FOOTPRINT
Basic Energy Services focuses on the well count in the most prolific oil and gas producing regions in the country. We base our core operations in proven oil and gas markets with a footprint that covers approximately 70% of the existing oil and gas production in the U.S.

FINANCIAL HIGHLIGHTS

REVENUE (Millions)

SEGMENT PROFIT ( Millions)

EPS (Per Diluted Share)

ADJUSTED EBITDA* (Millions)

* Net income before interest, taxes, depreciation and amortization.
To our Shareholders,

While 2010 began as another tough year in the energy services industry, we did see the turn of the cycle early in the year as unexpectedly strong oil prices drove increased oil-related activity across the lifecycle of the well. Our customers developed a sense of urgency toward routine well maintenance, enhanced recovery projects and other development activity as the year progressed. The big demand driver, however, came in the form of increased drilling activity in several markets. New drilling and completion technologies developed in the gas shale plays allowed the industry to re-think and re-explore oil reservoirs once overlooked or considered to be uneconomic. Basic’s well-developed strategy of aggressively maintaining our presence in established oil and gas producing areas while pursuing growth in the most active drilling plays proved to be an important and unique strength of the company in 2010.

In particular, we were able to build upon our market-leading presence in the Permian Basin of West Texas and eastern New Mexico to absorb idled Fluid Services and Well Servicing equipment from our more gas-prone markets where low gas prices have driven activity much lower than in recent years.

Our Completion and Remedial Services segment, led by Pumping Services, showed the strongest recovery over the course of the year. Increased drilling activity and our dominant position in some of the smaller markets resulted in fully scheduled calendars in almost all our markets by year-end. Operating margins in this segment were close to 2008 levels as improved pricing followed the stronger utilization.

We are pleased with the performance of our organization throughout the company as we shifted from dealing with the shrinking demand of 2009 and early 2010 to exploiting opportunities which began to appear in many of our markets during mid-year. Although pricing continued to be pressured through most of the year, efforts to increase utilization in our more active markets boosted total company revenue by 38% compared to 2009.

Managing the workforce in a cyclical business is always a challenge and was again in 2010. We had dramatically reduced our workforce in 2009, but as market conditions improved, we began rebuilding our workforce by mid-year. We addressed our compensation structure to help retain our experienced personnel and attract the qualified people necessary to meet increased demand. Most of the wage reductions implemented during the downturn were reinstated by year-end and we also reinstated the 401K match in January 2011. By year-end we had increased our workforce by more than 700 people or about 18% more than year-end 2009.
We added a substantial number of new employees in a short period of time, but were able to avoid a significant deterioration in our incident frequency rates, which often occurs in that phase of the market. That accomplishment was underscored by the Association of Energy Services Companies in February when Basic was recognized as having the best safety record among all but one of the largest well servicing contractors in that association’s annual safety ranking. I want to commend our management team and field organization for the results achieved in workplace safety.

The combination of increased revenue and excellent cost control increased EBITDA in 2010 to $114 million from $34 million in 2009. Margins improved to 16% from 6% in 2009, reflecting the significant operating leverage inherent in our business. Despite those improvements, we incurred a net income loss in 2010.

**RESUMING GROWTH** In May, we completed the first significant acquisition of the year with the purchase of the rig manufacturing business of Taylor Rigs, LLC, located in the Tulsa, Oklahoma area. This acquisition augments our established refurbishment capability and allows further standardization of our fleet as we continue to retire our older, less efficient rigs over the next decade. Taylor’s engineering capability will also provide the platform for continued improvements in the safety and efficiency we intend to design into our rig fleet.

At year-end we also acquired Platinum Pressure Services and Admiral Well Service. This acquisition provides an excellent platform on which to expand our Snubbing and Well Servicing capabilities in the growing Marcellus Shale market with well-trained personnel and first-rate equipment.

We resumed deploying capital for internal growth opportunities late in the year with $36 million committed by year-end primarily to purchase additional Fluid Services assets. Plans for 2011 were finalized with a capital budget of more than $130 million to further build out our Fluid Services capability and purchase a 25,000 hhp frac spread for the Wolfberry Play in West Texas scheduled for delivery in early 2011.

