March 3, 2008

Basic Energy Services Reports Fourth Quarter Results

MIDLAND, Texas, March 3 /PRNewswire-FirstCall/ -- Basic Energy Services, Inc. (NYSE: BAS) ("Basic") today announced its financial and operating results for the fourth quarter and year-ended December 31, 2007.

Basic reported net income of $19.5 million, or $0.47 per diluted share, for the fourth quarter of 2007, compared to $27.3 million, or $0.70 per diluted share, in the same period in 2006. Revenues increased 14% to $225.8 million compared to $197.5 million in the fourth quarter of 2006. EBITDA (defined as net income before interest, taxes, depreciation and amortization) for the fourth quarter of 2007 increased 4% to $64.4 million, or 29% of revenue, compared to $62.2 million, or 32% of revenue, in the same period in 2006. EBITDA, which is not a measure determined in accordance with generally accepted accounting principles ("GAAP"), is defined and reconciled in note 2 under the accompanying financial tables.

In 2007, Basic reported net income of $87.7 million, or $2.13 per diluted share, compared to $98.8 million, or $2.56 per diluted share, in 2006. Net income in 2006 included an after-tax loss of $1.7 million, or $0.05 per diluted share, associated with the early extinguishment of debt. Revenues increased 20% to $877.2 million in 2007, compared to $730.1 million in 2006. EBITDA rose 12% to $258.7 million, or 29% of revenue, in 2007 compared to $231.2 million, or 32% of revenue, during the same period in 2006.

Ken Huseman, Basic's President and Chief Executive Officer, stated, "The company achieved record revenue and EBITDA in 2007. Internal growth initiatives, the contributions of acquisitions completed during the year and stable pricing in most of our service lines combined to achieve the record revenues in 2007. Lower utilization of equipment in 2007 and the cost of retaining personnel through periods of lower utilization reduced our margins compared to the record margins recorded in 2006. I commend the efforts of our management team as they continue to do an excellent job of controlling costs in a tight labor market to produce margins which remain at the upper end of the historical range in each business segment.

"While utilization rates declined over the prior year because of weaker demand for our services in gas-oriented markets and an increase in new equipment coming into many of our markets, we continued to grow the company and diversify our revenue stream through a combination of acquisitions and internally generated capital projects. Our newbuild program further modernized our well servicing rig fleet as we received 45 newbuilds in 2007 and we retired a number of older and less efficient rigs in our fleet. At year-end, over 50% of our well servicing rigs have been either purchased new or rebuilt since 2000.

"During the year, we invested approximately $65 million in expansion capital projects and completed eight acquisitions for total consideration of approximately $252 million. In 2007, the JetStar acquisition represented the largest acquisition in the history of Basic. We quickly integrated the JetStar operations and it's performing above our expectations. In addition, we acquired Sledge Drilling Company, a well-regarded Permian Basin drilling contractor. That acquisition allowed us to integrate our existing four-rig drilling fleet under an established drilling organization and take advantage of increased oil-directed drilling activity in west Texas and eastern New Mexico.

"We continue to evaluate acquisition opportunities that will increase our footprint, expand our capabilities or consolidate our market position. With our current liquidity, we have ample dry-powder to close those acquisitions which best help strengthen and grow each of our business segments.

"For 2008, we expect a moderately stronger market as both oil and gas prices remain at levels which support efforts to maximize production from existing wells and higher levels of capital investment by our customers. We believe gas activity will increase gradually through the year as concerns over gas storage abate. Even more importantly to our operations, historically high oil prices will drive accelerated spending for enhanced recovery projects and new well drilling as the year progresses."

Business Segment Results

Well Servicing

Well servicing revenues increased approximately 6% to $92.9 million during the fourth quarter of 2007 compared to $87.9 million in the same period last year. Basic added eight newbuild well servicing rigs and retired seven rigs during the fourth quarter of 2007, bringing its well servicing rig count to 387 as of December 31, 2007. Weighted average number of well servicing rigs increased to 386 during the fourth quarter of 2007 compared to 360 during the same period in 2006, an increase of 7%. Revenue per well servicing rig hour increased 3% to $409 during the fourth quarter of 2007 compared to $398 in the same period in 2006. The full-fleet well servicing rig utilization rate declined to 72.7% in the fourth quarter of 2007 compared to 83.1% in the same period in 2006 due to weaker demand in Basic's gas-oriented markets and an increase in new equipment entering certain of its markets. Basic operated ten drilling rigs in the fourth quarter of 2007, up from three drilling rigs in the same period in 2006. This increase was due to the acquisition of Sledge Drilling in April 2007, which included six drilling rigs, as well as internal growth. Revenue per day and rig operating days were $14,600 and 748, respectively, in the fourth quarter of 2007 compared to $13,300 and 208, respectively, in the same period in 2006.

