BOOTS & COOTS INTERNATIONAL WELL CONTROL INC
Form DEF 14A
January 30, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Boots & Coots International Well Control, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
	(4)	Proposed maximum aggregate value of transaction:
	(5)	Total fee paid:
o	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.	
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BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.

11615 N. HOUSTON ROSSLYN

HOUSTON, TEXAS 77086

January 27, 2006

Dear Stockholder:

You are cordially invited to attend our annual meeting of stockholders to be held at 10:00 a.m., on March 1, 2006, at the Crown Plaza Brookhollow located at 12801 Northwest Freeway, Houston, Texas 77040.

At the annual meeting, you will be asked to consider and vote upon a proposal to approve the issuance of an aggregate of 26,462,137 shares of our common stock in connection with our proposed acquisition of the hydraulic well control business of Oil States International, Inc., pursuant to a Transaction Agreement dated as of November 21, 2005, by and among us, HWC Acquisition, LLC, HWC Merger Corporation, HWC Energy Services, Inc., and Hydraulic Well Control, LLC. In connection with the acquisition, we are also asking you to consider and vote upon an amendment to our certificate of incorporation to renounce certain corporate opportunities, as permitted under the Delaware General Corporation Law. Your approval of both of these proposals are conditions to the consummation of the proposed acquisition. Our board of directors has determined that the transaction is fair to our stockholders and that each of these proposals is in the best interests of our stockholders, and our board of directors recommends that you vote FOR each of these proposals.

In addition to the above, we are seeking your vote on the re-election of E.J. Jed DiPaolo and Jerry L. Winchester as Class II directors and on an amendment to our 2004 Long-Term Incentive Plan to increase the number of authorized shares of common stock under the plan from 6,000,000 shares to 8,000,000 shares. Our board of directors has determined that approval of these proposals is in the best interests of our stockholders, and our board of directors recommends that you vote FOR each of these proposals.

Details regarding the matters to be acted upon at the annual meeting appear in the accompanying proxy statement. Please give this material your careful attention.

Whether or not you are able to attend the annual meeting, it is important that your shares be represented and voted. Accordingly, be sure to complete, sign and date the enclosed proxy card and mail it in the envelope provided as soon as possible so that your shares may be represented at the meeting and voted in accordance with your wishes. If you do attend the annual meeting, you may vote in person even if you have previously returned your proxy card.

On behalf of our board of directors and management, thank you for your continued support of Boots & Coots.

Very truly yours,

K. Kirk Krist	Jerry L. Winchester
Chairman	Chief Executive Officer

BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.
11615 N. Houston Rosslyn
Houston, Texas 77086

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held March 1, 2006

To the Stockholders of Boots & Coots International Well Control, Inc.:

Our 2005 Annual Meeting of Stockholders will be held on March 1, 2006, at 10:00 a.m., local time, at the Crown Plaza Brookhollow located at 12801 Northwest Freeway, Houston, Texas 77040, for the following purposes:

(1) to consider and vote upon a proposal to approve the issuance of an aggregate of 26,462,137 shares, subject to adjustment, of our common stock, par value $0.00001 per share, pursuant to the Transaction Agreement dated as of November 21, 2005, by and among us, HWC Acquisition, LLC, HWC Merger Corporation, HWC Energy Services, Inc., and Hydraulic Well Control, LLC (the Transaction);

(2) to elect two nominees to our board of directors to serve as Class II directors until their successors are duly elected or until their earlier death, resignation, or removal;

(3) to consider and vote upon a proposal to amend our certificate of incorporation to renounce certain corporate opportunities;

(4) to consider and vote upon a proposal to amend our 2004 Long-Term Incentive Plan to increase the number of authorized shares of common stock available under the plan from 6,000,000 shares to 8,000,000 shares; and

(5) transact such other business as may properly come before the annual meeting or any adjournment(s) or postponement(s) thereof.

It is a condition of the closing of the Transaction that our stockholders approve proposals 1 and 3. The close of business on January 23, 2006 was fixed as the record date for the determination of stockholders entitled to receive notice of and to vote at the annual meeting or any adjournment(s) or postponement(s) thereof.

You are cordially invited to attend the annual meeting. Your attention is directed to the attached proxy statement. Whether or not you plan to attend the annual meeting, we ask that you vote as soon as possible. You may vote by promptly completing, signing, dating and returning your proxy card in the enclosed envelope. You may revoke your proxy at any time prior to the annual meeting. If you decide to attend the annual meeting and wish to change your proxy vote, you may do so automatically by voting in person at the annual meeting.

By Order of the Board of Directors,
/s/ BRIAN KEITH
Brian Keith
Corporate Secretary

Dated: January 27, 2006

Table of Contents

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE AT YOUR EARLIEST CONVENIENCE. IF YOU DO ATTEND THE MEETING IN PERSON, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON. THE PROMPT RETURN OF PROXIES WILL ENSURE A QUORUM AND SAVE THE COMPANY THE EXPENSE OF FURTHER SOLICITATION.

BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.
11615 N. Houston Rosslyn
Houston, Texas 77086

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS
To Be Held March 1, 2006, 10:00 a.m. Local Time

The enclosed proxy is solicited by our board of directors for use at the annual meeting of stockholders to be held on March 1, 2006. Shares of our common stock, par value $0.00001 per share, Series A preferred stock, par value $0.00001 per share, and Series C preferred stock, par value $0.00001 per share, represented in person or by a properly executed proxy will be voted at the meeting.

We will bear the cost of soliciting proxies. In addition to solicitation by mail, solicitation of proxies may be made by personal interview, special letter, telephone or telecopy by any of our officers, directors and employees who will receive no special compensation for these activities. Brokerage firms will be requested to forward proxy materials to beneficial owners of shares registered in their names and will be reimbursed for their expenses. We have also made arrangements with Morrow & Company to assist us in soliciting proxies, and we anticipate costs to be approximately $30,000, plus reasonable expenses, for these services.

Proxies

If you are not able to attend the annual meeting in person, you may vote by completing the enclosed proxy card and returning it to us. Instructions for voting by mail are included on your proxy card. You are urged to sign and return your proxy card promptly to make certain your shares will be voted at the meeting. Your shares will be voted according to your instructions. If you sign and return your proxy card but do not specify a choice, your shares will be voted as the board of directors has recommended, which is FOR the proposal to approve the issuance of shares of our common stock in connection with our proposed acquisition of the hydraulic well control business of Oil States International, Inc. (the Transaction), FOR the election of the two Class II director nominees named in the accompanying form of proxy, FOR the proposal to approve the amendment to our certificate of incorporation to renounce certain corporate opportunities, and FOR the amendment to increase the number of authorized shares under our 2004 Long Term Incentive Plan from 6,000,000 shares to 8,000,000 shares. Although our board of directors is not aware of any other proposals to be presented at the meeting, your proxy authorizes the persons named in the proxy card to vote on your behalf with respect to any other matters brought before the stockholders. The proxy may be revoked at any time before its exercise by sending written notice of revocation to Brian Keith, Corporate Secretary, Boots & Coots International Well Control, Inc., 11615 N. Houston Rosslyn, Houston, Texas 77086, or by signing and delivering a proxy that is dated and received later by mail, or, if you attend the meeting in person, by giving notice of revocation to the inspector of election at the meeting.