Our outlook for 2011 has become more optimistic since year-end. Oil prices have stabilized well above levels required to promote investment in exploration and development drilling in addition to supporting ongoing well maintenance, which is an important anchor for many of our services. Gas prices seemed to have bottomed out at a low but stable level with improving rather than negative expectations on the part of many analysts. Major and large independent E&P companies are targeting investments in U.S. land resources after exiting the domestic market for a number of years. And new technologies are reviving activity in several of our older markets while creating additional demand as new markets are opened. All of those factors should drive strong demand for the services we provide.

Basic is uniquely situated to benefit from the improved market in 2011. With our substantial footprint, extensive customer base, broad range of services and, most of all, the expertise and dedication of our people in the local markets upon which our company is based, the company is positioned to capture a significant proportion of the increased spending planned by the industry. We fully expect to return to profitability in 2011.

On a personal note, I would like to thank our board of directors, employees, customers, suppliers and shareholders who have enabled Basic to continue to be an industry leader during a challenging year.

Thank you for your interest in our company.

Kenneth V. Huseman
Chief Executive Officer and President
Located in West Texas and the adjoining area of southeastern New Mexico, the Permian Basin region underlies an area approximately 250 miles wide and 300 miles long. Basic’s activity continues to grow in this significant oil producing province, which contains an estimated 30 Bbbl of remaining mobile oil.

DIVERSITY – SERVICES, GEOGRAPHICALLY, CUSTOMERS

DIVERSITY DELIVERS PERFORMANCE
Throughout 2010, Basic’s diverse range of services, varied customer base and footprint in the most active oil and gas regions were vital strengths that led to positive performance. We focus on the most prolific oil and gas producing regions in the country with a footprint that covers approximately 70% of the existing oil and gas production in the U.S. Moreover, with an asset mix of 60% oil and 40% gas and services for every phase of the well lifecycle, Basic’s expertise in providing services critical to the life of the field is always in demand, regardless of the market cycle. Today, with over 400 well servicing rigs, we have one of the newest fleets in the industry. The advantage this provides is evident in our ability to generate relatively higher utilization and margins with flat pricing.

STRENGTH IN NUMBERS
With a business model that is built upon existing oil and gas wells, Basic’s core operations in established markets provides more stable demand for our services. In total, there are more than 600,000 active oil and gas wells in our operating footprint.
Gulf Coast Region
Basic’s main focus in the Gulf Coast region is Fluid Services and Well Servicing. Included in our Gulf Coast footprint is the Eagle Ford region, which has the potential to be one of the highest quality shale reservoirs in the U.S. Currently, we are highly active in this promising area.

From over 100 service points in 13 states, we provide essential services to a diverse group of over 2,000 oil and gas companies in the major onshore oil and gas producing regions of the United States. We have an extensive customer base and limited customer concentration, with no customer representing more than 8% of our total revenue.

“CLOSE TO THE FIELD” READINESS
With headquarters in Midland, Texas, Basic remains close to the field, building and maintaining local relationships. While Basic Energy Services is a national organization, our operations are managed locally with people who have worked and lived in their region for years. Our deep knowledge of the basins in which we operate enables us to better address the demands of the area and to respond more quickly and effectively. As such, customers benefit from efficient delivery of services suited to their specific needs.

While Basic Energy Services has grown through the acquisition of local companies that specialize in specific services and geographic areas, our national structure provides the senior management vision, strong financial systems and safety programs to ensure consistency and quality on every project.
Poised for Performance

Ark-La-Tex region
The Haynesville formation is the fastest growing shale play in North America and is thought to hold enough natural gas to satisfy domestic demand for a decade. Situated in the area of northwestern Louisiana, southwestern Arkansas and eastern Texas, here Basic operates its Fluid Services, Pumping Services and Well Servicing segments.