Well servicing segment profit in the fourth quarter of 2007 was $35.8 million, compared with the fourth quarter of 2006 operating segment profit of $37.0 million. Segment profit margins declined to 39% of revenue in the fourth quarter of 2007 compared to 42% in the same period of 2006, mainly due to the lower utilization and higher personnel costs due to the lower utilization.

Fluid Services

Fluid services revenues in the fourth quarter of 2007 increased 8% to $56.0 million compared to $51.9 million in the same period in 2006. During the fourth quarter of 2007, Basic retired a number of its less efficient and under utilized fluid services trucks which caused its fluid services truck fleet to decline by a net of 21 trucks, bringing the total number of fluid services trucks to 645 as of December 31, 2007. Weighted average number of fluid services trucks increased to 656 during the fourth quarter of 2007 compared to 640 during the same period in 2006, an increase of 3%. Average revenue per fluid services truck increased by 5% to $85,000 in the fourth quarter of 2007 compared to $81,000 in the same period in 2006. Segment profit in the fourth quarter of 2007 was $21.0 million, or 37% of revenue, compared to $20.4 million, or 39% of revenue, in the same period in 2006. The decrease in segment profit as a percent of revenue was primarily due to higher personnel and fuel costs.

Completion & Remedial Services

Completion and remedial services revenues during the fourth quarter of 2007 increased 47% to $64.5 million compared to $43.9 million in the same period in 2006. Segment profit in the fourth quarter of 2007 rose to $29.8 million, or 46% of revenue, compared to $22.5 million, or 51% of revenue, in the same period in 2006. The increase in revenue and segment profit was mainly from several acquisitions since the fourth quarter of 2006 including the acquisition of JetStar in March 2007 as well as internal expansion. Segment profit as a percent of revenue declined from 2006 mainly due to increased costs of the materials used in Basic's pressure pumping operations. As of December 31, 2007, Basic had approximately 120,000 hydraulic horsepower of pressure pumping capacity compared to 58,000 hydraulic horsepower as of December 31, 2006.

Well Site Construction Services

Well site construction services revenues in the fourth quarter of 2007 declined to $12.2 million compared to $13.7 million in the same period in 2006. Segment profit in the fourth quarter of 2007 was $3.4 million, or 27% of revenue, compared to $4.6 million, or 33% of revenue, in the same period in 2006.

Capital Expenditures

During 2007, Basic completed eight acquisitions for a total consideration of $252 million, invested $98 million of cash capital expenditures and entered into $27 million of capital leases for additional equipment. Total capital expenditures that included capital leases and excluded acquisitions were $125 million, comprised of $65 million for expansion projects, $45 million for sustaining and replacement projects, and $15 million for other projects. Expansion capital spending included $48 million for the well servicing segment, $7 million for the fluid services segment and $10 million for the completion and remedial services segment. Other capital expenditures of $15 million were mainly for facilities and IT infrastructure.

Recent Events

Basic announced on January 30, 2008 that it had acquired all of the outstanding capital stock of Xterra Fishing and Rental Tools Co. ("Xterra") and purchased substantially all of the operating assets of Lackey Construction L.L.C. ("Lackey") for a total combined consideration of $23.3 million in cash, excluding working capital acquired. These acquisitions are anticipated to be accretive to earnings in 2008.

Xterra, located in Odessa, Texas, further expanded Basic's rental and fishing operations in the Permian Basin market. The projected first-year revenue for this acquisition is expected to be approximately $14.0 million.

The five well servicing rigs obtained in the Lackey acquisition were added to the existing fleet of well servicing rigs in the North Texas portion of Basic's Mid Continent Region and are expected to add approximately $4.5 million in first-year revenue.

Outlook for 2008

The following statements are based on Basic's current expectations. These statements are forward-looking and actual results may differ materially. These statements do not include the potential impact of any future acquisitions other than those previously disclosed. Any material change in market conditions in any of Basic's business segments could affect its guidance.