Voting Procedures and Tabulation

We will appoint one or more inspectors of election to serve at the annual meeting. The inspector(s) will ascertain the number of shares outstanding and the voting power of each of the shares, determine the shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, make a written report of the meeting and perform certain other duties as required by law. Each inspector will sign an oath to perform his or her duties in an impartial manner and to the best of his or her abilities.

The inspectors will tabulate the number of votes cast for or withheld as to the vote on the proposal to approve the issuance of shares of our common stock in the Transaction, the election of the two Class II director nominees named in the accompanying form of proxy, the proposal to approve the amendment to our certificate of incorporation to renounce certain corporate opportunities, and the amendment to increase the number of authorized shares under our 2004 Long-Term Incentive Plan from 6,000,000 shares to 8,000,000 shares.

Under Delaware law, our certificate of incorporation, and our bylaws, abstentions, broker non-votes or other limited proxy as to a proposal voted on at the meeting will be counted towards a meeting quorum, but cannot be voted on the proposal and therefore will not be considered a part of the voting power with respect to the proposal. Accordingly, an abstention or broker non-vote will have no effect on the voting on the election of directors, provided a quorum is present, because directors are elected by a plurality of the shares of stock present in person or by proxy at the meeting and entitled to vote. The proposal to amend our certificate of incorporation requires the affirmative vote of a majority of all of our outstanding shares of common and preferred stock, voting together as a single class. As a consequence, an abstention or broker non-vote will have the effect of a vote against this proposal. The approval of a majority of the votes cast at a meeting of stockholders at which a quorum is present is required for the proposals to issue shares of our common stock in connection with the Transaction and to amend our 2004 Long-Term Incentive Plan to increase the shares available under the plan. An abstention or broker non-vote will have no effect on the voting on these matters.

Voting Securities

Only the holders of record of our common stock at the close of business on January 23, 2006, the record date for the meeting, are entitled to vote on the election of directors at the meeting. For matters other than the election of directors, the holders of our preferred stock are entitled to vote together as a single class with the holders of common stock. On the record date, there were 29,679,429 shares of common stock, 50,000 shares of Series A preferred stock, and 2,942 shares of Series C preferred stock outstanding and entitled to be voted at the meeting. A majority of the shares of common stock, present in person or by proxy, is necessary to constitute a quorum. Each share of common stock and preferred stock is entitled to one vote.

SUMMARY

This brief summary highlights selected information from this proxy statement. It does not contain all of the information that may be important to you in casting your vote. You should carefully read this entire document and the other documents to which this proxy statement refers you to fully understand the Transaction and the other matters discussed in this proxy statement. See Where You Can Find More Information on page 80. Where applicable, items in this summary refer to the page where that subject is discussed in more detail.

Information About Us

Boots & Coots International Well Control, Inc.
11615 N. Houston Rosslyn
Houston, Texas 77086
(281) 931-8884

We are a Delaware corporation. Our common stock is listed on the American Stock Exchange under the symbol WEL . We provide a suite of integrated oilfield services centered on the prevention, emergency response and restoration of blowouts and well fires around the world. Our proprietary risk management program, WELLSURE®, combines traditional well control insurance with post-event response as well as preventative services, giving oil and gas operators and insurance underwriters a medium for effective management of well control insurance policies. Our SafeGuard program, developed for regional producers and operators sponsored by us, provides dedicated emergency response services, risk assessment and contingency planning, and continuous training and education in all aspects of critical well management.

The Annual Meeting of Stockholders and Voting

The annual meeting will be held in Houston, Texas on March 1, 2006 at 10 a.m., Central Time. At the annual meeting, you will be asked:

(1) to consider and vote upon a proposal to approve the issuance of an aggregate of 26,462,137 shares, subject to adjustment, of our common stock, par value $0.00001 per share, pursuant to the Transaction Agreement;

(2) to elect two nominees to our board of directors to serve as Class II directors until their successors are duly elected or until their earlier death, resignation, or removal;

(3) to consider and vote upon a proposal to amend our certificate of incorporation to renounce certain corporate opportunities;

(4) to consider and vote upon a proposal to amend our 2004 Long-Term Incentive Plan to increase the number of authorized shares of common stock available under the plan from 6,000,000 shares to 8,000,000 shares; and

(5) to transact such other business as may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

Holders of our common stock and preferred stock at the close of business on January 23, 2006 are entitled to vote at the annual meeting. On that date, there were 29,679,429 shares of our common stock outstanding and entitled to vote, approximately 0.9% of which were owned and entitled to be voted by our directors and executive officers and their affiliates. Only shares of our common stock are entitled to vote on the election of directors. For matters other than the election of directors, holders of Series A preferred stock and Series C preferred stock (collectively, the preferred stock) are entitled to vote together as a single class with the holders of common stock. On January 23, 2006, there were 50,000 shares of Series A

preferred stock and 2,942 shares of Series C preferred stock outstanding and entitled to vote at the meeting. None of the shares of preferred stock are owned by our directors and executive officers and their affiliates. You may cast one vote for each share of our common stock or preferred stock you owned on that date.

Approval of the issuance of our common stock in the Transaction and approval of the amendment to our 2004 Long Term Incentive Plan require the affirmative vote of a majority of the votes cast at the meeting. Each of the directors nominated to serve on our board of directors as Class II directors are elected by a plurality of the votes of our stockholders present in person or represented by written proxy at the annual meeting. Approval of the amendment to the certificate of incorporation requires the affirmative vote of holders of a majority of the outstanding shares of our stock entitled to vote.

Board of Directors Recommendations to Stockholders

Our board of directors has determined that the Transaction and the issuance of our common stock in the Transaction is fair to and in the best interests of our stockholders, and recommends that you vote FOR the issuance of shares of our common stock in the Transaction. In addition, our board of directors believes that the election of the persons nominated as directors to our board of directors, the amendment to our certificate of incorporation, and the amendment to our 2004 Long-Term Incentive Plan are in the best interests of our stockholders and recommends that you vote FOR each of these proposals.

Proposal 1: The Transaction

Our Subsidiary Will Acquire the Hydraulic Well Control Business of Oil States International, Inc. (Page 10)

On November 21, 2005, we entered into a Transaction Agreement (the Transaction Agreement), by and among us, HWC Acquisition, LLC, a Delaware limited liability company and our wholly owned subsidiary (Merger Sub), HWC Merger Corporation, a Delaware corporation and wholly owned subsidiary of Merger Sub (Acquisition Sub), HWC Energy Services, Inc., a Delaware corporation (HWC Energy Services), and Hydraulic Well Control, LLC, a Delaware limited liability company (HWC LLC), pursuant to which we have agreed to acquire all of the issued and outstanding capital stock of HWC Limited, a Louisiana corporation (HWC Limited), and HWCES International, a Cayman Islands corporation (HWCES), and all of the issued and outstanding membership interests in HWC LLC.

HWC Energy Services, Inc., is a Delaware corporation and a subsidiary of Oil States International, Inc., a public company traded on the New York Stock Exchange. Based in Houma, Louisiana, HWC Energy Services is one of the largest hydraulic workover contractors in the world, typically performing more than 200 snubbing and workover jobs each year. With more than 250 highly trained, safety-driven professionals working worldwide, HWC Energy Services operates 29 hydraulic workover units and four Hot Tap units throughout the world. In addition to its U.S. operations, HWC Energy Services has international operations based in Algeria, South America, the Middle East, and West Africa. Pursuant to the Transaction Agreement, we will acquire all of the hydraulic well control business of Oil States International from its subsidiary, HWC Energy Services.

