants would utilize in pricing the asset or liability.

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. Fair value measurements are utilized on a recurring basis in the determination of the carrying values of the liabilities for the warrants to purchase 11.2 million shares of our common stock (the "Warrants") and the CCLP Preferred Units (as herein defined). We also utilize fair value measurements on a recurring basis in the accounting for our foreign currency derivative contracts. For these fair value measurements, we utilize the quoted value as determined by our counterparty financial institution (a level 2 fair value measurement). Fair value measurements are also utilized on a nonrecurring basis in certain circumstances, such as in the allocation of purchase consideration for acquisition transactions to the assets and liabilities acquired, including intangible assets and goodwill (a level 3 fair value measurement), the initial recording of our asset retirement obligations, and for the impairment of long-lived assets, including goodwill (a level 3 fair value measurement). The fair values of certain of our financial instruments, which include cash, restricted cash, accounts receivable, accounts payable, short-term borrowings, and long-term debt pursuant to our bank credit agreement, approximate their carrying amounts. The aggregate fair values of our long-term 11% Senior Note at June 30, 2018 and December 31, 2017, were approximately $128.2 million and $130.8 million, respectively, based on current interest rates on those dates, which were different from the stated interest rate on the 11% Senior Note. Those fair values compare to the face amount of the 11% Senior Note of $125.0 million both at June 30, 2018 and December 31, 2017. The fair values of the publicly traded CCLP 7.25% Senior Notes (as herein defined) at June 30, 2018 and December 31, 2017, were approximately $271.5 million and $279.7 million, respectively. Those fair values compare to the face amount of $295.9 million both at June 30, 2018 and December 31, 2017. The fair value of the publicly traded CCLP 7.50% Senior Secured Notes at June 30, 2018 was approximately $351.8 million. This fair value compares to aggregate principal amount of such notes at June 30, 2018 of $350.0 million. We calculated the fair values of our 11% Senior Note as of June 30, 2018 and December 31, 2017 internally, using current market conditions and average cost of debt (a level 2 fair value measurement). We based the fair values of the CCLP 7.25% Senior Notes and the CCLP 7.50% Senior Secured Notes as of June 30, 2018 on recent trades for these notes (a level 1 fair value measurement). See Note D - "Long-Term Debt and Other Borrowings," for further discussion.

The CCLP Preferred Units are valued using a lattice modeling technique that, among a number of lattice structures, includes significant unobservable items (a Level 3 fair value measurement). These unobservable items include (i) the volatility of the trading price of CCLP's common units compared to a volatility analysis of equity prices of CCLP's comparable peer companies, (ii) a yield analysis that utilizes market information related to the debt yields of comparable peer companies, and (iii) a future conversion price analysis. The fair valuation of the CCLP Preferred Units liability is increased by, among other factors, projected increases in CCLP's common unit price and by increases in the volatility and decreases in the debt yields of CCLP's comparable peer companies. Increases (or decreases) in the fair value of CCLP Preferred Units will increase (decrease) the associated liability and result in future adjustments to earnings for the associated valuation losses (gains). During the three and six month periods ended June 30, 2018, the changes in the fair value of the CCLP Preferred Units resulted in $0.5 million being credited to earnings and $0.8 million charged to earnings, respectively, in the consolidated statement of operations.

The Warrants are valued either by using their traded market prices (a level 1 fair value measurement) or, for periods when market prices are not available, by using the Black Scholes option valuation model that includes estimates of the volatility of the Warrants implied by their trading prices (a level 3 fair value measurement). As of June 30, 2018 and December 31, 2017, the fair valuation methodology utilized for the Warrants was a level 3 fair value measurement, as there were no available traded market prices to value the Warrants. The fair valuation of the Warrants liability is increased by, among other factors, increases in our common stock price, and by increases in the volatility of our common stock price. Increases (or decreases) in the fair value of the Warrants will increase (decrease) the associated liability and result in future adjustments to earnings for the associated valuation losses (gains). During the three and six month periods ended June 30, 2018, the changes in the fair value of the Warrants liability resulted in $2.2 million being charged to earnings and $0.2 million being charged to earnings, respectively, in the consolidated statement of operations.

During the third quarter of 2017 and the first quarter of 2018, we issued stand-alone, cash-settled stock appreciation rights awards to an executive officer. These awards are valued by using the Black Scholes option valuation model and such fair value is recognized based on the portion of the requisite service period satisfied as of each valuation date. The fair valuation of the stock appreciation rights liability is increased by, among other factors, increases in our common stock price, and by increases in the volatility of our common stock price. These stock appreciation rights awards are reflected as an accrued liability in our consolidated balance sheet. Increases (or decreases) in the fair value of the stock appreciation rights awards will increase (decrease) the associated liability and result in future adjustments to earnings for the associated valuation losses (gains). During the six months ended June 30, 2018, the fair value of the stock appreciation rights increased $0.2 million, which was charged to earnings in the consolidated statement of operations.

A summary of these fair value measurements as of June 30, 2018 and December 31, 2017, is as follows:

		Fair Value Measurements Using		
	Total as of	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
Description			(Level 2)	(Level 3)

	June 30, 2018	(Level 1)		
	(In Thousands)			
CCLP Series A Preferred Units	$(45,644)	$—$	—	$ (45,644)
Warrants liability	(13,403)	——		(13,403)
Cash-settled stock appreciation rights	(287)	——		(287)
Asset for foreign currency derivative contracts	180	—180		—
Liability for foreign currency derivative contracts	(241)	—(241)		—
Net liability	$(59,395)			

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		Fair Value Measurements Using		
Description	Total as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)			
CCLP Series A Preferred Units	$(61,436)	$—	$ —	$ (61,436)
Warrants liability	(13,202)	—	—	(13,202)
Cash-settled stock appreciation rights	(97)	—	—	(97)
Asset for foreign currency derivative contracts	241	—	241	—
Liability for foreign currency derivative contracts	(378)	—	(378)	—
Net liability	$(74,872)			

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers." This ASU supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, "Revenue Recognition," and most industry-specific guidance. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those years, under either full or modified retrospective adoption.