Basic believes that pricing for its services for the first six months of 2008 will be comparable to where it exited 2007. Demand for those services is expected to increase steadily through 2008 and Basic projects slight price increases for its services in the second half of 2008. Cash capital expenditures for 2008 are expected to be approximately $115 million with plans to enter into $33 million of capital leases for additional equipment. Based on the capital expenditure plans for 2008, Basic expects only slight expansion of its equipment fleets. Included in the 2008 capital budget are 24 newbuild well servicing rigs, with 20 of the newbuilds replacing older, less efficient rigs in the fleet. Depreciation and amortization expense is estimated to be in the range of $118 to $120 million for 2008. G&A expenses as a percent of revenue in 2008 are anticipated to be approximately 11% and the 2008 effective tax rate is estimated to be 38%.

Basic Energy Services provides well site services essential to maintaining production from the oil and gas wells within its operating area. The company employs approximately 4,500 employees in more than 100 service points throughout the major oil and gas producing regions in Texas, Louisiana, Oklahoma, New Mexico, Arkansas, Kansas and the Rocky Mountain states.

For more information, please visit Basic's website at http://www.basicenergyservices.com.

Conference Call

Basic will host a conference call to discuss its fourth quarter 2007 results on Tuesday, March 4, 2008, at 10:00 a.m. Eastern Time (9:00 a.m. Central). To access the call, please dial (303) 262-2141 and ask for the "Basic Energy Services" call at least 10 minutes prior to the start time. The conference call will also be broadcast live via the Internet and can be accessed through the investor relations section of Basic's corporate website, http://www.basicenergyservices.com.

A telephonic replay of the conference call will be available until March 19, 2008 and may be accessed by calling (303) 590-3000 and using the pass code 11108952. A webcast archive will be available at http://www.basicenergyservices.com shortly after the call and will be accessible for approximately 30 days. For more information, please contact Donna Washburn at DRG&E at (713) 529-6000 or email at dmw@drg-e.com.

Safe Harbor Statement

This release includes forward-looking statements and projections, made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Basic has made every reasonable effort to ensure that the information and assumptions on which these statements and projections are based are current, reasonable, and complete. However, a variety of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this release, including (i) Basic's ability to successfully execute, manage and integrate acquisitions, (ii) changes in demand for services and any related material impact on our pricing and utilizations rates and (iii) changes in our expenses, including labor or fuel costs. Additional important risk factors that could cause actual results to differ materially from expectations are disclosed in Item 1A of Basic's Form 10-K and Form 10-Q filed with the SEC. While Basic makes these statements and projections in good faith, neither Basic nor its management can guarantee that the transactions will be consummated or that anticipated future results will be achieved. Basic assumes no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by Basic, whether as a result of new information, future events, or otherwise.

Basic Energy Services, Inc.
Consolidated Statements of Operations and Comprehensive Income
(in thousands, except per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Revenues:				
Well servicing	$92,943	$87,885	$377,157	$330,725
Fluid services	56,048	51,912	212,489	194,636
Completion and remedial services	64,515	43,909	240,692	154,412
Well site construction services	12,249	13,748	46,835	50,375
Total revenues	225,755	197,454	877,173	730,148
Expenses:				
Well servicing	57,147	50,898	227,642	186,428
Fluid services	35,046	31,499	132,989	118,378
Completion and remedial services	34,708	21,425	125,948	74,981
Well site construction services	8,898	9,190	32,338	35,067
General and administrative(1)	25,329	22,262	99,042	81,318
Depreciation and amortization	26,234	17,422	93,048	62,087
(Gain) loss on disposal of assets	245	(30)	477	277
Total expenses	187,607	152,666	711,484	558,536
Operating income	38,148	44,788	165,689	171,612

