Lord&Benoit

Shining Light on Section 404 Compliance

IMPACT OF SOX ON THE ENERGY & RELATED INDUSTRY
Adverse Section 404 Reports
For Companies with Years Ended in 2006
As of May 17, 2007

The following is a copy of the nine adverse reports that were issued from companies in the Energy & Related industry with years ended in 2006. These were all of the accelerated filers in the Medical Equipment industry with adverse Sarbanes-Oxley Section 404 management self assessments. This information was gathered using the online research tool called Audit Analytics an Ives Group, Inc company.

The following is a summary of the **material internal control weaknesses** reported in the ten adverse Section 404 Self Assessments:

Internal Controls - Accounting documentation, policy and/or procedures	9
Internal Controls - Material and/or numerous auditor /YE adjustments	6
Internal Controls - Untimely or inadequate account reconciliations	5
Internal Controls - Information technology, software, security & access issue	4
Internal Controls - Journal entry control issues	3
Internal Controls - Non-routine transaction control issues	3
Internal Controls - Segregations of duties/ design of controls (personnel)	3
Internal Controls - Accounting personnel resources, competency/training	3
Internal Controls - Ethical or compliance issues with personnel	1
Internal Controls - Inadequate disclosure controls (timely, accuracy, complete)	1
Internal Controls - Restatement or nonreliance of company filings	1
Internal Controls - Scope (disclaimer of opinion) or other limitations	1
Internal Controls - Senior management competency, tone, reliability issues	1

The following is a summary of the **material accounting weaknesses** reported in the ten adverse Section 404 Self Assessments. Section 404 is not just about internal control issues, but also about misapplication of financial accounting and reporting issues:

Accounting - PPE , intangible or fixed asset (value/diminution) issues	4
Accounting - Revenue recognition issues	4
Accounting - Fin Stmt, footnote, US GAAP , segment disclosure issues	4
Accounting - Unspecified/unidentified/inapplicable FASB/GAAP issues	3
Accounting - Foreign, related party, affiliated and/or subsid issues	3
Accounting - Accounts/loans receivable, investments & cash issues	3
Accounting - Inventory, vendor and cost of sales issues	2
Accounting - Liabilities, payables, reserves and accrual est failures	2
Accounting - Tax expense/benefit/deferral/other (FAS 109) issues	2
Accounting - Acquisition, merger, disposal or reorganization issues	2
Accounting - Deferred, stock-based or executive comp issues	2
Accounting - Depreciation, depletion or amortization issues	1
Accounting - Capitalization of expenditures issues	1
Accounting - Financial derivatives/hedging (FAS 133) acctg issues	1

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Shining Light on Section 404 Compliance

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TRI VALLEY CORP

10-K **2006 Management - Internal Control Assessment**

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2006. Management identified internal control deficiencies, which, in management's judgment, represented material weaknesses in internal control over financial reporting. The control deficiencies generally related to controls over the accounting for complex transactions to ensure such transactions are recorded as necessary to permit preparation of financial statements and disclosures in accordance with generally accepted accounting principles. Such transactions included:

o Proved and unproved properties o Loans guaranteed with restricted common stock; o Deferred income taxes; o Discontinued operations from the sale of our interest in Tri-Western Resources; and o Share-based payment arrangements

A material weakness in internal controls is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by the Company. Management will continue to evaluate the effectiveness of Tri Valley Corporation's disclosure controls and procedures and internal controls over financial reporting on an ongoing basis and will take further action and implement improvements as necessary. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by Brown Armstrong Paulden McCown Starbuck & Keeter Accountancy Corporation, an independent registered public accounting firm, as stated in their report, which is included herein.

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MARKWEST ENERGY PARTNERS L P

10-K **2006 Management - Internal Control Assessment**

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING Management of the Partnership is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. The Partnership's internal control over financial reporting is a process designed 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 in the United States of America and includes those policies and procedures that:

· pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Partnership;

· provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Partnership are being made only in accordance with authorizations of management and directors of the Partnership; and

· provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Partnership's assets that could have a material effect on the financial statements.

Management, including our CEO and CFO, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, or that the degree of compliance with the policies or procedures deteriorates.