On January 1, 2018, we adopted ASU 2014-09 and all related amendments ("ASU 2014-09"). We utilized the modified retrospective method of adoption. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also provides a five-step model for determining revenue recognition for arrangements that are within the scope of the standard: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of ASU 2014-09, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. For a complete discussion of accounting for revenues, see Note J - Revenue from Contracts with Customers.
The impact from the adoption of ASU 2014-09 to our January 1, 2018 consolidated balance sheet, our June 30, 2018 consolidated balance sheet, and our consolidated results of operations for the three and six month periods ended

June 30, 2018 was immaterial. The adoption of ASU 2014-09 had no impact to cash provided by operating, financing, or investing activities in our consolidated statement of cash flows. We do not expect the adoption of the new revenue standard to have a material impact to our net income on an ongoing basis.

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842) to increase comparability and transparency among different organizations. Organizations are required to recognize right-of-use lease assets and lease liabilities on the balance sheet related to the right to use the underlying asset for the lease term. In addition, through improved disclosure requirements, the ASU will enable users of financial statements to further understand the amount, timing, and uncertainty of cash flows arising from leases. We are currently assessing the potential effects of these changes to our consolidated financial statements. Our current operating lease portfolio consists primarily of real estate, vehicles, and equipment leases. Based on our preliminary assessment, upon adoption of the ASU, we will record significant right-to-use assets and lease obligations pursuant to the new requirements. We are evaluating our portfolio of existing leases for consideration of the accounting impact of each lease. We are also evaluating and are developing internal policies to address the requirements under this ASU.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses. ASU 2016-13, which has an effective date of the first quarter of fiscal 2022, also applies to employee benefit plan accounting. We are currently assessing the potential effects of these changes to our consolidated financial statements and employee benefit plan accounting.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" to reduce diversity in practice in classification of certain transactions in the statement of cash flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption permitted, under a retrospective transition adoption. We adopted this ASU during the three month period ended March 31, 2018, with no material impact to our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory" which requires companies to account for the income tax effects of intercompany transfers of assets other than inventory when the transfer occurs. We adopted this ASU during the three month period ended March 31, 2018. The adoption of this standard did not have a material impact to our consolidated financial statements due to a previously recorded valuation allowance on our net deferred tax assets.

Additionally, in November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. We adopted this ASU during the three month period ended March 31, 2018, resulting in restricted cash being classified with cash and cash equivalents in our consolidated statement of cash flows.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. The ASU is effective for annual periods beginning after December 15, 2020, and interim periods within those annual periods, with early adoption permitted, under a prospective adoption. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting" to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. We adopted this ASU during the three month period ended March 31, 2018, with no material impact to our consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, "Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception" to consider “down round” features when determining whether certain equity-linked financial instruments or embedded features are indexed to an entity’s own stock. Entities that present EPS under ASC 260 will recognize the effect of a down round feature in a freestanding equity-classified financial instrument only when it is triggered. The effect of triggering such a feature will be recognized as a dividend and a reduction to income available to common shareholders in basic EPS. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. We are currently assessing the potential effects of these changes to our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" to change how companies account for and disclose hedges. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. We are currently assessing the potential effects of these changes to our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, “Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting” to align the measurement and classification guidance for share-based payments to nonemployees with the guidance currently applied to employees, with certain exceptions. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods, with early adoption permitted. We are currently assessing the potential effects of these changes to our consolidated financial statements.

NOTE B – ACQUISITIONS AND DISPOSITIONS

Acquisition of SwiftWater Energy Services

On February 28, 2018, pursuant to a purchase agreement dated February 13, 2018 (the "SwiftWater Purchase Agreement"), we purchased all of the equity interests in SwiftWater Energy Services, LLC ("SwiftWater"), which is engaged in the business of providing water management and water solutions to oil and gas operators in the Permian Basin market of Texas. Strategically, the acquisition of SwiftWater enhances our position as one of the leading integrated water management companies, providing water transfer, storage, and treatment services, along with proprietary automation technology and numerous other water-related services.

Under the terms of the SwiftWater Purchase Agreement, consideration of $42.0 million of cash, subject to a working capital adjustment, and 7,772,021 shares of our common stock (valued at $28.2 million) were paid at closing. Subsequent to closing, in August 2018, a working capital adjustment of approximately $1.0 million was paid. The sellers will also have the right to receive contingent consideration payments, in an aggregate amount of up to $15.0 million, calculated on EBITDA and revenue (each as defined in the SwiftWater Purchase Agreement) of the water management business of SwiftWater and all of our pre-existing operations in the Permian Basin in respect of the period from January 1, 2018 through December 31, 2019. The contingent consideration may be paid in cash or shares of our common stock, at our election.

As of June 30, 2018, our preliminary allocation of the SwiftWater purchase price is as follows (in thousands):

Current assets	$16,880
Property and equipment	11,631
Intangible assets	41,960
Goodwill	15,560
Total assets acquired	86,031
Current liabilities	7,189
Total liabilities assumed	7,189
Net assets acquired	$78,842

The above allocation of the purchase price to the SwiftWater net tangible assets and liabilities considers approximately $7.6 million of the initial estimated fair value for the liabilities associated with the contingent purchase price consideration. The fair value of the obligation to pay the contingent purchase price consideration was calculated based on the anticipated EBITDA and revenue as of the closing date for the operations of SwiftWater and our pre-existing operations in the Permian Basin and could increase (to $15.0 million) or decrease (to $0) depending on the actual earnings from these operations going forward. Increases or decreases in the value of the anticipated contingent purchase price consideration liability due to changes in the amounts paid or expected to be paid will be charged or credited to earnings in the period in which such changes occur. During the period from the closing date to June 30, 2018, the estimated fair value for the liabilities associated with the contingent purchase price consideration increased to $11.9 million, resulting in $4.3 million being charged to other expense during the three month period ended June 30, 2018.

The allocation of the purchase price to the SwiftWater net tangible assets and liabilities and identifiable intangible assets, as well as the contingent consideration liabilities, as of February 28, 2018, is preliminary and subject to revisions to the fair value calculations for certain of the tangible and identified intangible assets as well as the fair value calculation of the contingent purchase price consideration liability. The final purchase price allocation could differ materially from the preliminary allocation noted in the summary above. The preliminary allocation of purchase price includes approximately $15.6 million of deductible goodwill allocated to our Water & Flowback Services segment, and is supported by the strategic benefits discussed above and expected to be generated from the acquisition. The acquired property and equipment is stated at fair value, and depreciation on the acquired property and equipment is computed using the straight-line method over the estimated useful lives of each asset. Machinery and equipment is depreciated using useful lives of 3 to 15 years; and automobiles and trucks are depreciated using useful lives of 3 to 4 years. The acquired intangible assets include $3.3 million for the trademark/tradename, $37.2 million for customer relationships, and $1.5 million of other intangible assets that are stated at estimated fair value and are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 16 years. These identified intangible assets are recorded net of $1.0 million of accumulated amortization as of June 30, 2018.