The Transaction Agreement is attached to this proxy statement as *Annex A*. Please read the Transaction Agreement carefully. It is the legal document that governs the Transaction. Subject to satisfaction of other conditions to the Transaction, we anticipate that the closing of the Transaction will occur at month end following the approval of the issuance of our shares common stock by the requisite vote of our stockholders.

At the effective time of the Transaction, we will issue a total of 26,462,137 shares of our common stock and two subordinated promissory notes in the aggregate principal amount of $15 million, subject to adjustment, to HWC Energy Services. In conjunction with the closing of the Transaction, we have agreed to file a registration statement with the U.S. Securities and Exchange Commission (SEC) on Form S-3 within 30 days of the closing to register for resale the shares of common stock we will issue in the Transaction.

Background of Transaction (Page 11)

For a description of the events leading to the approval by our board of directors of the Transaction and the agreements related thereto, see Proposal 1: The Transaction Background of the Transaction below.

Fairness Opinion of Howard Frazier Barker Elliott, Inc. to Our Board of Directors (Page 20)

In connection with the Transaction, we retained Howard Frazier Barker Elliott, Inc. (HFBE). In deciding to approve the Transaction Agreement, our board of directors considered the opinion of HFBE, that, based upon and subject to the assumptions made, matters considered, qualifications, and limitations set forth in the written opinion, as of the date of the opinion, the financial consideration to be paid by us in the merger was fair, from a financial point of view, to us.

The full text of the written opinion of HFBE, which sets forth, among other things, the assumptions made, matters considered, qualifications, and limitations on the review undertaken by HFBE in connection with the opinion, is attached to this document as *Annex D*. HFBE provided its opinion for the use and benefit of our board of directors in connection with its consideration of the Transaction. The HFBE opinion is not a recommendation as to how you should vote or act with respect to any matter relating to the Transaction.

Our Board of Directors After the Transaction (Page 10)

In conjunction with the Transaction, our board of directors may be expanded up to eight members, consisting of the five current members and up to three additional members to be designated by HWC Energy Services, which members shall be reasonably acceptable to us. HWC Energy Services has not yet identified the persons it intends to designate to be appointed to our board of directors.

The Transaction is Expected to Occur in the First Quarter of 2006 (Page 47)

The Transaction will occur after all the conditions to its completion have been satisfied or, if permissible, waived. Currently, we anticipate that the Transaction will occur in the first quarter of 2006. However, we cannot assure you when or if the Transaction will occur. If the Transaction has not been completed on or before April 1, 2006, either we or HWC Energy Services may terminate the Transaction Agreement unless the failure to complete the Transaction by that date is due to a breach of the Transaction Agreement by the party seeking to terminate the Transaction Agreement.

Completion of the Transaction is Subject to Customary Conditions (Page 48)

The completion of the Transaction is subject to a number of customary conditions being met, including the approval by our stockholders of the issuance of our common stock in the Transaction and of the amendment of our certificate of incorporation to renounce certain corporate opportunities.

Where the law permits, a party to the Transaction Agreement could elect to waive a condition to its obligation to complete the Transaction if that condition has not been satisfied. We cannot be certain when (or if) the conditions to the Transaction will be satisfied or waived or that the Transaction will be completed.

Termination of the Transaction Agreement (Page 54)

The Transaction Agreement may be terminated and the transactions contemplated therein abandoned at any time prior to the closing of the Transaction in the following manner:

- by mutual written consent of HWC Energy Services and us;

- by either HWC Energy Services or us, if the closing of the Transaction shall not have occurred on or before April 1, 2006, unless such failure to close shall be due to a breach of the Transaction Agreement by the party seeking to terminate the Transaction Agreement;

- if the other party is in breach of its representations, warranties, covenants, obligations, or agreements set forth in the Transaction Agreement, such that the conditions to closing the Transaction would not be satisfied and such breach or untruth is not curable or if curable, is not cured within 30 days after notice thereof has been received by the breaching party;

- by us or HWC Energy Services, if the requisite stockholder approval is not obtained at the annual meeting (including any adjournment or postponement thereof);

- by HWC Energy Services, if our board of directors (i) fails to recommend, or withdraws, modifies or changes in any manner adverse to HWC Energy Services its recommendation of, the Transaction to our stockholders or (ii) resolves to take any such action (provided that our board of directors shall not be entitled to take any such action except (x) in compliance with its fiduciary obligations to our stockholders under applicable law as advised by counsel or (y) in circumstances that would otherwise permit us to terminate the Transaction Agreement; or

- by either HWC Energy Services or us, if a court or other governmental entity of competent jurisdiction issues a final non-appealable order having the effect of permanently enjoining or otherwise prohibiting the Transaction.

In the event of the termination of the Transaction Agreement pursuant one of the conditions listed above by one of the parties, Transaction Agreement shall become void and have no effect, and there shall be no liability under the Transaction Agreement on the part of us, HWC Energy Services, the other parties to the Transaction Agreement. The termination of the Transaction Agreement shall not relieve any party from liability for any breach of the Transaction Agreement.

The Parties May Amend the Terms of the Transaction and Waive Rights Under the Transaction Agreement (Page 55)

The parties to the Transaction Agreement may jointly amend the terms of the Transaction Agreement, and either party may waive its right to require the other party to adhere to any of those terms, to the extent legally permissible.

Certain Risks Associated with the Transaction (Page 16)

The proposed Transaction involves risks, including risks related to:

- the integration of the businesses of the acquired companies into our operations;

- the costs of the Transaction;

- failure to complete the Transaction;

- the dilutive effect on the ownership interests and voting power of existing stockholders;

- the influence of Oil States and its affiliates on us and our board of directors following the Transaction; and

6

- our outstanding long-term indebtedness, which will increase substantially, and our debt-to-equity ratio, which will be negatively affected.

For detailed information regarding these risks, see Proposal No. 1: The Transaction Certain Risks Associated with the Transaction below.

Interests of Certain Persons in the Transaction (page 79)

In considering the recommendation of the board with respect to the Transaction, our stockholders should be aware that Dewitt Edwards, our Senior Vice President Finance and Administration, has interests in the Transaction that are in addition to the interests of stockholders in general. Pursuant to a consulting agreement we have with Oak Hollow Consulting LLC, a company controlled by Mr. Edwards, that was entered into with us prior to Mr. Edwards employment with us, upon closing of the Transaction, Oak Hollow Consulting will receive a success fee of $99,620, an amount equal to 0.25% of the Transaction value of $39.848 million. Additionally, one of our directors, E.J. Jed DiPaolo is a consultant to Growth Capital Partners, L.P., which we engaged to provide investment banking services for the Transaction. Upon the closing of the Transaction, Growth Capital will receive a success fee of $498,480, which is equal to 1% of the Transaction value and 1% of the amount of our new $20 million senior debt facility, less $100,000 in retainers that we have previously paid to Growth Capital. Although Mr. DiPaolo may receive bonuses based upon Growth Capital s profitability and his relative contributions, he has no direct interest in fees that we may pay to Growth Capital in connection with the Transaction.