Management assessed the effectiveness of our internal controls over financial reporting as of December 31, 2006. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). A material weakness is a significant deficiency (within the meaning of PCAOB Auditing Standard No. 2), or combination of significant deficiencies, that result in there being a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

At December 31, 2006, management identified and Deloitte &Touche LLP confirmed in their opinion on internal controls, the existence of a continuing material weakness related to accounting for derivatives. Specifically, there was an issue related to our prior year material weakness that had not been fully remediated at year-end. As of year-end, management did not have a process in place for monitoring existing contracts in response to changes in SFAS No. 133 and had not conducted a comprehensive review of substantially all contracts entered into prior to 2006 for the purpose of ensuring that determinations about derivative implications and SFAS No. 133 issues were made appropriately and remained appropriate. A comprehensive review was deemed necessary because the determinations related to these historical contracts were originally made in an environment where material weaknesses are known to have existed. Inappropriate conclusions could lead to errors, the most significant of which would likely be in

recognition of unrealized gains or losses.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Partnership included in this Annual Report on Form 10-K, has issued an attestation report on management's assessment of the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2006. The report, which expresses unqualified opinions on management's assessment and an adverse opinion on the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2006, is included in this Item under the heading "Report of Independent Registered Public Accounting Firm".

Date: March 6, 2007 By: /S/FRANK M. SEMPLE Frank M. Semple President & Chief Executive Officer Date: March 6, 2007 By: /s/NANCY K. BUESE Nancy K. Buese Senior Vice President & Chief Financial Officer

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TOREADOR RESOURCES CORP

10-K **2006 Management - Internal Control Assessment**

Management's Annual Report on Internal Control over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting as that term is defined in Securities Exchange Act of 1934 Rule 13a-15(f) and 15d-15(e). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our control environment is the foundation for our system of internal control over financial reporting and is an integral part of our Code of Ethical Conduct and Business Practices and our Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, which sets the tone of our Company. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. In order to evaluate the effectiveness of our internal control over financial reporting as of December 31, 2006, as required by Section 404 of the Sarbanes-Oxley Act of 2002, our management conducted an assessment, including testing, based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer we conducted an evaluation of the effectiveness of our internal control over financial reporting in connection with preparation of the annual report on Form 10-K for the year ended December 31, 2006. As a result of these assessments, various material weaknesses were identified. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses are the basis for our conclusion at December 31, 2006: • We did not maintain an effective control environment and our financial and accounting organization was not adequate to support our financial reporting requirements. The involvement of corporate personnel in the reporting of foreign transactions and operations was not sufficient to accurately capture and record such activity and we did not maintain a sufficient

complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles consistent with the level and complexity of our operations. The Company also did not have an adequate review and approval process for recorded journal entries and changes made to the general ledger. • Our accounting and financial reporting systems and procedures were not sufficiently designed to ensure consistent and complete application of our accounting policies and to prepare financial statements in accordance with generally accepted accounting principles. This includes not only the sufficiency of our review of sensitive calculations, reconciliations and spreadsheets but also the preparation and processing of financial accounting information.

Based on our assessment, and because of the material weaknesses described above, management has concluded that our internal control over financial reporting was not effective as of December 31, 2006 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Grant Thornton LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an audit report on management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. The report, dated March 16, 2007, which expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an opinion that the Company had not maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) is included below.

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EVERFLOW EASTERN PARTNERS LP

10-K **2006 Management - Internal Control Assessment**

Management's Report on Internal Control Over Financial Reporting Management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect misstatements. Due to limitation on any control systems, no evaluation of controls can provide absolute assurance that all control issues have been detected. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degrees of compliance with our established policies and procedures. We intend to continue to evaluate and improve our internal controls over financial reporting as necessary and appropriate for our business, but we cannot provide you with assurance that such improvements will be sufficient to provide us with effective internal control over financial reporting. Management was responsible for assessing the effectiveness of our internal controls over financial reporting as of December 31, 2006 as required under Section 404 of the Sarbanes-Oxley Act of 2002. Management's assessment efforts undertaken during the 2006 fiscal year were conducted using the framework established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management did not complete our evaluation of internal control over financial reporting by the end of 2006. Management utilized internal resources to assist in the various aspects of its assessment and compliance efforts. Based on the material weaknesses identified below, management concluded that our internal control over financial reporting was not effective as of December 31, 2006. A "material weakness" is a significant deficiency, or combination of significant deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A "significant deficiency" is a control deficiency, or combination of control deficiencies, that adversely affects a company's ability to initiate, authorize, record, process and report external financial data reliably in accordance with