For the six month period ended June 30, 2018, our revenues, depreciation and amortization, and pretax earnings included $36.6 million, $2.1 million, and $7.0 million, respectively, associated with the SwiftWater acquisition after the closing on February 28, 2018. In addition, SwiftWater acquisition-related costs of approximately $0.4 million were incurred during the six month period ended June 30, 2018, consisting of external legal fees, transaction consulting fees, and due diligence costs. These costs have been recognized in general and administrative expenses in the consolidated statement of operations.

The pro forma information presented below has been prepared to give effect to the SwiftWater acquisition as if the transaction had occurred at the beginning of the periods presented. The pro forma information includes the impact from the allocation of the acquisition purchase price on depreciation and amortization. The pro forma information also excludes the SwiftWater acquisition-related costs charged to earnings during the 2018 period. The pro forma information is presented for illustrative purposes only and is based on estimates and assumptions we deemed appropriate. The following pro forma information is not necessarily indicative of the historical results that would have been achieved if the acquisition transaction had occurred in the past, and our operating results may have been different from those reflected in the pro forma information below. Therefore, the pro forma information should not be relied upon as an indication of the operating results that we would have achieved if the transaction had occurred at the beginning of the periods presented or the future results that we will achieve after the transaction.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In Thousands)			
Revenues	$260,072	$191,891	$473,603	$362,824
Depreciation, amortization, and accretion	$28,979	$27,197	$56,397	$54,949
Gross profit	$47,801	$33,115	$79,749	$57,668
Net income (loss) from continuing operations	$(12,132)	$(6,594)	$(30,988)	$(9,285)
Net income (loss) attributable to TETRA stockholders	$(5,965)	$(9,619)	$(57,412)	$(10,528)

Sale of Offshore Division

On March 1, 2018, we closed a series of related transactions that resulted in the disposition of our Offshore Division. Pursuant to an Asset Purchase and Sale Agreement (the "Maritech Asset Purchase Agreement") with Orinoco Natural Resources, LLC ("Orinoco"), Orinoco purchased certain remaining offshore oil, gas and mineral leases and related assets of Maritech (the "Maritech Properties"). Immediately thereafter, we closed the transactions contemplated by a Membership Interest Purchase and Sale Agreement (the "Maritech Equity Purchase Agreement") with Orinoco, whereby Orinoco purchased all of the equity interests of Maritech (the "Maritech Equity Interests"). Immediately thereafter, we closed the transactions contemplated by an Equity Interest Purchase Agreement (the "Offshore Services Purchase Agreement") with Epic Offshore Specialty, LLC, an affiliate of Orinoco ("Epic Offshore"), whereby Epic Offshore (the "Offshore Services Sale") purchased all of the equity interests in the wholly owned subsidiaries that comprised our Offshore Services segment operations (the "Offshore Services Equity Interests").

Under the terms of the Maritech Asset Purchase Agreement, the Maritech Equity Purchase Agreement, and the Offshore Services Purchase Agreement, the consideration delivered by Orinoco and Epic Offshore for the Maritech Properties, the Maritech Equity Interests and the Offshore Services Equity Interests consisted of (i) the assumption by Orinoco of substantially all of the liabilities and obligations relating to the ownership, operation and condition of the Maritech Properties and the provision of certain indemnities by Orinoco to us under the Maritech Asset Purchase Agreement, (ii) the assumption by Orinoco of substantially all of the liabilities of Maritech and the provision of certain indemnities by Orinoco under the Maritech Equity Purchase Agreement, (iii) the assumption by Epic Offshore of substantially all of the liabilities of the Offshore Services Equity Interests relating to the periods following the closing of the Offshore Services Sale and the provision of certain indemnities by Epic Offshore under the Offshore Services Purchase Agreement, (iv) cash in the amount $3.1 million, (v) a promissory note in the original principal amount of $7.5 million payable by Epic Offshore to us in full, together with interest at a rate of 1.52% per annum, on December 31, 2019, (vi) performance by Orinoco under a Bonding Agreement executed in connection with the Maritech Asset Purchase Agreement and the Maritech Equity Purchase Agreement whereby Orinoco provided at closing non-revocable performance bonds in an amount equal to $46.8 million to cover the performance by Orinoco and Maritech of the asset retirement obligations of Maritech, and (vii) the delivery of a personal guaranty agreement from Thomas M. Clarke and Ana M. Clarke guaranteeing the payment obligations of Orinoco under the Bonding Agreement (collectively, the "Transaction Consideration"). Pursuant to the Bonding Agreement, Orinoco is required to replace, within 90 days following the closing, the initial bonds delivered at closing with non-revocable performance bonds, meeting certain requirements, in the aggregate sum of $47.0 million. Orinoco has not delivered such replacement bonds and we are seeking to enforce the terms of the Bonding Agreement. The non-revocable performance bonds delivered at the closing remain in effect.

As a result of these transactions, we have effectively exited the businesses of our Offshore Services and Maritech segments, and these operations are reflected as discontinued operations in our consolidated financial statements. See Note C - "Discontinued Operations" for further discussion. Our consolidated pre-tax results of operations for the six month period ending June 30, 2018 included a loss on the disposal of our Offshore Division of $33.8 million, net of tax, including transaction costs of $1.4 million.

