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

FORM 10-Q

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

For the quarterly period ended September 30, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-13270

FLOTEK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

90-0023731

(I.R.S. Employer Identification No.)

7030 Empire Central Drive, Houston, Texas

(Address of principal executive offices)

77040

(Zip Code)

(713) 849-9911

(Registrant's telephone number, including area code)

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

There were 18,364,730 shares of the issuer's common stock, \$.0001 par value, outstanding as of November 6, 2007.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

**FLOTEK INDUSTRIES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands, except share data)**

| | <u>September 30,</u> <u>2007</u> (Unaudited) | <u>December 31,</u> <u>2006</u> |
|--|--|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,128 | \$ 510 |
| Restricted cash | 39 | — |
| Accounts receivable, net | 24,939 | 19,077 |
| Inventories, net | 20,017 | 17,899 |
| Deferred tax assets, current | 110 | — |
| Other current assets | 1,057 | 578 |
| Total current assets | <u>47,290</u> | <u>38,064</u> |
| Investment in affiliate | 7,187 | — |
| Property, plant and equipment, net | 36,747 | 19,302 |
| Goodwill | 45,648 | 24,185 |
| Intangible and other assets, net | 7,961 | 1,339 |
| TOTAL ASSETS | <u><u>\$ 144,833</u></u> | <u><u>\$ 82,890</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,534 | \$ 9,941 |
| Accrued liabilities | 6,081 | 7,457 |
| Current portion of long-term debt | 6,196 | 2,589 |
| Deferred tax liabilities, current | — | 675 |
| Total current liabilities | <u>19,811</u> | <u>20,662</u> |
| Long-term debt, less current portion | 49,501 | 8,185 |
| Deferred tax liabilities, less current portion | 2,369 | 534 |
| Total liabilities | <u>71,681</u> | <u>29,381</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, \$.0001 par value; 40,000,000 shares authorized; September 30, 2007 shares issued: 18,737,402; outstanding: 18,330,230; December 31, 2006 shares issued: 17,654,928; outstanding: 17,654,928 | 1 | 1 |
| Additional paid-in capital | 52,957 | 46,661 |
| Accumulated other comprehensive income | 39 | 37 |
| Retained earnings | 20,345 | 6,810 |
| Treasury stock: 70,174 shares at September 30, 2007 | (190) | — |
| Total stockholders' equity | <u>73,152</u> | <u>53,509</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u><u>\$ 144,833</u></u> | <u><u>\$ 82,890</u></u> |

See notes to consolidated condensed financial statements.

FLOTEK INDUSTRIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)
(in thousands, except per share data)