GAAP. While our control deficiencies have not resulted in any material misstatements of account balances or disclosures that we are aware of, they could result in misstatements or disclosures which could cause a material misstatement of annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined that these control deficiencies constitute a material weakness. In connection with management's assessment of our internal control over financial reporting, we identified five material weaknesses in our internal control over financial reporting as of December 31, 2006. 1) We did not have adequate controls in place to establish and maintain an effective control environment. Specifically, we did not establish and maintain sufficient, documented and formalized consistent finance and accounting policies. This material weakness in the control environment increases the likelihood of material misstatements of our annual and interim financial statements that would not be prevented or detected. 2) We did not maintain sufficient, formalized written policies and procedures governing the financial reporting process. Effective controls were not designed and in place to provide reasonable assurance that accounts were complete and accurate and agreed to the detailed supporting documentation. 3) We did not maintain effective controls, including policies and procedures, over accounting for property and equipment. Specifically, we do not have a comprehensive formal policy regarding property and equipment. As a result, asset retirements were not identified and their values were not properly assessed and adjusted for based on their status in the proper accounting period. Additionally, depletion, depreciation and amortization was not properly assessed and adjusted for within the framework of an effective control environment. 4) We did not maintain effective controls, including policies and procedures, over accounting for crude oil and natural gas production accruals. Specifically, we did not establish a formal written policy regarding crude oil and natural gas production accruals. As a result, accrued oil and gas production revenues were not properly assessed and adjusted for within the framework of an affective control environment. 5) We did not maintain effective controls over access by personnel to information technology programs and systems. Specifically, we do not have adequate policies and procedures to control security access, as well as a lack of independent review of such access. Because of the five material weaknesses described above, management has concluded that we did not maintain effective internal controls over financial reporting as of December 31, 2006, based on the Internal Control — Integrated Framework issued by COSO. As a result of management's incomplete assessment of the effectiveness of our internal controls over financial reporting as of December 31, 2006, Hausser + Taylor LLC, our independent registered public accounting firm, was unable to perform auditing procedures necessary to form an opinion on management's assessment and did not express an opinion on management's assessment and expressed an adverse opinion on the effectiveness of internal control over financial reporting because of the material weaknesses identified and effects of a scope limitation. Hausser + Taylor LLC has issued an attestation report which is included herein.

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DOUBLE EAGLE PETROLEUM CO

10-K **2006 Management - Internal Control Assessment**

(b) Management's Annual Report on Internal Control Over Financial Reporting Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected by the entity's internal control over financial reporting. As of December 31, 2006, the Company identified the following material weakness: The Company did not perform timely and sufficient review to verify the information supplied by the Company's third party reserve engineers in the Company's December 31, 2006 reserve report. Thus, management's oversight and review related to the reserve report was not effective. These deficiencies in internal control over financial reporting could have resulted in misstatements in the Company's 2006 reserve related disclosures and depletion expense. The misstatements were corrected prior to issuance of the Company's 2006 consolidated financial statements, included elsewhere in this Form 10-K. As a result of the aforementioned material weakness, management concluded that the Company's internal control over financial reporting as of December 31, 2006 was not effective. The Company's independent registered public accounting firm, Hein & Associates LLP, has issued a report on management's assessment of the Company's internal control over financial reporting.

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CANARGO ENERGY CORP

10-K **2006 Management - Internal Control Assessment**

Management's Report on Internal Control over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, is defined in the rules promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board, management and other personnel 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 procedures ("GAAP") and includes those policies and procedures that: • pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; • provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and Directors of the Company; and • provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate

because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Under the supervision and with the participation of our management, including our principal executive, financial and accounting officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 based on the framework in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, has been audited by L J Soldinger Associates, LLC, an independent registered public accounting firm, as stated in their report as set forth at the end of this section. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements would not be prevented or detected. As of December 31, 2006, we have concluded that our internal control over financial reporting was ineffective as of December 31, 2006 and that we have material weaknesses in each of the following areas: 1. Disclosure Controls The Company's disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including chief executive officer and chief financial officer, as appropriate to allow timely decisions. Inadequate controls include the lack of procedures used for identifying, determining, and calculating required disclosures and other supplementary information requirements. 2. Information Technology The Company did not adequately implement certain controls over information technology, including certain spreadsheets, used in its core business and financial reporting. These areas included logical access security controls to financial applications, segregation of duties and backup and recovery procedures. The Company's controls over the completeness, accuracy, validity, restricted access, and the review of certain spreadsheets used in the period-end financial statement preparation and reporting process was not designed appropriately. This material weakness affects the Company's ability to prevent improper access and changes to its accounting records and misstatements in the financial statements could occur and not be prevented or detected by the Company's controls in a timely manner. As a result, misappropriation of assets and misstatements in the financial statements could occur and not be prevented or detected by the Company's controls in a timely manner. In light of the review, Management, in consultation with the Audit Committee, is reviewing the most cost effective way to address the issues raised. CEO and CFO Certifications — The Certifications of our CEO and CFO which are attached as Exhibits 31(1) and 31(2) to this Report include information about our disclosure controls and procedures and internal control over financial reporting. These Certifications should be read in conjunction with the information contained in this Item 9A for a more complete understanding of the matters covered by the Certifications.

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NEWPARK RESOURCES INC

10-K 2006 Management - Internal Control Assessment

Background In October 2006, we restated our historical consolidated financial statements for periods prior to and including December 31, 2005. The material accounting errors that ultimately resulted in the restatement of our historical consolidated financial statements were determined to have resulted from certain material weaknesses in our internal controls. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected. The material weaknesses that existed as of December 31, 2005 were as follows:

Control Environment. We did not maintain an effective control environment based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in a report entitled "Internal Controls — Integrated Framework." Specifically, we did not maintain controls adequate to prevent or detect intentional override of

or intervention with our controls or intentional misconduct by certain former members of senior management. This ineffective control environment permitted those former members of senior management to override certain controls. As a result of these overrides, a number of transactions were not properly accounted for in our consolidated financial statements, which resulted in the need to restate our historical consolidated financial statements. Additionally, we did not adequately monitor certain of our control practices or foster an environment that allowed for a consistent and open flow of information and communication between those who initiated transactions and those who were responsible for the financial reporting of those transactions, principally at one of our subsidiaries, Soloco, Inc. Specifically, former senior management entered into licensing agreements with a third-party vendor that lacked commercial and economic substance or proper supporting documentation resulting in the inappropriate capitalization of assets. Former senior management also authorized several sales transactions to this same third-party that lacked economic substance or proper supporting documentation, resulting in the overstatement of earnings in certain periods. Additional transactions with this third-party, which also lacked commercial and economic substance, were authorized by the same former senior management in order to unwind the sale transactions. This control deficiency resulted in the failure to detect misstatements that would have reduced income before income taxes for periods prior to December 31, 2005, by approximately $3.2 million. Controls over the Recording of Intangible Assets. We did not maintain effective controls over the recording of intangible assets to ensure that the amortization period for intangibles assets properly reflected the estimated economic lives of the assets. As a result of this control deficiency, the amortization period assigned to certain intangible assets exceeded the duration of the licenses (and the underlying patents to which the licenses related). This control deficiency resulted in the failure to detect misstatements that would have reduced the carrying value of intangible assets for periods prior to December 31, 2005, by approximately $3.0 million. Controls over Stock-based Compensation Expense. We did not maintain effective controls over the accounting for and disclosure of our stock-based compensation expense. Specifically, effective controls, including monitoring, were not maintained to ensure the existence and completeness of approvals for stock option grants. Also, our controls were not effective to ensure the proper measurement of expense under generally accepted accounting principals concerning the proper recognition of the grant date, measurement date and fair value of the awards on those dates. This control deficiency resulted in the failure to detect misstatements of our stock-based compensation expense for periods prior to December 31, 2005 in the amount of approximately $10.6 million, on a pre-tax basis.