Proposal 2: Election of Class II Directors

Assuming a quorum is present at the annual meeting, two Class II directors will be elected by a plurality of the votes of the holders of common stock present in person or represented by proxy at the meeting. Abstentions and broker non-votes have no effect on the vote. All duly submitted and unrevoked proxies will be voted for E.J. Jed DiPaolo and Jerry L. Winchester, the Class II nominees, except where authorization to so vote is withheld. If any nominee should become unavailable for election for any unforeseen reason, the persons designated as proxies will have full discretion to vote for another person nominated by the board of directors.

Messrs. DiPaolo and Winchester have consented to serve as Class II directors if elected. Messrs. DiPaolo and Winchester are presently directors and have served continuously in that capacity since 2003 and 1998, respectively.

Proposal 3: Amendment To Our Certificate of Incorporation

It is a condition to the closing of the Transaction that our stockholders, as permitted under the Delaware General Corporation Law, adopt an amendment to our certificate of incorporation to renounce any interest or expectancy in certain business opportunities. This amendment to our certificate of incorporation will not prohibit us from pursuing any business opportunity to which we have renounced any interest or expectancy and does not apply to all business opportunities. Specifically, the amendment provides that we renounce any interest or expectancy in any business opportunity, transaction or other matter in which Oil States International, Inc., its affiliates, or any officer or director of Oil States who also serves as one of our directors or officers (collectively, the Oil States Group) participates or desires to participate in that involves any aspect of the energy equipment or services business industry, except for business opportunities that:

- are presented to the Oil States Group solely in such person s capacity as a director of us or our subsidiaries and with respect to which no other member of the Oil States Group independently receives notice or otherwise identifies the business opportunity; or

- are identified by the Oil States Group solely through the disclosure of information by us or on our behalf.

Proposal 4: Amendment To Our 2004 Long-Term Incentive Plan

In connection with the Transaction and the issuance of our common stock upon the closing of the Transaction, our board of directors believes it is in the best interest of us and our stockholders to amend our 2004 Long-Term Incentive Plan to increase the aggregate number of shares of common stock (including common stock options) that may be issued under the plan from 6,000,000 shares to 8,000,000 shares. As of November 30, 2005, approximately 1,688,000 shares were available for new grants under the 2004 Plan, and there were approximately 1,036,000 million shares subject to outstanding benefits under these and predecessor plans. We have agreed to issue options covering 895,000 shares of common stock to certain employees of the businesses we are acquiring in the Transaction. Our board believes that the amendment to the 2004 Plan will provide us with sufficient shares for market-competitive grants after giving effect to the Transaction.

FORWARD-LOOKING STATEMENTS

This proxy statement, including information included or incorporated by reference in this document, contains certain forward-looking statements with respect to our financial condition, results of operations, plans, objectives, intentions, future performance and business and other statements that are not historical facts, as well as certain information relating to the Transaction.

Forward-looking statements preceded by, followed by or include the words believes, anticipates, plans, predicts, expects, envisions, hop estimates, intends, will, continue, may, potential, should, confident, could or similar expressions.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the factors discussed under Certain Risks Associated with the Transaction beginning on page 16 of this document, as well as the following factors:

- the possibility that we may be unable to obtain stockholder approvals required for the Transaction;
- the possibility that problems may arise in successfully integrating the acquired companies and businesses;
- the possibility that we may incur unexpected costs;
- the possibility that the businesses may suffer as a result of uncertainty surrounding the Transaction;
- the possibility that the industry may be subject to future regulatory or legislative actions;
- competition;
- the ability of the combined company s management to execute its plans to meet its goals;
- general economic and industry conditions, whether internationally, nationally or in the regional and local market areas in which we and the acquired companies are doing business, may be less favorable than expected; and
- other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors may negatively impact our businesses, operations or pricing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in our reports filed with the SEC. See Where You Can Find More Information beginning on page 80 of this document.

Forward-looking statements speak only as of the date of this proxy statement or the date of any document incorporated by reference in this document. All subsequent written and oral forward-looking statements concerning the Transaction or other matters addressed in this proxy statement and attributable to us, HWC Energy Services or the other parties to the Transaction Agreement or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events.

PROPOSAL 1:

ISSUANCE OF SHARES IN CONNECTION WITH THE PROPOSED TRANSACTION

The following description of the material information about the Transaction, including the summary of the material terms and provisions of the Transaction Agreement and the descriptions of the opinion of our financial advisor, is qualified in its entirety by reference to the more detailed annexes to this proxy statement. We urge you to read all of the annexes to this proxy statement in their entirety.

The Transaction Agreement has been included as *Annex A* to provide you with information regarding its terms. It is not intended to provide any other factual information about us. Such information can be found elsewhere in this proxy statement and in the other public filings we make with the SEC, which are available without charge at *www.sec.gov*.

The Transaction Agreement contains representations and warranties the parties made to each other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that have been exchanged in connection with signing the Transaction Agreement. While we do not believe that the disclosure schedules contain information securities laws require us to publicly disclose, other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, quantifies, and creates exceptions to the representations and warranties set forth in the attached Transaction Agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important part by the underlying disclosure schedules. These disclosure schedules contain information that has been included in our prior public disclosures, as well as potential additional nonpublic information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Transaction Agreement, which subsequent information may or may not be fully reflected in our public disclosures.

Transaction Structure

Our board of directors has approved the Transaction Agreement, which provides for (i) our purchase of all of the issued and outstanding shares of capital stock of HWCES from HWC Energy Services for aggregate consideration of 10,584,854 shares of our common stock, subject to adjustment; (ii) the purchase all of the issued and outstanding shares of capital stock of HWC Limited from HWC Energy Services for aggregate consideration of an unsecured senior subordinated promissory note issued by us in the principal amount of $10 million, bearing interest at a rate of 10% per annum, subject to adjustment; (iii) the merger of Acquisition Sub with and into HWC LLC, which will survive the merger as our wholly owned subsidiary, and our payment to HWC Energy Services of aggregate consideration consisting of 15,877,283 shares of our common stock, subject to adjustment, and an unsecured senior subordinated promissory note in the principal amount of $5 million, bearing interest at a rate of 10% per annum, subject to adjustment, and (iv) the merger of HWC LLC with and into Merger Sub (the Surviving Company), which will survive the merger as our wholly owned subsidiary. We expect to complete the Transaction in the first quarter of 2006.

At the effective time of the Transaction, our board of directors may be expanded by up to three additional members, consisting of one Class I director, one Class II director, and one Class III director, and these vacancies may be filled by designees of HWC Energy Services reasonably acceptable to us. If appointed, the Class I director s term will expire in 2007, the Class II director s term will expire in 2008, and the Class III director s term will expire in 2006. To date, HWC Energy Services has not identified the individuals it intends to designate to serve on our board of directors.

Background of the Transaction

In August 2003, after a significant period devoted to restructuring our business and finances, we announced that we were seeking complementary business acquisitions that would provide us with more predictable revenues and income, broaden our service capabilities and increase our geographic presence. At the time, our board recognized that in conjunction with such an acquisition, it would be necessary for us to restructure our existing senior and senior subordinated debt obligations and eliminate our remaining outstanding preferred securities and associated accumulated dividend obligations. The board also recognized that it would be difficult to locate financing sources willing to provide sufficient financing at acceptable cost to refinance these existing obligations, fund a potential acquisition and to provide ongoing working capital.

In October 2003, we announced the engagement of Growth Capital Partners, L.P., an investment banking firm based in Houston, Texas, to assist us in implementing these strategic objectives.