| | <u>Three Months Ended</u> <u>September 30,</u> | | <u>Nine Months Ended</u> <u>September 30,</u> | |
|--|---|-----------------|--|-----------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Revenue | | | | |
| Product | \$32,148 | \$24,566 | \$ 86,539 | \$53,753 |
| Rental | 6,016 | 3,031 | 17,836 | 8,970 |
| Service | 3,564 | 1,599 | 10,234 | 4,647 |
| | <u>41,728</u> | <u>29,196</u> | <u>114,609</u> | <u>67,370</u> |
| Cost of revenue | | | | |
| Cost of product | 19,174 | 14,662 | 51,406 | 32,447 |
| Cost of rental | 2,716 | 1,559 | 7,755 | 4,704 |
| Cost of service | 1,845 | 1,032 | 5,562 | 2,908 |
| | <u>23,735</u> | <u>17,253</u> | <u>64,743</u> | <u>40,059</u> |
| Gross profit | 17,993 | 11,943 | 49,866 | 27,311 |
| Expenses: | | | | |
| Selling, general and administrative | 7,690 | 5,086 | 21,455 | 12,348 |
| Depreciation and amortization | 1,648 | 725 | 4,553 | 1,975 |
| Research and development | 132 | 172 | 440 | 484 |
| Total expenses | <u>9,470</u> | <u>5,983</u> | <u>26,448</u> | <u>14,807</u> |
| Income from operations | 8,523 | 5,960 | 23,418 | 12,504 |
| Other income (expense): | | | | |
| Interest expense | (834) | (327) | (2,544) | (750) |
| Investment income and other | 325 | 69 | 709 | 91 |
| Total other income (expense) | <u>(509)</u> | <u>(258)</u> | <u>(1,835)</u> | <u>(659)</u> |
| Income before income taxes | 8,014 | 5,702 | 21,583 | 11,845 |
| Provision for income taxes | <u>(2,965)</u> | <u>(2,193)</u> | <u>(7,975)</u> | <u>(4,345)</u> |
| Net income | <u>\$ 5,049</u> | <u>\$ 3,509</u> | <u>\$ 13,608</u> | <u>\$ 7,500</u> |
| Basic and diluted earnings per common share: | | | | |
| Basic earnings per common share | \$ 0.27 | \$ 0.20 | \$ 0.75 | \$ 0.44 |
| Diluted earnings per common share | \$ 0.26 | \$ 0.19 | \$ 0.71 | \$ 0.41 |
| Weighted average common shares used in computing basic earnings per common share | 18,542 | 17,639 | 18,215 | 17,162 |
| Incremental common shares from stock options, warrants and restricted stock | <u>1,174</u> | <u>1,221</u> | <u>1,072</u> | <u>1,306</u> |
| Weighted average common shares used in computing diluted earnings per common share | <u>19,716</u> | <u>18,860</u> | <u>19,287</u> | <u>18,468</u> |

See notes to consolidated condensed financial statements.

FLOTEK INDUSTRIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(amounts after December 31, 2006 are unaudited)

| | <u>Common Stock</u> | | <u>Treasury Stock</u> | | <u>Additional Paid-in Capital</u> | <u>Accumulated Other Comprehensive Income (Loss)</u> | <u>Retained Earnings</u> | <u>Total</u> |
|--|--------------------------|----------------------|--------------------------|----------------------|---|--|------------------------------|-----------------|
| | <u>Shares Issued</u> | <u>Par Value</u> | <u>Shares Issued</u> | <u>Par Value</u> | | | | |
| Balance December 31, 2006 | 17,694 | \$ 1 | — | \$ — | \$ 46,661 | \$ 37 | \$ 6,810 | \$53,509 |
| Common stock issued for acquisition of affiliate | 143 | — | — | — | 1,855 | — | — | 1,855 |
| Treasury stock | — | — | 70 | (190) | — | — | — | (190) |
| Stock options and warrants exercised | 563 | — | — | — | 1,432 | — | — | 1,432 |
| Restricted stock granted | 337 | — | — | — | — | — | — | — |
| Tax benefit of stock options exercised | — | — | — | — | 2,128 | — | — | 2,128 |
| Stock compensation expense | — | — | — | — | 881 | — | — | 881 |
| Adoption of FIN 48 | — | — | — | — | — | — | (73) | (73) |
| Foreign currency translation adjustment | — | — | — | — | — | 2 | — | 2 |
| Net income | — | — | — | — | — | — | 13,608 | 13,608 |
| Balance September 30, 2007 | <u>18,737</u> | <u>\$ 1</u> | <u>70</u> | <u>\$(190)</u> | <u>\$ 52,957</u> | <u>\$ 39</u> | <u>\$20,345</u> | <u>\$73,152</u> |

See notes to consolidated condensed financial statements.