We are committed to improving our internal controls and eliminating these material weaknesses as quickly as possible. We have initiated and implemented a number of changes to improve our internal controls during the later half of 2006 and into early 2007. These actions are described below: Remediation Actions Related to Material Weaknesses in Internal Control over Financial Reporting Control Environment—Company Wide 1. After reviewing the results of the independent investigation, the former Chief Executive Officer and the former Chief Financial Officer were terminated for cause. The former Soloco Chief Financial Officer also was terminated. Our Board of Directors hired our current Chief Executive Officer, Paul L. Howes, on March 22, 2006. We hired a new Chief Administrative Officer and General Counsel, which is a newly created position, and a new Vice President and Chief Financial Officer on October 2, 2006 and October 11, 2006, respectively. 2. Our current Chief Executive Officer, current senior management and the Board of Directors are committed to setting the proper tone regarding internal control over financial reporting. They are also committed to achieving transparency through effective corporate governance, a strong control environment, business standards reflected in our Code of Ethics, and integrity in our financial reporting. Our current Chief Executive Officer has met with all key personnel throughout the organization who have significant roles in the establishment and maintenance of internal control over financial reporting to emphasize our commitment to enhancing those controls. Our new Chief Financial Officer and the new Chief Administrative Officer and General Counsel also emphasize our commitment to effective controls when meeting with key personnel. 3. We have enhanced our Code of Ethics to include, among other improvements, the mandate that all potential management overrides of internal controls are to be reported directly to the Chief Administrative Officer and General Counsel. We have published a Corporate Compliance and Business Ethics Manual which summarizes the business ethics policies and the code of conduct which we expect all employees to follow. The guiding principle for employees as set forth in the foreword to the manual is "Integrity is never to be sacrificed for the sake of results." We are in the process of distributing the Corporate Compliance and Business Ethics Manual to all employees and employees are required to acknowledge in writing that they have read and understand the policies. New employees will be given, and asked to acknowledge in writing that they have read and understand, the Corporate Compliance and Business Ethics Manual upon hire. Our plans include further training on the various policies in the manual and annual certifications of adherence to the policies. Our Code of Business Conduct and Ethics and corporate governance guidelines are available to all employees via our website.

We are in the process of establishing procedures so that an annual certification of adherence to these policies is obtained from all personnel considered key to our control environment. 4. We have enhanced our fraud hotline through the outsourcing of this hotline to an independent company, which will be activated in the second quarter of 2007. A third party will provide us a well-established process for the reporting, monitoring and resolution of each call into the hotline. Previously, calls were received by the Chairman of the Audit Committee of the Board of Directors. Our plans for 2007 include an education campaign to inform employees of the hotline and its availability.

5. We have established a Disclosure Committee, consisting of senior management from the corporate office and other corporate employees who have a role in financial reporting. The Disclosure Committee has access to outside counsel for consultation as needed. The Disclosure Committee meets at least quarterly and is responsible for reviewing all quarterly and annual reports prior to filing with the SEC. They are also available for consultation on disclosure issues related to current reports. The Disclosure Committee met twice in the fall of 2006 as part of the filing of Amendment No. 2 to our Annual Report on Form 10-K/A for 2005 and the three Quarterly Reports on Form 10-Q for 2006. The Committee also met in early 2007 as part of the filing of this Annual Report on Form 10-K for the year ended December 31, 2006. The members of the Disclosure Committee also read all of the Annual and Quarterly Reports and sign certifications related to their review. 6. The managements of our significant reporting units now sign a quarterly representation letter with respect to their financial statements submitted to the corporate office for inclusion in our consolidated financial statements filed with the SEC. In addition, each quarter the managements of the significant reporting units will be provided a draft of the Quarterly and Annual Reports to be filed with the SEC. They are required to read the draft and certify that to the best of their knowledge the draft contains no material misstatement of fact or lacks a disclosure required to make the information not misleading. 7. In addition, we hold quarterly business review meetings with each significant operating unit to discuss current business issues, including financial and operational performance and developments, internal controls and other matters. 8. We are in the process of implementing procedures with significant vendors to confirm on an annual basis that no side agreements exist between the vendor and us, our subsidiaries or employees. This confirmation process will be monitored and controlled by our internal audit department. 9. We have implemented a mandatory consecutive five-day vacation policy for all personnel who work in the payables or cash management departments to enhance our ability to detect and prevent circumvention of controls in these areas.