Business segments and performance in 2010

Delivering double-digit growth in revenue across all business segments
Basic Energy Services provides customers with quality servicing solutions regardless of the challenge, complexity or phase in the well lifecycle. Through our personnel’s experience, modern equipment, national strength and local expertise, we work to deliver solid results, year after year.

Completion and Remedial Services
In support of the overall production process, Basic offers comprehensive and reliable services that focus on the completion of newly drilled wells, re-entries and maintenance or remedial services to existing wellbores. Our largest service within this segment is our Pumping Services with more than 140,000 hp, providing cementing, fracturing and general pump services. During 2010, Pumping Services provided the largest growth in this segment with revenues increasing by 100%.
**FLUID SERVICES**
Basic’s Fluid Services segment provides oilfield fluid supply, transportation and storage services using a fleet of over 800 fluid services trucks supported by portable storage tanks, water wells, disposal facilities and related equipment. From over 40 service points, we provide efficient and reliable dispatching via a fleet equipped with state-of-the-art global positioning systems. Second in performance after Completion and Remedial Services during the year, this segment continues to benefit from the growing frac activity in the Permian Basin, Bakken Shale and Eagle Ford Shale play where we have been focusing on expanding our asset base and driving our revenue per truck sequentially better.

**WELL SERVICING**
Basic’s Well Servicing segment encompasses a wide range of services performed with versatile and efficient equipment to improve production throughout the life of the well. With services that extend from well completion, wellbore maintenance and workover procedures to plugging and abandonment, Basic leverages a fleet of over 400 well-maintained mobile well servicing rigs to support production throughout the life of the well. In 2010, our Well Servicing segment began to show the first signs of recovery.

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**DIVERSIFIED SOURCES OF REVENUE**

**COMMODITY MIX**
- Gas
- Oil

**GEOGRAPHIC SPREAD**
- Regional
- National

**RANGE OF SERVICES**
- New Well Drilling
- Maintain Production

**CUSTOMER BASE**
- Concentrated
- Diversified

*Wireline*
To help customers maximize their performance, increase production and protect the value of their wells, we offer a fleet of cased-hole wireline units used during and after the completion of the well and periodically throughout the life of the well.
from the low levels of 2009. Well Servicing rig hours for the year strengthened, producing a significantly higher rig utilization rate over last year.

**CONTRACT DRILLING**

At Basic, we offer our customers reliable drilling services that increase productivity and enhance reservoir deliverability. Using a fleet of medium-depth drilling rigs rated to 8,500 ft., Basic focuses on infill drilling programs that are active throughout the cycle. As Basic’s smallest segment, Contract Drilling showed an increase in drilling days, reflecting the improving Permian Basin demand for rigs of all capacities. Day rates began to increase in the fourth quarter as drilling programs expanded, with work schedules filling through the end of 2011.

**EXPANDING SERVICES**

**STRONGER MARKET POSITION**

This year, we expanded our footprint to include the Marcellus Shale and now provide access to over two-thirds of the existing oil and gas producing wells in the United States. Our acquisition of Platinum
Pressure Services increases our service offering with Platinum’s 13 snubbing units, which are located primarily in the Marcellus shale, as well as their additional operations in the Ark-La-Tex region and Barnett Shale. Adding to this strength is Admiral Well Service Inc., a wholly owned subsidiary of Platinum Pressure Services that operates six well servicing rigs, all in the Marcellus Shale. Furthermore, the acquisition of Taylor Rigs allows further standardization of our fleet as we retire our older, less efficient rigs over the next decade.

CONCLUSION/LOOKING AHEAD
PRIMED FOR GREATER ACTIVITY
Looking forward to 2011, we expect increased activity in oil-related markets and see the potential for higher activity in gas plays.
In anticipation of higher drilling and completion activity, Basic began investing in additional trucks, tanks and disposal facilities in our Fluid Services segment, and 25,000 frac horsepower and other specialized rental tools and equipment in our Completion and Remedial Services segment. Higher demand across all services will drive higher utilization with improved pricing and margins to follow.