FLOTEK INDUSTRIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

| | Nine Months Ended | |
|--|--------------------------|------------------|
| | September 30, | |
| | 2007 | 2006 |
| Cash flows from operating activities: | | |
| Net income | \$ 13,608 | \$ 7,500 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,553 | 1,975 |
| Equity income from affiliate | (404) | — |
| Gain on sale of assets | 7 | (72) |
| Stock compensation expense | 881 | — |
| Deferred income taxes | (40) | 14 |
| Change in assets and liabilities: | | |
| Restricted cash | (39) | — |
| Accounts receivable | (1,707) | (7,746) |
| Inventories | (1,083) | (1,219) |
| Other current assets | (129) | (600) |
| Accounts payable | (4,098) | 2,484 |
| Accrued liabilities | 162 | 3,882 |
| Net cash provided by operating activities | <u>11,711</u> | <u>6,218</u> |
| Cash flows from investing activities: | | |
| Acquisitions, net of cash acquired | (38,287) | (12,763) |
| Investment in affiliate | (2,629) | — |
| Proceeds from sale of assets | 643 | 273 |
| Purchase of patents | (2,510) | — |
| Other assets | (120) | (49) |
| Capital expenditures | <u>(12,470)</u> | <u>(6,461)</u> |
| Net cash used in investing activities | <u>(55,373)</u> | <u>(19,000)</u> |
| Cash flows from financing activities: | | |
| Issuance of common stock | 1,432 | 897 |
| Purchase of treasury stock | (190) | — |
| Proceeds from borrowings | 95,511 | 22,961 |
| Repayments of indebtedness | <u>(52,473)</u> | <u>(18,079)</u> |
| Net cash provided by financing activities | <u>44,280</u> | <u>5,779</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>—</u> | <u>—</u> |
| Net increase (decrease) in cash and cash equivalents | 618 | (7,003) |
| Cash and cash equivalents at beginning of period | <u>510</u> | <u>7,377</u> |
| Cash and cash equivalents at end of period | <u>\$ 1,128</u> | <u>\$ 374</u> |
| Supplementary schedule of non-cash investing and financing activities (See Note 3): | | |
| Fair value of net assets acquired, including goodwill and other intangible assets | \$ 38,305 | \$ 17,354 |
| Less cash acquired | (18) | (208) |
| Less equity issued | — | (4,383) |
| Acquisition, net of cash acquired | <u>\$ 38,287</u> | <u>\$ 12,763</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 1,671 | \$ 655 |
| Income taxes paid | \$ 5,360 | \$ 3,685 |

See notes to consolidated condensed financial statements.

FLOTEK INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Note 1—General

These consolidated condensed financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of the results for the periods reported. All such adjustments are of a normal recurring nature unless disclosed otherwise. These consolidated condensed financial statements, including selected notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Flotek Industries, Inc. (“Flotek” or the “Company”) 2006 Annual Report on Form 10-K.

On July 11, 2007, the Company effected a two-for-one stock split in the form of a 100% stock dividend to stockholders of record as of July 3, 2007. All share and per share information has been retroactively adjusted to reflect the stock split.

Note 2—Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued its Statement of Financial Accounting Standards No. 157 (“FAS No. 157”), “Fair Value Measurements.” FAS No. 157 establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that FAS No. 157 will have on our results of operations and financial position.

In February 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“FAS No. 159”). FAS No. 159 provides an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements. The fair value option established by FAS No. 159 permits the Company to elect to measure eligible items at fair value on an instrument-by-instrument basis and then report unrealized gains and losses for those items in the Company’s earnings. FAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company evaluated FAS No. 159 and believes that it will have no effect on our results of operations and financial position.

Note 3—Acquisitions

On January 4, 2007, the Company acquired substantially all the assets of *Triumph Drilling Tools, Inc.* (“Triumph”) for \$31.1 million in cash. Triumph is a leading regional provider of down-hole rental equipment to the oil and gas industry. Triumph maintains an extensive inventory of rental drilling tools in Texas, New Mexico, Louisiana, Oklahoma and Arkansas. Triumph’s rental products include stabilizers, drill collars, drilling jars, roller reamers and other specialized drilling tools. Triumph also provides bottom hole assembly design, inspection and other related technical services. Triumph’s customer base includes drilling contractors, directional drilling companies and major and independent operators. Results of operations for Triumph are included in the Company’s consolidated condensed statements of income as of January 1, 2007.