Control Environment—Mats and Integrated Services 1. We hired a president of the Mats and Integrated Services business segment in May 2006. This new position was established to afford greater control and transparency over the individual business units operating within this business segment. We hired a new chief financial officer in January 2007 and a new controller in August 2006 for this business segment. These three individuals have been working with the current operating and financial personnel to take the following actions:

• We are in the process of evaluating inconsistencies in established internal controls among the reporting units within this segment and will modify controls to obtain consistency as appropriate. We have completed the year end evaluation of controls at the entity level (Mats and Integrated Services) together with internal audit. As a result we have established delegation of authority limits in the fourth quarter of 2006. We are consolidating the five separate systems of the previous five business units of Mats and Integrated Services into one accounting system. Further improvements to internal controls will be implemented as we continue to evaluate our internal controls in this segment. • We have established additional controls surrounding the purchasing of products and services, including the requirement for segregation of all purchasing, receiving and payables processing functions.

• We have established a monthly reconciliation process for all mat purchases, whether for resale or for rental, and a quarterly physical inventory count process performed by individuals independent of the mat accounting functions. These count procedures will be reviewed by our internal audit department at least twice per year. A physical count and reconciliation was completed as of December 31, 2006 and reviewed by the internal audit department.

2. To enhance our preventive controls related to the possibility of a circular or round-trip transaction, we are in the process of implementing a policy that requires approval prior to entering into a transaction to sell products or services to a new or established vendor. The approval of two of our executive officers will be required if that sale transaction or series of transactions is over a certain amount. As it relates to Soloco, now a part of Mats and Integrated Services, a

summary of each sales transaction to a certain third party with whom Soloco has a long-term commercial relationship is prepared monthly. This third party is the entity with which former management entered into transactions that lacked commercial and economic substance and was the basis of a material weakness as of December 31, 2005. This summary is reviewed monthly by either the Mats and Integrated Services President or the Chief Financial Officer.

Controls over the Recording of Intangible Assets. 1. We have implemented a policy that requires an independent third-party valuation of material intangible assets and independent recommendations for the amortization period prior to recording any acquisitions of those assets. In addition, we created an Intellectual Property Committee consisting of the Chief Administrative Officer and General Counsel, Chief Accounting Officer and Chief Financial Officer. The committee's responsibilities are the oversight and review of the establishment of intangible assets on our books, setting of the useful lives of intangible assets, the periodic review of the useful lives of intangible assets and the periodic review for potential impairment of intangible assets. For all material intangible assets, this committee will also make decisions regarding the use of independent third parties for annual assessments. The Intellectual Property Committee had its initial organizational meeting in December 2006, and will become functional in 2007.

Controls over Stock-based Compensation Expense. 1. Beginning in 2003, our stock option approval policies and procedures were changed to allow for annual grants of options to be made primarily on the date of our annual shareholders meeting. In addition, in 2006, we changed our stock option approval policies to require that any grant of options to an incoming employee will be priced at the closing price of the stock on the date of employment, that those option grants will require contemporaneous approval by our Compensation Committee and that the future use of approving stock awards through the use of unanimous consents is prohibited.

While many of these changes were in place by the end of 2006, others were not implemented until 2007. As of December 31, 2006, it is our opinion that certain changes to our internal controls had either not been fully implemented, or sufficient time had not passed since their implementation for our employees to perform the new control activities. Therefore, management could not fully test and assess their effectiveness. As a result, we have concluded that the following material weaknesses remain at December 31, 2006: Control Environment in our Mats and Integrated Services Segment. We did not maintain an effective control environment in the Mat and Integrated Services segment based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in a report entitled "Internal Controls — Integrated Framework." Specifically, we did not adequately monitor certain of our control practices to foster an environment that allowed for a consistent and open flow of information and communication between those who initiated transactions and those who were responsible for the financial reporting of those transactions, principally at one of our subsidiaries, Soloco, Inc. This resulted in certain control deficiencies in connection with the year end financial statement preparation process such as not completing account reconciliations and reviewing journal entries. Accounts that were affected included cash, accounts receivable, prepaid expenses and revenues. Therefore, we have concluded that this material weakness continues to exist at December 31, 2006. Controls over the Recording of Intangible Assets. Restatement of previously issued financial statements to reflect the correction of misstatements is an indicator of the existence of a material weakness in internal control over financial reporting as defined in the Public Company Accounting Oversight Board's Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements." In light of the determination in October 2006 that previously issued financial statements should be restated for the incorrect recording of intangible assets, our management concluded that a material weakness in internal control over financial reporting existed as of December 31, 2005 in this area. We believe a key control to prevent the recurrence of errors in the recording of intangible assets is our newly created Intellectual Property Committee. This committee had its initial organizational meeting in December 2006, and will become functional in 2007. Since this key control will not be functional until 2007, we have concluded that this material weakness continues to exist at December 31, 2006. Management anticipates that these material weaknesses in internal control over financial reporting will be remediated during 2007, although we cannot guarantee that these material weaknesses will be remediated in 2007, or that other material weaknesses will not be identified. a) Evaluation of Disclosure Controls and Procedures Our Chief Executive Officer and Chief Financial Officer, with the participation of management, evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Annual Report on Form 10-K. Based on their evaluation, they have concluded that our disclosure controls and