Basic’s strong balance sheet positions the company to continue expanding its footprint as internal and acquisition opportunities present themselves. Our acquisition strategy will also continue to be focused on opportunities with premium equipment, minimal integration issues and low-cycle economics. As always, we will maintain discipline to manage capital and earn the best rate of return for our shareholders.
## Reconciliation of Net Income to Adjusted EBITDA

(in millions)

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<thead>
<tr>
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<tbody>
<tr>
<td>Net Income (Loss)</td>
<td>$(43)</td>
<td>$(254)</td>
<td>$68</td>
<td>$88</td>
<td>$99</td>
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<tr>
<td>Goodwill Impairment</td>
<td>-</td>
<td>204</td>
<td>22</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Merger-Related Income</td>
<td>-</td>
<td>-</td>
<td>(12)</td>
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<tr>
<td>Loss on Early Extinguishment of Debt</td>
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<td>4</td>
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<tr>
<td>Gain on Bargain Purchase</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Income Taxes</td>
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<td>(88)</td>
<td>55</td>
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<td>Net Interest Expense</td>
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<td>32</td>
<td>25</td>
<td>25</td>
<td>15</td>
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<tr>
<td>(Gain) Loss on Disposal of Assets</td>
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<tr>
<td>Depreciation &amp; Amortization</td>
<td>135</td>
<td>133</td>
<td>119</td>
<td>93</td>
<td>62</td>
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<tr>
<td>Adjusted EBITDA</td>
<td>$114</td>
<td>$34</td>
<td>$277</td>
<td>$259</td>
<td>$231</td>
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## Reconciliation of Reported Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share

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<tbody>
<tr>
<td>Reported Diluted EPS</td>
<td>$(1.10)</td>
<td>$(6.39)</td>
<td>$1.64</td>
<td>$2.13</td>
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<td>Impact of Non-cash Goodwill Impairment Charge, After Tax</td>
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<td>4.20</td>
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<td>Impact of Early Extinguishment of Debt, After Tax</td>
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<td>0.06</td>
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<td>Impact of Merger Termination Costs, After Tax</td>
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<td>-</td>
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<tr>
<td>Impact of Gain on Bargain Purchase, After Tax</td>
<td>(0.04)</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Adjusted Diluted EPS</td>
<td>$(1.14)</td>
<td>$(2.13)</td>
<td>$2.00</td>
<td>$2.13</td>
<td>$2.56</td>
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BOARD OF DIRECTORS
Kenneth V. Huseman
President, Chief Executive Officer and Director
Steven A. Webster
Chairman of the Board
William E. Chiles 1,3
Director
James S. D’Agostino, Jr. 1,3
Director
Robert F. Fulton 2
Director
Sylvester P. Johnson, IV 2
Director
Antonio O. Garza, Jr. 3
Director
Thomas P. Moore, Jr. 1,2
Director
1 Audit Committee
2 Nominating and Corporate Governance Committee
3 Compensation Committee

EXECUTIVE MANAGEMENT
Kenneth V. Huseman
President, Chief Executive Officer and Director
Alan Krenek
Senior Vice President, Chief Financial Officer, Treasurer and Secretary
T. M. “Roe” Patterson
Senior Vice President, Chief Operating Officer
James F. Newman
Group Vice President, Permian Business Unit
Jim Tyner
Vice President, Human Resources
Doug Rogers
Vice President, Corporate Marketing

SENIOR MANAGEMENT
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Vice President, Ark-La-Tex Region
Lynn Wigington
Vice President, Permian Business Unit, Rig and Truck Operations
Charles W. Swift
Vice President, Gulf Coast Region
Jerry Tuffy
Vice President, Rocky Mountain Region
Randy Franklin
Vice President, Mid Continent Region
Tim Dame
Vice President, Pumping & Wireline Services Division
Bobby Adkins
Vice President, Downhole Services Support
Steve McCoy
Vice President, Permian Business Unit, Drilling Operations
Mark D. Rankin
Vice President, Risk Management
Lars Crotwell
Vice President, Information Technology
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Vice President, Safety and Operations Support
Bill Benedick
Vice President, Snubbing Services Support
Cody Bissett
Controller

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