NOTE C – DISCONTINUED OPERATIONS

As discussed in Note B - "Acquisitions and Dispositions," on March 1, 2018, we closed a series of related transactions that resulted in the disposition of our Offshore Division. As a result, we have accounted for our Offshore Division, consisting of our Offshore Services and Maritech segments, as discontinued operations and have revised prior period financial statements to exclude these businesses from continuing operations. A summary of financial information related to our discontinued operations is as follows:

Reconciliation of the Line Items Constituting Pretax Loss from Discontinued Operations to the After-Tax Loss from Discontinued Operations
(in thousands)

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	Offshore Services	Maritech	Total	Offshore Services	Maritech	Total
Major classes of line items constituting pretax loss from discontinued operations						
Revenue	$10	$ —	$10	$28,262	$ 175	$28,437
Cost of revenues	(235)	(98)	(333)	27,933	314	28,247
Depreciation, amortization, and accretion	—	—	—	2,463	373	2,836
General and administrative expense	284	—	284	1,594	174	1,768
Other (income) expense, net	55	—	55	2,718	(565)	2,153
Pretax loss from discontinued operations	(94)	98	4	(6,446)	(121)	(6,567)
Pretax loss on disposal of discontinued operations			(25)			—
Total pretax loss from discontinued operations			(21)			(6,567)

Income tax expense	—	86
Total loss from discontinued operations	$(21)	$(6,653)

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	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	Offshore Services	Maritech	Total	Offshore Services	Maritech	Total
Major classes of line items constituting pretax loss from discontinued operations						
Revenue	$4,487	$ 187	$4,674	$36,623	$ 406	$37,029
Cost of revenues	10,888	139	11,027	38,672	601	39,273
Depreciation, amortization, and accretion	1,873	212	2,085	5,046	743	5,789
General and administrative expense	1,537	187	1,724	3,063	411	3,474
Other (income) expense, net	78	—	78	2,623	(565)	2,058
Pretax loss from discontinued operations	(9,889)	(351)	(10,240)	(12,781)	(784)	(13,565)
Pretax loss on disposal of discontinued operations			(33,813)			—
Total pretax loss from discontinued operations			(44,053)			(13,565)
Income tax (benefit) expense			(2,326)			95
Total loss from discontinued operations			$(41,727)			$(13,660)

Reconciliation of Major Classes of Assets and Liabilities of the Discontinued Operations to Amounts Presented Separately in the Statement of Financial Position
(in thousands)

	June 30, 2018			December 31, 2017		
	Offshore Services	Maritech	Total	Offshore Services	Maritech	Total
Carrying amounts of major classes of assets included as part of discontinued operations						
Trade receivables	$161	$1,341	$1,502	$27,385	$1,542	$28,927
Inventories	—	—	—	4,616	—	4,616
Property, plant, and equipment	—	—	—	85,873	—	85,873
Other assets	54	(18)	36	1,674	44	1,718
Total major classes of assets of the discontinued operations	$215	$1,323	$1,538	$119,548	$1,586	$121,134
Carrying amounts of major classes of liabilities included as part of discontinued operations						
Trade payables	1,676	—	1,676	13,942	87	14,029
Accrued liabilities	4,608	2,059	6,667	10,944	2,278	13,222
Decommissioning and other asset retirement obligations	—	—	—	—	46,662	46,662
Total major classes of liabilities of the discontinued operations	$6,284	$2,059	$8,343	$24,886	$49,027	$73,913

NOTE D – LONG-TERM DEBT AND OTHER BORROWINGS

We believe TETRA's capital structure and CCLP's capital structure should be considered separately, as there are no cross default provisions, cross collateralization provisions, or cross guarantees between CCLP's debt and TETRA's debt.

Consolidated long-term debt as of June 30, 2018 and December 31, 2017, consists of the following:

		June 30, 2018	December 31, 2017
		(In Thousands)	
TETRA	Scheduled Maturity		
Bank revolving line of credit facility (presented net of the unamortized deferred financing costs of $1.0 million as of June 30, 2018)	September 30, 2019	$59,906	$ —
11.0% Senior Note, Series 2015 (presented net of the unamortized discount of $3.6 million as of June 30, 2018 and $3.9 million as of December 31, 2017 and net of unamortized deferred financing costs of $3.1 million as of June 30, 2018 and $3.4 million as of December 31, 2017)	November 5, 2022	118,341	117,679
TETRA total debt		178,247	117,679
Less current portion		—	—
TETRA total long-term debt		$178,247	$ 117,679
CCLP			
CCLP Bank Credit Facility (presented net of the unamortized deferred financing costs of $4.0 million as of December 31, 2017), terminated March 22, 2018	August 4, 2019	—	223,985
CCLP New Credit Agreement	June 29, 2023	—	—
CCLP 7.25% Senior Notes (presented net of the unamortized discount of $2.5 million as of June 30, 2018 and $2.8 million as of December 31, 2017 and net of unamortized deferred financing costs of $4.4 million as of June 30, 2018 and $5.0 million as of December 31, 2017)	August 15, 2022	288,989	288,191
CCLP 7.50% Senior Secured Notes (presented net of unamortized deferred financing costs of $6.5 million as of June 30, 2018)	April 1, 2025	343,503	—
CCLP total debt		632,492	512,176
Less current portion		—	—
Consolidated total long-term debt		$810,739	$ 629,855

As of June 30, 2018, TETRA (excluding CCLP) had a $61.0 million outstanding balance and $6.8 million in letters of credit against its Credit Agreement, leaving a net availability of $132.2 million. There was no balance outstanding under the CCLP New Credit Agreement (as defined below) as of June 30, 2018.

As described below, we and CCLP are in compliance with all covenants of our respective debt and senior note agreements as of June 30, 2018.

Our Long-Term Debt

Our Credit Agreement.

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At June 30, 2018, our consolidated leverage ratio was 2.18 to 1 (compared to a 4.75 to 1 maximum allowed under the Credit Agreement) and our fixed charge coverage ratio was 2.87 to 1 (compared to a 1.25 to 1 minimum required under the Credit Agreement).

CCLP Long-Term Debt

CCLP Senior Secured Notes. On March 8, 2018, CCLP, and its wholly owned subsidiary, CSI Compressco Finance Inc. (together with CCLP, the "CCLP Issuers") entered into the Purchase Agreement (the “Purchase Agreement”) with Merrill Lynch, Pierce, Fenner & Smith Incorporated as representative of the initial purchasers listed in Schedule A thereto (collectively, the “Initial Purchasers”), pursuant to which the CCLP Issuers agreed to issue and sell to the Initial Purchasers $350 million aggregate principal amount of the CCLP Issuers’ 7.50% Senior Secured First Lien Notes due 2025 (the "CCLP Senior Secured Notes") (the "CCLP Offering") pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act").