The purchase price of the Triumph acquisition was allocated to the assets acquired and liabilities assumed based on estimated fair values. In accordance with FAS No. 141, “Accounting for Business Combinations”, the excess of the purchase price over the net fair value of the assets acquired and liabilities assumed was allocated to goodwill. The table below details the recorded investment in Triumph:

FLOTEK INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

| | <u>Recorded Investment (in thousands)</u> |
|-------------------------------|---|
| Accounts receivable | \$ 3,332 |
| Other current assets | 243 |
| Inventories | 827 |
| Property, plant and equipment | 8,612 |
| Intangible assets | 1,884 |
| Goodwill | 18,164 |
| Accounts payable | (1,321) |
| Accrued liabilities | (510) |
| Notes payable | (109) |
| Total purchase price | <u>\$ 31,122</u> |

The following pro forma table presents information related to the Triumph acquisition and assumes the acquisition had been completed as of January 1, 2006:

| | <u>September 30, 2006</u> | |
|-----------------------------------|--|------------------------------|
| | <u>Three Months Ended</u> | <u>Nine Months Ended</u> |
| | <u>(in thousands, except per share data)</u> | |
| Revenue | \$ 33,461 | \$ 78,948 |
| Income before income taxes | 6,433 | 13,483 |
| Net income | 3,977 | 8,548 |
| Basic earnings per common share | 0.23 | 0.50 |
| Diluted earnings per common share | 0.21 | 0.46 |

On January 31, 2007, the Company acquired a 50% partnership interest in *CAVO Drilling Motors Ltd Co.* (“CAVO”) for approximately \$2.6 million in cash, 143,434 shares of our common stock valued at \$1.9 million and a \$1.5 million promissory note to the seller. CAVO is a complete downhole motor solutions provider specializing in the rental, servicing and sale of high-performance mud motors for a variety of drilling applications. CAVO serves both the domestic and international drilling markets with a customer base extending throughout North America, South America, Russia and West Africa. The partnership interest is reported using the equity method of accounting as the Company does not own a controlling interest in CAVO. The Company’s equity in the earnings (net of dividends) related to this investment were \$0.2 million and \$0.4 million for each of the three and nine months ended September 30, 2007, respectively, and reported in investment income and other in the consolidated condensed statements of income.

On August 31, 2007, the Company acquired *Sooner Energy Services, Inc.* (“Sooner”) for \$7.1 million in cash and assumed debt of \$0.2 million. Sooner develops, produces and distributes specialty chemical products and services for drilling and production of natural gas. Sooner serves natural gas producers, oilfield supply stores, drilling mud and other service companies in North America. Results of operations for Sooner are included in the Company’s consolidated condensed statement of income as of September 1, 2007.

Note 4—Inventories

The components of inventories as of September 30, 2007 and December 31, 2006 were as follows:

| | <u>September 30, 2007</u> | <u>December 31, 2006</u> |
|--|-------------------------------|------------------------------|
| | <u>(in thousands)</u> | |
| Raw materials | \$ 6,455 | \$ 4,415 |
| Work-in-process | 365 | 700 |
| Finished goods (includes in-transit) | 14,936 | 13,646 |
| Gross inventories | 21,756 | 18,761 |
| Less: Slow-moving and obsolescence reserve | (1,739) | (862) |
| Inventories, net | <u>\$ 20,017</u> | <u>\$ 17,899</u> |

FLOTEK INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

Note 5—Property, Plant and Equipment

As of September 30, 2007 and December 31, 2006, property, plant and equipment were comprised of the following:

| | September 30, 2007 (unaudited) | December 31, 2006 |
|---------------------------------------|--------------------------------------|----------------------|
| | (in thousands) | |
| Land | \$ 701 | \$ 609 |
| Buildings and leasehold improvements | 9,452 | 3,665 |
| Machinery, equipment and rental tools | 28,594 | 13,746 |
| Equipment in progress | 2,890 | 3,856 |
| Furniture and fixtures | 512 | 318 |
| Transportation equipment | 3,478 | 2,144 |
| Computer equipment | 526 | 491 |
| Gross property, plant and equipment | 46,153 | 24,829 |
| Less: Accumulated depreciation | (9,406) | (5,527) |
| Property, plant and equipment, net | <u>\$ 36,747</u> | <u>\$ 19,302</u> |