procedures as of the end of the period covered by this report were not adequate to ensure that (1) information required to be disclosed by us in the reports filed or furnished by us under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (2) such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective at reaching a reasonable level of assurance of achieving the desired objective because of the material weaknesses in our internal control over financial reporting discussed above. b) Management's Report on Internal Control over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13(a)-15(f). Our internal control system over financial reporting is designed 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. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2006. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in a report entitled "Internal Control — Integrated Framework." Management identified the following material weaknesses in internal control over financial reporting, which existed as of December 31, 2006: • Management did not adequately monitor certain control practices to foster an environment that allowed for a consistent and open flow of information and communication between those who initiated transactions and those who were responsible for the financial reporting of those transactions, principally at one of our subsidiaries, Soloco, Inc. This control deficiency resulted in 2006 adjustments that were recorded by management and related to accounts receivable and revenues; and • Management did not maintain effective controls over the recording of intangible assets. This control deficiency resulted in 2006 adjustments that were recorded by management and related to intangible assets and cost of revenues.

Due to these material weaknesses, management has determined that our internal controls over financial reporting as of December 31, 2006 are not effective 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. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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10-K 2006 Management - Internal Control Assessment

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal controls were designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with generally accepted accounting principles in the United States, as well as to safeguard assets from unauthorized use or disposition.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of control effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures

may deteriorate.

Management of the Company made an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and concluding on this evaluation. Based on this evaluation and the identification of the material weaknesses discussed below, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2006.

Management identified two material weaknesses, both of which related to our Nigeria operations which were discontinued in June 2006 and sold in February 2007.

Table of Contents Index to Financial Statements Nigeria Accounting: During the fourth quarter of 2006, we determined that a material weakness in our internal control over financial reporting exists related to the Company's management control environment over the accounting for our Nigeria operations. This weakness in management control led to the inability to adequately perform various control functions including supervision over and consistency of: inventory management; petty cash disbursements; accounts payable disbursement approvals; account reconciliations; and review of timekeeping records. As further described below, this material weakness resulted primarily due to the Company being unable to maintain a consistent and stable internal control environment over our Nigeria operations in the fourth quarter of 2006.

Early in 2006, the Company had several hostages taken by Nigerian militants. Subsequent to that event, the security situation for oilfield companies and their employees continued to decline in Nigeria. This was particularly true in Port Harcourt and Rivers State where we perform most of our Nigeria accounting. In June 2006, the Company made the decision to sell all of our interests in Nigeria. Throughout the third quarter of 2006, we continued to see the escalation of hostilities against oil and gas installations and the work forces charged with construction, maintenance and operation of those installations. As such, the Company determined in September 2006 that our best interests were served by: reducing the number of expatriate personnel in Nigeria, including supervisory accountants and other administrative personnel; relocating the remaining administrative expatriate personnel to Lagos, which is perceived to be less of a security risk than Port Harcourt; and transferring the accounting processes to either Lagos or Houston. These actions were not completed until the fourth quarter of 2006. Although mitigated to some extent by the Company's actions, the unstable working environment created as a result of the militant activity ultimately led to the internal control weakness described above.