From January 2004 through March 2005, we assessed a number of potential targets in the pressure control market and negotiated for the acquisition of several of these targets. To maximize the synergies of complementary acquisitions, we focused on potential targets in our core market of pressure control. In each case, we were either unsuccessful in negotiating an acceptable price for the transaction or securing financing on acceptable terms.

In March 2004, Growth Capital contacted Oil States International, Inc., to determine its interest in selling its hydraulic workover business. Oil States initial response was a request that we prepare an offer based upon information available in their public filings. On March 9, 2004, we submitted an offer letter that provided a valuation methodology that we considered reasonable for the hydraulic well control business, subject to the completion of satisfactory due diligence and other customary conditions. In conjunction with our March 9, 2004 letter, we and Oil States entered into a confidentiality agreement, and we commenced our due diligence investigation. Our management team and Growth Capital also began work to secure a combination of equity and bank financing necessary to finance the potential acquisition and our other obligations.

On May 12, 2004, during a regular meeting of our board of directors, Growth Capital provided an update with regard to the progress of financing alternatives. Confidential information was distributed to over 40 potential investment and financing sources, and we entered into confidentiality agreements and presented additional information to approximately 10 interested investors. Growth Capital presented models showing potential capital structures and financing scenarios.

On August 8, 2004, we announced that we had concluded a restructuring and extension of our senior subordinated debt obligations with The Prudential Insurance Company of America. In conjunction with that restructuring, we also issued an aggregate of 1,829,635 shares of our common stock to convert and satisfy Prudential s outstanding preferred stock, warrants and accrued cash dividends. The restructuring and extension provided us with improved financial flexibility and a more simplified capital structure as we approached capital markets seeking acquisition financing. Specifically, the restructuring eliminated the requirement that we pay Prudential our excess cash , which was defined as all cash on hand at the end of any fiscal quarter for amounts above a balance of $2.0 million and extended the maturity date of the loan from December 31, 2005 to December 31, 2009.

On August 12, 2004, during a regular meeting of our board of directors, Growth Capital provided a further update regarding financing of the potential acquisition. Growth Capital indicated that potential financing sources had expressed concerns about the barriers to financing inherent in our existing capital structure. Specifically, they expressed concerns over re-payment of our senior subordinated debt and redemption or restructuring of our Series A preferred stock. Growth Capital again advised our board that

the transaction would be extremely complex and, consequently, it believed very few financing sources would be willing to consider the investment.

On November 10, 2004, during a regular meeting of our board of directors, Growth Capital presented a financing proposal from a private equity firm located in New York, NY, which submitted the only firm offer that had been received as a result of Growth Capital s efforts to secure financing. After extensive discussion, we proceeded to negotiate the terms of the proposal.

From November 10, 2004 through February 12, 2005, our management, Growth Capital and the equity firm continued their due diligence on the hydraulic well control business of Oil States. Several meetings were held between all parties in an attempt to negotiate a cash transaction in an amount acceptable to all parties.

On February 12, 2005, a special meeting of our board of directors was held to discuss the status of the proposed acquisition. Growth Capital advised our board that we, the private equity firm and Oil States were unable to reach agreement regarding the pricing and capitalization of the proposed acquisition. Negotiations ended at this time when it became apparent that sufficient financing was not available to satisfy a cash purchase price, our existing obligations and provide working capital for operations post-closing.

On March 16, 2005, during a regular meeting of our board of directors, Growth Capital advised the board that Oil States had contacted them during early March and indicated a willingness to discuss alternative financing structures for the proposed acquisition. The board instructed Growth Capital and management to pursue discussions with the objective of restructuring the transaction so that cash would not be required at closing.

From March 16, 2005 through May 26, 2005, we and Oil States exchanged updated historical financial information and forecasts. Several meetings were held both in person and telephonically between the companies and Growth Capital to discuss updates in the forecasts and business strategies of the business units.

On May 9, 2005, during a regular meeting of our board of directors, Growth Capital and management reported that Oil States was willing to entertain a proposal that contemplated a combination of cash and equity as a component of the purchase price.

On May 26, 2005, a meeting of Oil States senior personnel, our management and Growth Capital was held to determine if an agreement could be reached on the financial terms of the proposed transaction. During the meeting, Oil States outlined a transaction incorporating the following terms:

- A purchase price consisting of approximately $24.0 million in our common stock, or 46% of the combined companies, and a subordinated promissory note in the principal amount of $15 million, with a four year maturity, 10% per annum interest rate, payable in cash quarterly, and requiring prepayment with any proceeds from future equity offerings.

- A floor on the stock component of the consideration.

- Equal representation on our board of directors.

- Customary registration rights.

- As a condition to closing, our senior subordinated debt and Series A redeemable preferred stock would be refinanced with proceeds from a new revolving bank credit facility.

As a consequence of this meeting, our management agreed to present the proposal to our board for its consideration.

On June 2, 2005, a telephonic meeting of our board was held with our management and representatives of Growth Capital to discuss the proposal presented by Oil States. After extensive discussion, our board instructed management to proceed with the negotiation of the transaction and preparation of a term sheet consistent with the Oil States proposal.

On June 16, 2005, a meeting of our board, management, and representatives of Growth Capital was held to discuss the transaction. Management presented a draft term sheet to the board for detailed discussion. After deliberation, the board instructed management to proceed with the negotiations on several points, including the proposed structure of the board of directors, fixing the amount of shares to be issued as consideration for the purchase, working capital adjustments to the purchase price, and certain covenants not to compete.

On June 20, 2005, our management and representatives of Growth Capital met with representatives of Oil States. During the meeting, agreement was reached on substantially all of the open items. It was agreed that the parties should begin preparation of definitive agreements. Additionally, it was agreed that Oil States would have a prominent role in assisting us with securing senior debt financing. The management of each company agreed to submit the revised term sheet to their respective boards for approval.

On June 22, 2005, a special meeting of our board of directors was held to review and approve the revised draft term sheet. Management and representatives of Growth Capital summarized negotiations for the board. At the conclusion of the meeting, our board authorized management to complete due diligence related to the proposed acquisition; to engage Thompson & Knight LLP, as legal counsel, to begin drafting and negotiating definitive agreements; to engage an independent investment banking firm to assess the fairness, from a financial point of view, of the proposed transaction to our stockholders; and to proceed with negotiations for the restructuring of our Series A preferred stock and acquisition financing.

On July 8, 2005, we engaged Howard, Frazier, Barker, Elliott, Inc., to render an opinion to the board as to the fairness, from a financial point of view, of the terms and consideration to be paid by us in the proposed transaction. Shortly thereafter, HFBE began financial due diligence on the proposed transaction.

During July 2005, we and Oil States prepared a financial presentation that was delivered to several lead banking candidates. Over the course of the next several weeks, we and Oil States received and negotiated terms with four primary lenders.

On July 24, 2005, Thompson & Knight distributed the initial draft of the Transaction Agreement to Oil States and its legal counsel.

On August 8, 2005 our board of directors held a regular meeting at which management provided an update on the progress of the documentation and negotiations on the financing necessary to close the transaction.

On August 10, 2005, Oil States notified our management that it reviewed the Transaction with its board of directors at its regular board meeting, and its board had agreed to continue with negotiations and due diligence. At that time, both companies initiated extensive due diligence investigations.

On September 20, 2005, a telephonic meeting of our board of directors was held with our management and representatives of Growth Capital. During the call, management provided an update on the progress of the documentation and related financing. Management presented an analysis of four term sheets received in connection with the senior financing. The board concluded that due diligence and negotiations should continue with Wells Fargo Business Credit.