The CCLP Issuers closed the Offering on March 22, 2018. The CCLP Senior Secured Notes were issued at par for net proceeds of approximately $343.8 million, after deducting certain financing costs. CCLP used a portion of the net proceeds to repay in full and terminate its existing bank Credit Agreement and plans to use the remainder for general partnership purposes, including the expansion of its compression fleet. The CCLP Senior Secured Notes are jointly and severally, and fully and unconditionally, guaranteed (the "Guarantees" and, together with the CCLP Senior Secured Notes, the "CCLP Senior Secured Note Securities") on a senior secured basis initially by each of CCLP's domestic restricted subsidiaries (other than CSI Compressco Finance Inc., certain immaterial subsidiaries and certain other excluded domestic subsidiaries) and are secured by a first-priority security interest in substantially all of the CCLP Issuers' and the Guarantors' assets (other than certain excluded assets) (the "Collateral") as collateral security for their obligations under the CCLP Senior Secured Notes, subject to certain permitted encumbrances and exceptions. On the closing date, CCLP entered into an indenture (the "Indenture") by and among the Obligors and U.S. Bank National Association, as trustee with respect to the Securities. The CCLP Senior Secured Notes accrue interest at a rate of 7.50% per annum. Interest on the CCLP Senior Secured Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning October 1, 2018. The CCLP Senior Secured Notes are scheduled to mature on April 1, 2025. During the six months ended June 30, 2018, CCLP incurred total financing costs of $6.7 million related to the CCLP Senior Secured Notes. These costs are deferred, netting against the carrying value of the amount outstanding.

On and after April 1, 2021, CCLP may redeem all or a part of the CCLP Senior Secured Notes, from time to time, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest thereon to, but not including, the applicable redemption date, subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the 12-month period beginning on April 1 of the years indicated below:

Date	Price
2021	105.625%
2022	103.750%
2023	101.875%
2024	100.000%

In addition, at any time and from time to time before April 1, 2021, CCLP may, at its option, redeem all or a portion of the CCLP Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium (as defined in the Indenture) with respect to the CCLP Senior Secured Notes plus accrued and unpaid interest, if any, to, but not including, the applicable redemption date, subject to the rights of holders of the

CCLP Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date.

Prior to April 1, 2021, CCLP may on one or more occasions redeem up to 35% of the principal amount of the CCLP Senior Secured Notes with an amount of cash not greater than the amount of the net cash proceeds from one or more equity offerings at a redemption price equal to 107.500% of the principal amount of the CCLP Senior Secured Notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the date of redemption, subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date, provided that (a) at least 65% of the aggregate principal amount of the CCLP Senior Secured Notes originally issued on the issue date (excluding notes held by CCLP and its subsidiaries) remains outstanding after each such redemption; and (b) the redemption occurs within 180 days after the date of the closing of the equity offering.

If CCLP experiences certain kinds of changes of control, each holder of the CCLP Senior Secured Notes will be entitled to require CCLP to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess of $2,000) of that holder’s CCLP Senior Secured Notes pursuant to an offer on the terms set forth in the Indenture. CCLP will offer to make a cash payment equal to 101% of the aggregate principal amount of the CCLP Senior Secured Notes repurchased plus accrued and unpaid interest, if any, on the CCLP Senior Secured Notes repurchased to the date of repurchase, subject to the rights of holders of the CCLP Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date.

The Indenture contains customary covenants restricting CCLP's ability and the ability of CCLP restricted subsidiaries to: (i) pay distributions on, purchase or redeem CCLP common units or purchase or redeem any CCLP subordinated debt; (ii) incur or guarantee additional indebtedness or issue certain kinds of preferred equity securities; (iii) create or incur certain liens securing indebtedness; (iv) sell assets, including dispositions of the Collateral; (v) consolidate, merge or transfer all or substantially all of its assets; (vi) enter into transactions with affiliates; and (vii) enter into agreements that restrict distributions or other payments from its restricted subsidiaries to CCLP. These covenants are subject to a number of important limitations and exceptions, including certain provisions permitting CCLP, subject to the satisfaction of certain conditions, to transfer assets to certain of CCLP's unrestricted subsidiaries. Moreover, if the CCLP Senior Secured Notes receive an investment grade rating from at least two rating agencies and no default has occurred and is continuing under the Indenture, many of the restrictive covenants in the Indenture will be terminated. The Indenture also contains customary events of default and acceleration provisions relating to such events of default, which provide that upon an event of default under the Indenture, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding CCLP Senior Secured Notes may declare all of the CCLP Senior Secured Notes to be due and payable immediately.

On March 22, 2018, CCLP, the grantors named therein, the Trustee and U.S. Bank National Association, as the collateral trustee (the “Collateral Trustee”), entered into a collateral trust agreement (the “Collateral Trust Agreement”) pursuant to which the Collateral Trustee will receive, hold, administer, maintain, enforce and distribute the proceeds of all of its liens upon the collateral for the benefit of the current and future holders of the CCLP Senior Secured Notes and any future priority lien obligations, if any.

CCLP Bank Credit Facilities.

On March 22, 2018, in connection with the closing of the CCLP Offering, CCLP repaid all outstanding borrowings and obligations under its existing CCLP Credit Agreement with a portion of the net proceeds from the CCLP Offering, and terminated the CCLP Credit Agreement. As a result of the termination of the CCLP Credit Agreement, associated unamortized deferred financing costs of $3.5 million were charged to other (income) expense, net, during the three month period ended March 31, 2018.

On June 29, 2018, CCLP and two of its wholly owned subsidiaries (collectively the "CCLP Borrowers"), and certain of its wholly owned subsidiaries named therein as guarantors (the "CCLP New Credit Agreement Guarantors"), entered into a Loan and Security Agreement (the "CCLP New Credit Agreement") with the lenders thereto (the "Lenders"), and Bank of America, N.A., in its capacity as administrative agent, collateral agent, letter of credit issuer, and swing line lender. All of the CCLP Borrowers' obligations under the CCLP New Credit Agreement are guaranteed by certain of their existing and future domestic subsidiaries. The CCLP New Credit Agreement includes a maximum credit commitment of $50.0 million available for loans, letters of credit (with a sublimit of $25.0 million) and swingline loans (with a sublimit of $5.0 million). Such maximum credit commitment may be increased by $25.0 million in accordance with the terms and conditions of the CCLP New Credit Agreement.