Nigeria Project Controls—Estimate to Complete: A material weakness exists related to controls over Nigeria project reporting. This weakness existed throughout 2006 and is a continuation of a material weakness reported in our 2005 Form 10-K. The weakness primarily impacted one large Nigeria project with a total contract value of approximately $165 million, for which cost estimates were not updated timely in the fourth quarter of 2006 due to insufficient measures being taken to independently verify and update reliable cost estimates. This material weakness specifically resulted in material changes to revenue and cost of sales during the preparation of our year end financial statements by our accounting staff prior to the issuance of the Form 10-K.

GLO CPAs, LLP, an independent registered accounting firm, audited management's assessment of the effectiveness of the Company's internal control over financial reporting. GLO CPAs, LLP issued an audit report thereon, which is included in this Annual Report on Form 10-K.

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Management's Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles.

Our system of internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

In assessing the effectiveness of our internal control over financial reporting as of December 31, 2006, we have excluded Rig Tools, Inc. ("Rig Tools"), which we acquired in November 2006. Rig Tools' total assets were $18.3 million, or approximately 15.2% of our total assets, as of December 31, 2006, and Rig Tools' total revenues were $2.5 million, or approximately 2.6% of our total revenues, for the year ended December 31, 2006. Our management, including our principal executive officer and principal financial officer, performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 based upon criteria in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management determined that our internal control over financial reporting was effective as of December 31, 2006 except as follows:

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. We identified the following material weaknesses in our assessment of the effectiveness of internal control over financial reporting as of December 31, 2006:

In preparation of the Companies provision for income taxes and related deferred taxes a computational error was identified associated with its recent acquisitions and in its provision for various state income taxes. This material weakness resulted in an accounting adjustment that impacted goodwill and deferred income taxes. This accounting adjustment has been recorded in the consolidated financial statements and related disclosures for the year ended December 31, 2006.

Because of the material weaknesses described above, we have concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2006 based on the criteria in the Internal Control—Integrated Framework issued by the COSO.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by PKF Texas, an independent registered public accounting firm, as stated in

their report which appears herein.

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Management's Report on Internal Control Over Financial Reporting Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the interim or annual consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation performed, we identified the following material weaknesses in our internal control over financial reporting as of December 31, 2006. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. We did not maintain an effective control environment. A control environment sets the tone of an organization, influences the control consciousness of its people, and is the foundation of all other components of internal control over financial reporting. Specifically, (a) we did not maintain a sufficient complement of personnel at some of our business divisions with an appropriate level of accounting knowledge, experience and training in the selection, application and implementation of GAAP commensurate with our financial reporting requirements, and (b) we did not establish and maintain appropriate policies and procedures with respect to the primary components of information technology general controls. This resulted in either not having appropriate controls designed and in place or not achieving operating effectiveness over changes to programs, computer operations and system security. Additionally, we lacked a sufficient complement of personnel with a level of knowledge and experience to have an appropriate information technology organizational structure. These control environment material weaknesses contributed to the material weaknesses discussed below. We did not maintain effective controls over reconciliations or journal entries. Specifically, (a) our controls over the preparation, review and monitoring of account reconciliations were ineffective to provide reasonable assurance that account balances were accurate and agreed to appropriate supporting detail, calculations or other documentation, and (b) effective controls were not designed and in place to provide reasonable assurance that journal entries, both recurring and non-recurring, were prepared with acceptable support and sufficient documentation and that journal entries were reviewed and approved to provide reasonable assurance of the validity, accuracy and completeness of the entries recorded. These control deficiencies could result in a misstatement to substantially all accounts and

disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. However, they did not result in audit adjustments to our 2006 consolidated financial statements. We did not design or maintain effective controls over segregation of duties. Specifically, certain key personnel had incompatible duties or had unrestricted and unmonitored access to critical financial application programs and data that was beyond the requirements of their assigned responsibilities that could allow the creation, review, and processing of financial data without independent review and authorization. These control deficiencies could result in a misstatement to substantially all accounts and disclosures that would result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected. However, they did not result in audit adjustments to our 2006 consolidated financial statements. Because of the above described material weaknesses in internal control over financial reporting, management concluded that our internal control over financial reporting was not effective as of December 31, 2006 based on the criteria set forth in Internal Control — Integrated Framework issued by the COSO. PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006, as stated in their report, which appears in Item 15.

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