On September 21, 2005, we executed a Confidential Preliminary Term Sheet with Wells Fargo Business Credit. During the last two weeks of September, Wells Fargo conducted collateral audits of our receivables and assets and those of the hydraulic well control division of Oil States.

From September 21, 2005 through October 12, 2005, the attorneys and management of both parties negotiated definitive documentation and reached substantial agreement on all business terms. Activities during this period were delayed by Hurricanes Katrina and Rita, which interfered with the scheduling and work on an independent audit of Oil States hydraulic well control business.

On October 12, 2005, a special meeting of our board of directors was held to consider and approve the transaction. Prior to the meeting, our board was provided with a substantially final draft of the transaction documentation and other materials related to the proposed transaction. At the meeting:

- Our management provided an update on the terms of the proposed transaction as well as the final results of its due diligence review.

- Representatives of HFBE rendered an oral opinion, subsequently confirmed by delivery of its written opinion dated October 14, 2005 (subsequently updated to November 18, 2005) that as of such date, and based upon and subject to the factors and assumptions set forth therein, the consideration to be paid by us in the proposed transaction was fair, from a financial point of view, to our shareholders.

- Our management and a representative of Thompson & Knight reviewed the terms of the draft definitive agreements.

- Our board considered and approved resolutions authorizing our management to finalize the draft definitive agreements upon the terms described and, upon completion thereof, to execute and deliver the definitive agreements on behalf of the company.

For the next several weeks, the parties and their counsel finalized the remaining terms of the definitive documentation relating to the transaction, including the Transaction Agreement and related agreements and schedules, and the commitment letter with Wells Fargo Business Credit.

Also on October 12, 2005, Oil States received approval of the Transaction from its board, subject to finalization of the HWC audit and receipt of a financing commitment by us.

During the week of November 14, 2005, Ernst &Young concluded its audit of the hydraulic well control business of Oil States and delivered its final financial statement opinion to Oil States on November 21, 2005.

On November 14, 2005, Wells Fargo delivered its executed commitment letter.

On November 18, 2005, HFBE provided an updated opinion letter as to the fairness of the transaction, from a financial point of view, to our stockholders.

On November 21, 2005, the parties and their counsel concluded work on the definitive agreements and schedules for the transaction, and the parties executed the Transaction Agreement. On November 21, 2005, after the closing of the American Stock Exchange and the New York Stock Exchange, the parties issued individual press releases announcing the execution of the Transaction Agreement.

Reasons for the Transaction; Recommendation of the Issuance of Common Stock in the Transaction by Our Board of Directors

Our board of directors has determined that the Transaction is fair to, and in the best interests of, us and our stockholders. In deciding to approve the Transaction Agreement and to recommend that our stockholders vote to approve the issuance of our common stock in connection with the Transaction, our board of directors consulted with our management and legal and financial advisors and considered a number of material factors, including:

- the Transaction will add a group of core service capabilities critical to our customers, which we expect will allow us to generate additional revenue as a consequence of our ability to offer enhanced service packages;

- the Transaction enhances our position geographically. In addition to complementary locations in Algeria and Venezuela, we will obtain a presence and on-site facilities in Houma, Louisiana, West Africa, Egypt and Dubai. We expect to use this geographical leverage to expand our SafeGuard and risk management services into these markets;

- the Transaction will create a larger company that is expected to have greater financial strength, more liquidity in our common stock, and better access to capital markets, which should provide more financial flexibility;

- the Transaction will increase the depth and breadth of our technical and operational expertise; and

- Howard Frazier Barker Elliott, Inc. presented its analysis and opinion to the effect that, as of November 18, 2005 and based upon and subject to the assumptions made, matters considered, qualifications, and limitations set forth in the written opinion, the financial consideration to be paid by us in the Transaction was fair, from a financial point of view, to us.

This discussion of the information and factors considered by our board of directors in reaching its conclusions and recommendations includes the material factors considered by the board but is not intended to be exhaustive. In view of the wide variety of factors considered by our board of directors in evaluating the Transaction Agreement and the matters contemplated therein, and the complexity of these matters, our board of directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of our board of directors may have given different weight to different factors.

It should be noted that this explanation of the reasoning of our board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Forward-Looking Statements beginning on page 9 of this proxy statement and Certain Risks Associated with the Transaction, below.

Our board of directors determined that the Transaction, the Transaction Agreement and the other matters contemplated in the Transaction Agreement are in the best interests of us and our stockholders. Accordingly, our board of directors approved and adopted the Transaction Agreement and recommends that you vote FOR approval of the issuance of our common stock in the Transaction.

Certain Risks Associated with the Transaction

In addition to the other information contained in or incorporated by reference into this document, including, without limitation, our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and Form 10-Q for the quarter ended September 30, 2005, you should carefully consider the following risk factors in deciding whether to vote to approve the issuance of common stock in the Transaction.

We may not be able to successfully integrate the acquired companies following the Transaction.

The success of the Transaction depends in large part upon our ability to integrate the organizations, operations, systems and personnel of us and the acquired companies. The integration of previously independent companies is a challenging, time-consuming and costly process. We and the entities comprising the hydraulic well control business of HWC Energy Services have operated and, until the closing of the Transaction, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company s ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with suppliers, customers and employees or to achieve the anticipated benefits of the Transaction. In addition, successful integration of the companies will require the dedication of significant management resources, which will temporarily detract attention from the day-to-day business of the companies. If we are not able to integrate our organizations, operations, systems and personnel in a timely and efficient manner, the anticipated benefits of the Transaction may not be realized fully or at all or may take longer to realize than expected.

The costs of the Transaction could adversely affect our operating results.

We estimate the total Transaction-related costs to be approximately $1.45 million, primarily consisting of investment banking, legal and accounting fees and financial printing and other related charges. The foregoing estimate is preliminary and is subject to change. In addition, we will incur certain expenses in connection with the integration of our business and the acquired companies.

Failure to complete the Transaction or delays in completing the Transaction could negatively impact our stock price and future business and operations.

If the Transaction is not completed for any reason, we may be subject to a number of material risks, including the following:

- we will not realize the benefits expected from the Transaction, including a potentially enhanced financial and competitive position;

- the price of our common stock may decline to the extent that the current market price of the common stock reflects a market assumption that the Transaction will be completed; and

- some costs relating to the Transaction, such as certain investment banking expenses and legal and accounting fees, must be paid even if the Transaction is not completed.

In addition, our current and prospective employees may experience uncertainty about their future roles with the companies until after the Transaction is completed or if the Transaction is not completed. This may adversely affect our ability to attract and retain key personnel.

Our stockholders will experience substantial dilution and Oil States will exert significant influence on the outcome of stockholder voting.

The consummation of the Transaction will have an immediate dilutive effect on the ownership interests and voting power of our existing stockholders and the future voting power of option holders.

Upon closing the Transaction, Oil States and its affiliates will own approximately 45% of our outstanding shares of common stock. As such, Oil States will be in a position to exert significant influence on the outcome of matters requiring a stockholder vote, including the election of directors, adoption of amendments to our certificate of incorporation or bylaws or approval of transactions involving a change of control. The interests of Oil States may differ from those of our stockholders, and Oil States may vote its common stock in a manner that may adversely affect our stockholders.

Oil States will have the right to appoint up to three members to our board of directors.