The CCLP Borrowers may borrow funds under the CCLP New Credit Agreement to pay fees and expenses related to the CCLP New Credit Agreement and for the Borrower's ongoing working capital needs and for general business purposes. The revolving loans under the CCLP New Credit Agreement may be voluntarily prepaid, in whole or in part, without premium or penalty, subject to breakage or similar costs. The maturity date of the CCLP New Credit Agreement is June 29, 2023. As of June 30, 2018, no balance was outstanding under the CCLP New Credit Agreement. Because there was no outstanding balance on the CCLP New Credit Agreement, associated deferred financing costs of $1.3 million as of June 30, 2018, were classified as other assets on the accompanying consolidated balance sheet.

Borrowings under the CCLP New Credit Agreement will bear interest at a rate per annum equal to, at the option of the CCLP Borrowers, either (i) London InterBank Offered Rate (“LIBOR”) (adjusted to reflect any required bank reserves) for an interest period equal to 30, 60, 90, 180 or 360 days (as selected by the CCLP Borrowers, subject to availability and with the consent of the Lenders for 360 days) plus a margin based on average daily excess availability or (ii) a base rate plus a margin based on average daily excess availability; such base rate shall be determined by reference to the highest of (a) the prime rate of interest announced from time to time by Bank of America, N.A., (b) the Federal Funds Rate (as defined in the CCLP New Credit Agreement) rate plus 0.5% per annum and (c) LIBOR (adjusted to reflect any required bank reserves) for a 30-day interest period on such day plus 1.0% per annum. Initially, from June 29, 2018 until the delivery of the financial statements for the fiscal quarter ending December 31, 2018, LIBOR-based loans will have an applicable margin of 2.00% per annum and base-rate loans will have an applicable margin of 1.00% per annum; thereafter, the applicable margin will range between 1.75% and 2.25% per annum for LIBOR-based loans and 0.75% and 1.25% per annum for base-rate loans, according to average daily excess availability when financial statements are delivered. In addition to paying interest on outstanding principal under the CCLP New Credit Agreement, the CCLP Borrowers will be required to pay a commitment fee in respect of the unutilized commitments thereunder, initially at the rate of 0.375% per annum until the delivery of the financial statements for the fiscal quarter ending September 30, 2018 and thereafter at the applicable rate ranging from 0.250% to 0.375% per annum, paid quarterly in arrears based on utilization of the commitments under the CCLP New Credit Agreement. The CCLP Borrowers will also be required to pay a customary letter of credit fee equal to the applicable margin on revolving credit LIBOR loans and fronting fees.

The CCLP New Credit Agreement contains certain affirmative and negative covenants, including covenants that restrict the ability of the CCLP Borrowers, the CCLP New Credit Agreement Guarantors and certain of their subsidiaries to take certain actions including, among other things and subject to certain significant exceptions, the incurrence of debt, the granting of liens, the making of investments, entering into transactions with affiliates, the payment of dividends and the sale of assets. The CCLP New Credit Agreement also contains a requirement that the CCLP Borrowers comply, during certain periods, with a fixed charge coverage ratio of 1.0 to 1.0.

All obligations under the CCLP New Credit Agreement and the guarantees of those obligations are secured, subject to certain exceptions, by a first priority security interest for the benefit of the Lenders in the CCLP Borrowers’ and the CCLP New Credit Agreement Guarantors’ present and future accounts receivable, inventory and related assets and proceeds of the foregoing (the “CCLP ABL Collateral”).

NOTE E – CCLP SERIES A CONVERTIBLE PREFERRED UNITS

During 2016, CCLP entered into Series A Preferred Unit Purchase Agreements (the “CCLP Unit Purchase Agreements”) with certain purchasers to issue and sell in two private placements (the "Initial Private Placement" and "Subsequent Private Placement," respectively) an aggregate of 6,999,126 of CSI Compressco LP Series A Convertible Preferred Units representing limited partner interests in CCLP (the “CCLP Preferred Units”) for a cash purchase price of $11.43 per CCLP Preferred Unit (the “Issue Price”), resulting in total 2016 net proceeds to CCLP, after deducting certain offering expenses, of $77.3 million. We purchased 874,891 of the CCLP Preferred Units in the Initial Private Placement at the aggregate Issue Price of $10.0 million.

We and the other holders of CCLP Preferred Units (each, a “CCLP Preferred Unitholder”) receive quarterly distributions, which are paid in kind in additional CCLP Preferred Units, equal to an annual rate of 11.00% of the Issue Price ($1.2573 per unit annualized), subject to certain adjustments. The rights of the CCLP Preferred Units include certain anti-dilution adjustments, including adjustments for economic dilution resulting from the issuance of

CCLP common units in the future below a set price.

A ratable portion of the CCLP Preferred Units has been, and will continue to be, converted into CCLP common units on the eighth day of each month over a period of thirty months that began in March 2017 (each, a “Conversion Date”), subject to certain provisions of the Second Amended and Restated CCLP Partnership Agreement that may delay or accelerate all or a portion of such monthly conversions. On each Conversion Date, a portion of the CCLP Preferred Units will convert into CCLP common units representing limited partner interests in CCLP in an amount equal to, with respect to each CCLP Preferred Unitholder, the number of CCLP Preferred Units held by such CCLP Preferred Unitholder divided by the number of Conversion Dates remaining, subject to adjustment described in the Second Amended and Restated CCLP Partnership Agreement, with the conversion price (the "Conversion Price") determined by the trading prices of the common units over the prior month, among other factors, and as otherwise impacted by the existence of certain conditions related to the CCLP common units. Based on the number of CCLP Preferred Units outstanding as of June 30, 2018, the maximum aggregate number of CCLP common units that could be required to be issued pursuant to the conversion provisions of the CCLP Preferred Units is approximately 25.5 million CCLP common units; however, CCLP may, at its option, pay cash, or a combination of cash and common units, to the CCLP Preferred Unitholders instead of issuing common units on any Conversion Date, subject to certain restrictions as described in the Second Amended and Restated CCLP Partnership Agreement. The total number of CCLP Preferred Units outstanding as of June 30, 2018 was 4,458,803, of which we held 559,975.