Other income (expense):				
Interest expense	(7,257)	(4,947)	(27,416)	(17,466)
Interest income	567	445	2,280	1,962
Loss on early extinguishment of debt	-	-	(230)	(2,705)
Other income	52	39	176	169
Income from continuing operations before income taxes	31,510	40,325	140,499	153,572
Income tax expense	(11,969)	(12,991)	(52,766)	(54,742)
Net income	$19,541	$27,334	$87,733	$98,830
Earnings per share of common stock:				
Basic	$0.48	$0.73	$2.19	$2.87
Diluted	$0.47	$0.70	$2.13	$2.56
Weighted Average of Common Shares Outstanding :				
Basic	40,517	37,669	40,013	34,472
Diluted	41,551	39,116	41,112	38,593
Comprehensive Income:				
Net income	$19,541	$27,334	$87,733	$98,830
Unrealized gains on hedging activities	-	-	-	51
Less: reclassification adjustment for gain included in net income	-	-	-	(287)
Comprehensive Income	$19,541	$27,334	$87,733	$98,594
Other Financial Data:				
EBITDA	$64,434	$62,249	$258,683	$231,163
Capital Expenditures:				
Acquisitions, net of cash acquired	$5,243	$2,715	$199,673	$135,568
Property & Equipment	$16,423	$29,017	$98,536	$104,574

	As of December 31, 2007	December 31, 2006
Balance Sheet Data	(Unaudited)	
Cash and cash equivalents	$91,941	$51,365
Net property & equipment	636,924	475,431
Total long-term debt	406,306	250,742
Total stockholders equity	524,821	379,250

	Three months Ended December 31, 2007	2006	Twelve months Ended December 31, 2007	2006
Segment Data:				
Well Servicing				
Segment profits as a percent of revenue	38.5%	42.1%	39.6%	43.6%

Well Servicing Rigs				
Weighted average number of rigs	386	360	376	344
Rig hours (000's)	200.6	213.9	831.2	868.2
Rig utilization rate	72.7%	83.1%	77.3%	88.2%
Revenue per rig hour	$409	$398	$412	$373
Well Servicing rig profit per rig hour	$159	$174	$166	$168
Drilling Rigs				
Weighted average number of rigs	10	3	8	2
Rig operating days	748	208	2,233	484
Revenue per day	$14,600	$13,300	$15,400	$14,400
Drilling rig profit per day	$5,300	$(1,600)	$5,400	$(3,000)
Fluid Services				
Weighted average number of fluid services trucks	656	640	655	588
Revenue per fluid services truck (000's)	$85	$81	$324	$332
Segment profits per fluid services truck (000's)	$32	$32	$121	$130
Segment profits as a percent of revenue	37.5%	39.3%	37.4%	39.2%
Completion and Remedial Services				
Segment profits as a percent of revenue	46.2%	51.2%	47.7%	51.5%
Well Site Construction Services				
Segment profits as a percent of revenue	27.4%	33.1%	31.0%	30.5%

(1) Includes approximately $736 and $954 of non-cash compensation expense for the three months ended December 31, 2007 and 2006, respectively. For the years ended December 31, 2007 and 2006, it includes approximately $3,964 and $3,429 of non-cash compensation expense, respectively.

(2) This earnings release contains references to the non-GAAP financial measure of earnings (net income) before interest, taxes, depreciation and amortization or EBITDA. EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP. However, Basic believes EBITDA is a useful supplemental financial measure used by its management and directors and by external users of its financial statements, such as investors, to assess:

-- The financial performance of its assets without regard to financing methods, capital structure or historical cost basis;
-- The ability of its assets to generate cash sufficient to pay interest on our indebtedness; and
-- Its operating performance and return on invested capital as compared to those of other companies in the well servicing industry, without regard to financing methods and capital structure.

EBITDA has limitations as an analytical tool and should not be considered an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Limitations to using EBITDA as an analytical tool include:

-- EBITDA does not reflect its current or future requirements for capital expenditures or capital commitments;

- EBITDA does not reflect changes in, or cash requirements necessary to service interest or principal payments on, its debt;
- EBITDA does not reflect income taxes;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in its industry may calculate EBITDA differently than Basic does, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of net income to EBITDA, which is the most comparable GAAP performance measure, for each of the periods indicated:

	Three months Ended December 31,		Twelve months Ended December 31,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Reconciliation of Net Income to EBITDA				
Net Income	$19,541	$27,334	$87,733	$98,830
Income Taxes	11,969	12,991	52,766	54,742
Net Interest Expense	6,690	4,502	25,136	15,504
Depreciation and Amortization	26,234	17,422	93,048	62,087
EBITDA	$64,434	$62,249	$258,683	$231,163

Contacts: Alan Krenek, Chief Financial Officer
Basic Energy Services, Inc.
432-620-5510

Jack Lascar/Sheila Stuewe
DRG&E / 713-529-6600

SOURCE Basic Energy Services, Inc.