Following the closing of the Transaction, we may expand our board of directors to up to eight members. Under the terms of the Transaction Agreement, Oil State s subsidiary, HWC Energy Services, has the right to designate up to three of the possible eight members. Therefore, the members of the board of directors designated by Oil States may have significant influence over our corporate planning and strategy. This may create conflicts of interest to the extent these directors may also have responsibilities to Oil States. Their duties as directors or officers of Oil States may conflict with their duties as directors of our company regarding business dealings between Oil States and us and other matters. The resolution of these conflicts may not always be in our or our stockholders best interest.

The amount of our indebtedness will increase significantly.

At September 30, 2005, our long-term indebtedness was $5.9 million, with a debt to equity ratio of approximately 4.9 to 1. As a result of the Transaction, our long-term indebtedness will increase by approximately $21.5 million, and we estimate that we will then have a debt to equity ratio of approximately 1.7 to 1. See Unaudited Pro Forma Consolidated Financial Information. Thus, the indebtedness incurred with respect to the Transaction is material in relation to our current level of indebtedness, our ability to service the debt from our operating cash flow and our ability to repay the principal amount of the debt in full at maturity.

The common stock issued pursuant to the Transaction could result in significant market overhang which could restrain or limit increases in the market value of our common stock.

Upon closing the Transaction we will issue an aggregate 26,462,137 shares of our common stock, representing approximately 45% of our outstanding common stock, to HWC Energy Services. Upon closing the Transaction, we will enter into a registration rights agreement with HWC Energy Services pursuant to which we will file with the SEC and seek to have declared effective a registration statement for the public resale of the shares issued in the Transaction to HWC Energy Services. Sales of a substantial number of shares of our common stock in the market or a perception that such sales could occur may have an adverse affect on the price of our stock and could impair our ability to obtain capital through an offering of equity securities.

Consummation of the Transaction may substantially limit our ability to use our current net operating loss carryforwards to offset future income for Federal income tax purposes.

The issuance of our common stock to HWC Energy Services pursuant to the Transaction Agreement and the repurchase of our Series A preferred stock in exchange for common stock will result in the issuance of approximately 49.5% of the voting power of our outstanding capital stock. As a consequence, we may in the future be limited in the amount of our net operating loss carryforwards that we will be able to use on an annual basis to offset our taxable income for Federal income tax purposes. See Tax Consequences below. These issuances and any other that may occur in the future may defer to a material extent, and could eliminate altogether, a portion of the future economic benefit that we would otherwise be entitled to under the current Federal income tax laws as a result of our past operating losses.

Risks Related to the Combined Company

Decreased oil and gas industry expenditure levels will adversely affect our results of operations.

The hydraulic well control business depends upon the oil and gas industry and its ability and willingness to make expenditures to explore for, develop and produce oil and gas. If these expenditures decline, this business will suffer. The industry s willingness to explore, develop and produce depends largely upon the availability of attractive drilling and workover prospects and the prevailing view of future product prices. Many factors affect the supply and demand for oil and gas and therefore influence product prices, including:

- the level of production;
- the levels of oil and gas inventories;
- the expected cost of developing new reserves;
- the actual cost of finding and producing oil and gas;
- the availability of attractive oil and gas field prospects which may be affected by governmental actions or environmental activists which may restrict drilling;
- the availability of transportation infrastructure and refining capacity;
- depletion rates;
- the level of drilling activity;
- worldwide economic activity including growth in underdeveloped countries;
- national government political requirements, including the ability of the Organization of Petroleum Exporting Companies (OPEC) to set and maintain production levels and prices for oil;
- the impact of armed hostilities involving one or more oil producing nations;
- the cost of developing alternate energy sources;
- environmental regulation; and
- tax policies.

Because the oil and gas industry is cyclical, our operating results may fluctuate.

Oil prices have been and are expected to remain volatile. This volatility causes oil and gas companies and drilling contractors to change their strategies and expenditure levels. We and the hydraulic well control business of HWC Energy Services have experienced in the past, and may experience in the future, significant fluctuations in operating results based on these changes.

Disruptions in the political and economic conditions of the foreign countries in which we operate could adversely affect our business.

We have, and in the Transaction will acquire, operations in various international areas, including parts of Africa, South America and the Middle East. Operations in these areas increase our exposure to risks of war, terrorist attacks, local economic conditions, political disruption, civil disturbance and governmental policies that may:

- disrupt our operations;
- restrict the movement of funds or limit repatriation of profits;
- lead to U.S. government or international sanctions; and

- limit access to markets for periods of time.

We might be unable to employ a sufficient number of technical personnel.

We believe that our success will depend upon our ability to employ and retain technical, skilled personnel with the ability to operated hydraulic workover units. In addition, our ability to expand our operations depends in part on our ability to increase our skilled labor force. The demand for skilled workers is high, and the supply is limited. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the wage rates that we must pay or both. If either of these events were to occur, our cost structure could increase and our growth potential could be impaired.

Hydraulic well control operations are susceptible to seasonal earnings volatility due to adverse weather conditions in regions of operation.

Hydraulic well control operations are directly affected by seasonal differences in weather in the areas in which the business operates, most notably in the Gulf of Mexico. Operations in the Gulf of Mexico are also affected by weather patterns. Weather conditions in the Gulf Coast region generally result in higher activity in the spring, summer and fall months with the lowest activity in the winter months. In addition, summer and fall drilling activity can be restricted due to hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast. As a result, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

Opinion of Howard Frazier Barker Elliott, Inc. to Our Board of Directors

Howard Frazier Barker Elliott, Inc. (HFBE) has advised Boots & Coots board of directors that, in its opinion, the consideration to be paid by Boots & Coots in the Proposed Transaction is fair, from a financial point of view, to the common stockholders of Boots & Coots. The full text of HFBE s opinion, dated November 18, 2005, which describes the procedures followed, assumptions made, and other matters considered in the opinion, is included in this document as Annex D. We urge you to read the full opinion.

HFBE S OPINION IS DIRECTED TO BOOTS & COOTS BOARD OF DIRECTORS AND ADDRESSES ONLY THE FAIRNESS FROM A FINANCIAL POINT OF VIEW OF THE CONSIDERATION TO BE PAID BY BOOTS & COOTS IN THE PROPOSED TRANSACTION. THE OPINION DOES NOT ADDRESS THE UNDERLYING BUSINESS DECISION TO PROCEED WITH THE PROPOSED TRANSACTION AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO HOW THE STOCKHOLDER SHOULD VOTE WITH RESPECT TO THE PROPOSED TRANSACTION OR ANY OTHER RELATED MATTER. HFBE S OPINION IS BASED ON ANALYSES WHICH CONTAIN ESTIMATES AND VALUATION RANGES WHICH ARE NOT NECESSARILY INDICATIVE OF ACTUAL VALUES OR PREDICTIVE OF FUTURE RESULTS OR VALUES.