Because the CCLP Preferred Units may be settled using a variable number of CCLP common units, the fair value of the CCLP Preferred Units, net of the units we purchased, is classified as long-term liabilities on our consolidated balance sheet in accordance with ASC 480 "Distinguishing Liabilities and Equity." The fair value of the CCLP Preferred Units as of June 30, 2018 was $45.6 million. During the three and six month period ended June 30, 2018, changes in the fair value during each period, resulted in $0.5 million being credited to earnings and $0.8 million being charged to earnings, respectively, in the accompanying consolidated statements of operations. During the three and six month period ended June 30, 2017, changes in the fair value resulted in $4.8 million being credited to earnings and $3.2 million being credited to earnings, respectively, in the accompanying consolidated statements of operations.

Based on the conversion provisions of the CCLP Preferred Units, and using the Conversion Price calculated as of June 30, 2018, the theoretical number of CCLP common units that would be issued if all of the outstanding CCLP Preferred Units were converted on June 30, 2018 on the same basis as the monthly conversions would be approximately 9.9 million CCLP common units, with an aggregate market value of $55.2 million. A $1 decrease in the Conversion Price would result in the issuance of 2.4 million additional CCLP common units pursuant to these conversion provisions.

NOTE F – MARKET RISKS AND DERIVATIVE CONTRACTS

We are exposed to financial and market risks that affect our businesses. We have concentrations of credit risk as a result of trade receivables owed to us by companies in the energy industry. We have currency exchange rate risk exposure related to transactions denominated in foreign currencies as well as to investments in certain of our international operations. As a result of our variable rate bank credit facility, we face market risk exposure related to changes in applicable interest rates. Our financial risk management activities may at times involve, among other measures, the use of derivative financial instruments, such as swap and collar agreements, to hedge the impact of market price risk exposures.

Derivative Contracts

Foreign Currency Derivative Contracts. We and CCLP each enter into 30-day foreign currency forward derivative contracts with third parties as part of a program designed to mitigate the currency exchange rate risk exposure on selected transactions of certain foreign subsidiaries. As of June 30, 2018, we and CCLP had the following foreign currency derivative contracts outstanding relating to portions of our foreign operations:

Derivative Contracts	US Dollar Notional Amount (In Thousands)	Traded Exchange Rate	Settlement Date
Forward purchase Euro	$ 464	1.16	7/19/2018
Forward sale pounds sterling	2,521	1.33	7/19/2018

Forward sale Canadian dollar	5,941	1.31	7/19/2018
Forward purchase Mexican peso	1,692	20.68	7/19/2018
Forward purchase Norwegian krone	985	8.12	7/19/2018
Forward sale Mexican peso	6,083	20.71	7/19/2018

Derivative Contracts	Swedish Krona Notional Amount (In Thousands)	Traded Exchange Rate	Settlement Date
Forward purchase Euro	27,437	10.16	7/19/2018

Under this program, we and CCLP may enter into similar derivative contracts from time to time. Although contracts pursuant to this program will serve as an economic hedge of the cash flow of our currency exchange risk exposure, they are not formally designated as hedge contracts or qualify for hedge accounting treatment. Accordingly, any change in the fair value of these derivative instruments during a period will be included in the determination of earnings for that period.

The fair values of foreign currency derivative instruments are based on quoted market values as reported to us by our counterparty (a level 2 fair value measurement). The fair values of our and CCLP's foreign currency derivative instruments as of June 30, 2018 and December 31, 2017, are as follows:

Foreign currency derivative instruments	Balance Sheet Location	Fair Value at June 30, 2018	Fair Value at December 31, 2017
		(In Thousands)	
Forward purchase contracts	Current assets	$158	$ 111
Forward sale contracts	Current assets	22	130
Forward sale contracts	Current liabilities	(241)	(255)
Forward purchase contracts	Current liabilities	—	(113)
Net asset (liability)		$(61)	$ (127)

None of the foreign currency derivative contracts contain credit risk related contingent features that would require us to post assets or collateral for contracts that are classified as liabilities. During the three and six month periods ended June 30, 2018, we recognized $0.7 million and $0.8 million of net gains (losses), respectively, reflected in other (income) expense, net, associated with our foreign currency derivative program. During the three and six month periods ended June 30, 2017, we recognized $0.4 million and $1.1 million of net gains (losses), respectively, reflected in other (income) expense, net, associated with our foreign currency derivative program.

NOTE G – EQUITY

Changes in equity for the three and six month periods ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30,					
	2018			2017		
	TETRA	Non-controlling Interest	Total	TETRA	Non-controlling Interest	Total
	(In Thousands)					
Beginning balance for the period	$185,425	$140,036	$325,461	$234,578	$154,349	$388,927
Net income (loss)	(5,965)	(6,188)	(12,153)	(10,991)	(3,628)	(14,619)
Foreign currency translation adjustment	(7,495)	(1,754)	(9,249)	3,293	(325)	2,968
Comprehensive Income (loss)	(13,460)	(7,942)	(21,402)	(7,698)	(3,953)	(11,651)
Issuance of common stock, net	2	—	2	(5)	—	(5)
Conversions of CCLP Series A Preferred	—	9,272	9,272	—	7,632	7,632
Distributions to CCLP public unitholders	—	(4,624)	(4,624)	—	(3,696)	(3,696)
Equity-based compensation	1,905	358	2,263	2,039	783	2,822
Treasury stock and other	86	4	90	(241)	(61)	(302)
Ending balance as of June 30	$173,958	$137,104	$311,062	$228,673	$155,054	$383,727

	Six Months Ended June 30,					
	2018			2017		
	TETRA	Non-controlling Interest	Total	TETRA	Non-controlling Interest	Total
	(In Thousands)					
Beginning balance for the period	$208,080	$144,481	$352,561	$233,523	$166,943	$400,466
Net income (loss)	(59,613)	(15,303)	(74,916)	(13,454)	(12,417)	(25,871)
Foreign currency translation adjustment	(5,827)	(2,139)	(7,966)	5,345	(184)	5,161
Comprehensive Income (loss)	(65,440)	(17,442)	(82,882)	(8,109)	(12,601)	(20,710)
Issuance of stock for business combination and other	28,117	—	28,117	(16)	—	(16)
Conversions of CCLP Series A Preferred	—	19,375	19,375	—	10,020	10,020
Distributions to CCLP public unitholders	—	(8,982)	(8,982)	—	(10,944)	(10,944)
Equity-based compensation	3,339	(297)	3,042	3,552	1,739	5,291
Treasury stock and other	(138)	(31)	(169)	(277)	(103)	(380)
Ending balance as of June 30	$173,958	$137,104	$311,062	$228,673	$155,054	$383,727

Activity within the foreign currency translation adjustment account during the periods includes no reclassifications to net income (loss).

NOTE H – COMMITMENTS AND CONTINGENCIES

Litigation

We are named defendants in several lawsuits and respondents in certain governmental proceedings arising in the ordinary course of business. While the outcome of lawsuits or other proceedings against us cannot be predicted with certainty, management does not consider it reasonably possible that a loss resulting from such lawsuits or other proceedings in excess of any amounts accrued has been incurred that is expected to have a material adverse impact on our financial condition, results of operations, or liquidity.

On March 18, 2011, we filed a lawsuit in the Circuit Court of Union County, Arkansas, asserting claims of professional negligence, breach of contract and other claims against the engineering firm we hired for engineering design, equipment, procurement, advisory, testing and startup services for our El Dorado, Arkansas chemical production facility. The engineering firm disputed our claims and promptly filed a motion to compel the matter to arbitration. After a lengthy procedural dispute in Arkansas state court, arbitration proceedings were initiated on November 15, 2013. Ultimately, on December 16, 2016, the arbitration panel ruled in our favor, declared us as the prevailing party, and awarded us a total net amount of $12.8 million. We received full payment of the $12.8 million final award on January 5, 2017, and this amount was credited to earnings in the accompanying consolidated statement of operations for the six months ended June 30, 2017.

Other Contingencies

During 2011, in connection with the sale of a significant majority of Maritech's oil and gas producing properties, the buyers of the properties assumed the associated decommissioning liabilities pursuant to the purchase and sale agreements. In March 2018, we closed the Maritech Asset Purchase Agreement with Orinoco that provided for the purchase by Orinoco of the Maritech Properties. Also in March 2018, we finalized the Maritech Equity Purchase Agreement with Orinoco that provided for the purchase by Orinoco of the Maritech Equity Interests. As a result of these transactions, we have effectively exited the businesses of our Offshore Services and Maritech segments and Orinoco has assumed all of Maritech's remaining abandonment and decommissioning obligations. For further discussion of the sale of the Maritech Properties, see Note B - "Acquisitions and Dispositions."

NOTE I – INDUSTRY SEGMENTS

Following the transactions closed during the three month period ended March 31, 2018, we reorganized our reporting segments and now manage our operations through three Divisions: Completion Fluids & Products, Water & Flowback Services, and Compression. Our Completion Fluids & Products Division was previously reported as our Fluids Division, and included our water management services operations. Following the acquisition of SwiftWater in February 2018, our expanded water management operations are now included with our production testing operations as part of our Water & Flowback Services Division. The operations of our previous Offshore Division, consisting of our previous Offshore Services and Maritech segments, are now reported as discontinued operations following their disposal in March 2018.

Our Completion Fluids & Products Division manufactures and markets clear brine fluids, additives, and associated products and services to the oil and gas industry for use in well drilling, completion, and workover operations in the United States and in certain countries in Latin America, Europe, Asia, the Middle East, and Africa. The division also markets liquid and dry calcium chloride products manufactured at its production facilities or purchased from third-party suppliers to a variety of markets outside the energy industry.

Our Water & Flowback Services Division provides domestic onshore oil and gas operators with comprehensive water management services. The division also provides frac flowback, production well testing, offshore rig cooling, and other associated services in many of the major oil and gas producing regions in the United States, Mexico, and Canada, as well as in basins in certain regions in South America, Africa, Europe, the Middle East, and Australia.

The Compression Division is a provider of compression services and equipment for natural gas and oil production, gathering, transportation, processing, and storage. The Compression Division's equipment sales business includes the fabrication and sale of standard compressor packages, custom-designed compressor packages, and oilfield pump systems designed and fabricated at the division's facilities. The Compression Division's aftermarket services business provides compressor package reconfiguration and maintenance services as well as providing compressor package parts and components manufactured by third-party suppliers. The Compression Division provides its services and equipment to a broad base of natural gas and oil exploration and production, midstream, transmission, and storage companies operating throughout many of the onshore producing regions of the United States as well as in a number of foreign countries, including Mexico, Canada, and Argentina.

We generally evaluate the performance of and allocate resources to our segments based on profit or loss from their operations before income taxes and nonrecurring charges, return on investment, and other criteria. Transfers between segments and geographic areas are priced at the estimated fair value of the products or services as negotiated between the operating units. “Corporate overhead” includes corporate general and administrative expenses, corporate depreciation and amortization, interest income and expense, and other income and expense.

Summarized financial information concerning the business segments is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In Thousands)			
Revenues from external customers				
Product sales				
Completion Fluids & Products Division	$72,287	$67,308	$123,344	$119,519
Water & Flowback Services Division	—	145	676	6,258
Compression Division	35,400	18,727	59,046	28,381
Consolidated	$107,687	$86,180	$183,066	$154,158
Services				
Completion Fluids & Products Division	$4,268	$6,687	$6,317	$10,703
Water & Flowback Services Division	83,593	30,479	143,770	61,989
Compression Division	64,524	56,585	126,300	112,490
Consolidated	$152,385	$93,751	$276,387	$185,182
Interdivision revenues				
Completion Fluids & Products Division	$1	$—	$(1)	$1
Water & Flowback Services Division	53	462	275	1,018
Compression Division	—	—	—	
Interdivision eliminations	(54)	(462)	(274)	(1,019)
Consolidated	$—	$—	$—	$—
Total revenues				
Completion Fluids & Products Division	$76,556	$73,995	$129,660	$130,223
Water & Flowback Services Division	83,646	31,086	144,721	69,265
Compression Division	99,924	75,312	185,346	140,871
Interdivision eliminations	(54)	(462)	(274)	(1,019)
Consolidated	$260,072	$179,931	$459,453	$339,340
Income (loss) before taxes				
Completion Fluids & Products Division	$9,981	$16,616	$12,430	$36,088
Water & Flowback Services Division	8,311	(3,920)	14,859	(5,186)
Compression Division	(8,655)	(6,180)	(22,673)	(20,513)
Interdivision eliminations	4	4	4	