In connection with the preparation of its opinion, HFBE made certain reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, HFBE:

- reviewed the draft Transaction Agreement by and among Boots & Coots and HWC Acquisition, Hydraulic Well Control, LLC, and HWC Energy Services, Inc., dated November 16, 2005;

- reviewed the Summary of Proposed Terms regarding the Proposed Transaction and consideration, including the subordinated, unsecured promissory note dated July 15, 2005;

- reviewed the presentation to the board of directors of Boots & Coots regarding the Proposed Transaction dated June 22, 2005; reviewed the Boots & Coots International Well Control, Inc. Presentation to Investors dated November 2004; reviewed the HWC Management Presentation dated December 2004;

- reviewed Securities and Exchange Commission filings for Boots & Coots including 10-K filings for the years ended December 31, 1999 to December 31, 2004 and 10-Q filings for the nine months ended September 30, 2004 and September 30, 2005;

- reviewed draft audited financial statements for the Hydraulic Well Control business of Oil States International, Inc., (HWC) for the years ending December 2002 through December 31, 2004;

- reviewed internal financial statements of HWC for the years ending December 31, 2000 and December 31, 2001, and for the nine months ended September 30, 2004 and September 30, 2005;

- reviewed projected income statements of Boots & Coots on a standalone basis and pro forma projected income statements of the combined entity after giving effect of the Proposed Transaction, for the years ending December 31, 2005 through 2009, both of which were prepared by Boots & Coots management;

- reviewed the Confidential Information Memorandum describing Boots & Coots and HWC prepared by Growth Capital Partners LP dated September 2004;

- conducted discussions with members of senior management of Boots & Coots and HWC concerning their respective businesses and prospects; reviewed the historical market prices and trading activity for Boots & Coots common stock;

- analyzed certain financial data for publicly traded companies deemed comparable to HWC;

- analyzed the nature and financial terms of certain business combinations involving companies in lines of business HFBE believes to be generally comparable to those of HWC;

- reviewed such other matters as HFBE deemed necessary, including an assessment of general economic, market and monetary conditions.

In addition, HFBE held discussions with members of the management of each of Boots & Coots and HWC regarding the businesses, operations, financial condition and prospects of their respective companies. HFBE held discussions with the management of Boots & Coots regarding the financial projections provided by the management of Boots & Coots listed above. HFBE also performed such other financial studies, analyses and investigations as it deemed appropriate.

In arriving at its opinion, HFBE assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information provided to it for the purposes of its opinion. HFBE did not independently verify the furnished information, or undertake an independent appraisal of the assets of Boots & Coots or HWC. HFBE was informed that the financial statements of HWC described above were the only financial statements that were available as of the date of its opinion. HFBE assumed that the financial projections prepared by the management of Boots & Coots represented their best judgment as to the future financial condition and results of operations of Boots & Coots and the combined entity after giving effect of the Proposed Transaction and assumed that the projections had been reasonably prepared based on such current judgment. HFBE assumed that there had been no material change in Boots & Coots or HWC s financial condition, results of operations, business or prospects since the date of the last financial statements made available to HFBE. HFBE also assumed that the final terms of the Agreement and the Subordinated Note would not vary materially from those set forth in the drafts reviewed by HFBE.

The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant quantitative and qualitative methods of financial analyses and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. Furthermore, in arriving at its opinion, HFBE did not attribute any particular weight to any analysis or factor considered by us, but rather made qualitative judgments as to the significance and relevance of each analysis or factor. Accordingly, HFBE believes that its analysis must be considered as a whole and that considering any portion of such analysis and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying its opinion. In its analyses, HFBE made numerous assumptions with respect to the industry, general business and economic conditions and other matters, many of which are beyond the control of HWC. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values which may be significantly more or less favorable than as set forth therein. In addition, analyses relating to the value of the business do not purport to be appraisals or to reflect the prices at which businesses may actually be sold.

HFBE s opinion was based on economic, market, financial and other conditions as they existed as of the date of the opinion, and on the information made available to HFBE as of the date of the opinion. Although subsequent developments may affect the conclusion reached in the opinion, HFBE has no obligation to update, revise, or reaffirm the opinion. The type and amount of consideration payable in the Proposed Transaction and the decision to enter into the Proposed Transaction was solely determined by the board of directors of Boots & Coots. HFBE s opinion and financial analyses were only one of many factors considered by the board of directors of Boots & Coots in its evaluation of the Proposed Transaction and should not be viewed as determinative of the views of the Boots & Coots board of directors or management with respect to the Proposed Transaction. In addition, HFBE did not express any opinion as to the price or range of prices at which shares of Boots & Coots common stock would trade at any time following the announcement or consummation of the Proposed Transaction.

The following is a summary of the material financial analyses performed by HFBE in connection with rendering its opinion.

Historical Trading Prices

As of November 17, 2005, Boots & Coots had approximately 29.5 million common shares outstanding with an aggregate equity market capitalization of $26.6 million. The float comprised approximately 28.8 million shares. HFBE noted that, on November 17, 2005, the closing price per share of Boots & Coots common stock was $0.90. HFBE also reviewed the average of the closing prices per share of Boots & Coots common stock, as well as the low and high closing price per share of Boots & Coots common stock, over the 30 trading-day, three-month, six-month and one-year periods ending on November 17, 2005. The results of this review are noted in the table below.

Specified Period	Highest Closing Price Over Specified Period	Average of Closing Prices Over Specified Period	Lowest Closing Price Over Specified Period
10 trading days	$ 1.10	$ 0.97	$ 0.90
30 trading days	1.19	1.08	0.90
Three months	1.42	1.15	0.90
Six months	1.61	1.22	0.90
One year	1.61	1.06	0.74

Value of the Consideration

The consideration offered by Boots & Coots in the Proposed Transaction consisted of 26,462,137 shares of Boots & Coots common stock and two subordinated notes (the Subordinated Notes) with a combined aggregate principal amount of $15.0 million. The aggregate value of the consideration offered by Boots & Coots, based on the November 17, 2005 closing price of Boots & Coots stock of $0.90 per share was $38.8 million.

As of November 17, 2005, the closing price of Boots & Coots common stock of $0.90 per share indicated a market capitalization of $26.6 million ($0.90 per share * 29.5 million shares outstanding). After adding outstanding debt of $5.9 million and preferred stock of $7.8 million and deducting cash and equivalents of $1.7 million as of September 30, 2005, the indicated enterprise value of Boots & Coots was approximately $38.6 million. This indicated enterprise value of Boots & Coots and the consideration offered for HWC imply an enterprise value sharing ratio of 49.8% to Boots & Coots and 50.2% to HWC.

Historical Contribution Analysis

The value of the consideration to be paid by Boots & Coots in the Proposed Transaction and the indicated enterprise values of Boots & Coots show that the Proposed Transaction was essentially viewed as a combination of equals. We considered the historical revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) that Boots & Coots and HWC have generated. This analysis is not an indication of the relative contributions the two companies may make to a combined entity after giving effect for the Proposed Transaction, but merely a summation of the operating results of Boots & Coots and HWC as indicated in the historical financial statements provided. The actual revenues and EBITDA generated by Boots & Coots and HWC for 2004 (based on draft 2004 financial statements for HWC) and the latest twelve months ending September 30, 2005 are presented below.

Measure	**Boots & Coots**	**HWC**	**Total**
2004 revenue	$ 24,175,000	$ 33,638,000	$ 57,813,000
% of the total 2004 revenue	41.9 %	58.1 %	100.0 %
LTM revenue	$ 33,184,000	$ 37,609,000	$ 70,793,000
% of the total LTM revenue	46.9 %	53.1 %	
2004 EBITDA	$ 1,955,000	$ 4,620,000	$ 6,575,000
% of the total 2004 EBITDA	29.7 %	70.3 %	100.0 %
LTM EBITDA	$ 3,783,000	$ 7,132,000	$ 10,915,000