Net property, plant and equipment of approximately \$8.6 million associated with the Triumph acquisition was recorded on January 1, 2007 (See Note 3). Additionally, net property, plant and equipment of approximately \$1.5 million associated with the Sooner acquisition was recorded on August 31, 2007.

Note 6 – Goodwill

Changes in the carrying amount of the Company's goodwill for the nine months ended September 30, 2007 were as follows (in thousands):

| | |
|---|-----------------|
| As of December 31, 2006 | \$24,185 |
| Goodwill acquired in 2007: | |
| Triumph | 18,164 |
| Sooner | 4,274 |
| Purchase price adjustments | 348 |
| Reclassification to intangible and other assets – 2006 acquisitions | (1,323) |
| As of September 30, 2007 (unaudited) | <u>\$45,648</u> |

Goodwill is recorded on the acquisition date of each entity. The Company may record subsequent adjustments to goodwill for amounts undeterminable at acquisition date, such as deferred taxes or intangible assets subsequent to acquisition date, therefore the goodwill amounts reflected in the table above may change accordingly. In June 2007 the Company revised its preliminary purchase price allocation relating to the 2006 acquisitions for identifiable intangibles consisting of acquired customer lists which were valued at \$1.3 million. The Company evaluates the carrying value of goodwill during the fourth quarter of each year and on an interim basis, if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. The Company's evaluation of goodwill completed during 2006 resulted in no impairment.

FLOTEK INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

Note 7—Intangible and Other Assets

Changes in the carrying amount of the Company's intangible and other assets for the nine months ended September 30, 2007 were as follows (in thousands):

| | |
|---|----------------|
| As of December 31, 2006, net | \$1,339 |
| Intangible assets acquired in 2007: | |
| Triumph | 1,884 |
| Sooner | 1,450 |
| Other (See below) | 2,510 |
| Reclassification from goodwill—2006 acquisitions (Note 6) | 1,323 |
| Other | 120 |
| Amortization expense | (665) |
| As of September 30, 2007, net (unaudited) | <u>\$7,961</u> |

The components of intangible and other assets are as follows:

| | September 30, 2007 (unaudited) | December 31, 2006 |
|-----------------------------------|--------------------------------------|----------------------|
| | (in thousands) | |
| Patents | \$ 2,866 | \$ 356 |
| Customer relationships | 4,657 | — |
| Covenants not-to-compete | 1,313 | 1,313 |
| Other | 623 | 517 |
| Gross intangible and other assets | 9,459 | 2,186 |
| Less: Accumulated amortization | (1,498) | (847) |
| Intangibles and other, net | <u>\$ 7,961</u> | <u>\$ 1,339</u> |

Intangible and other assets are being amortized on a straight-line basis ranging from 2 to 15 years.

On September 30, 2007, the Company acquired for \$2.5 million in cash, the patent underlying the exclusive license agreement which was part of the acquisition of Total Well Solutions, Inc. in April 2006. With the purchase, the Company is immediately relieved of the payment obligations under the exclusive license agreement. The purchase was funded using the Company's revolving line of credit under the Senior Credit Facility with Wells Fargo. The patent will be amortized over 15 years.

Note 8—Long-Term Debt

Long-term debt for the period ended September 30, 2007 and December 31, 2006 consisted of the following:

| | September 30, 2007 (unaudited) | December 31, 2006 |
|---|--------------------------------------|----------------------|
| | (in thousands) | |
| Senior Credit Facility | | |
| Equipment term loans | \$ 36,000 | \$ 5,482 |
| Real estate term loans | 880 | 933 |
| Revolving line of credit | 16,760 | 2,911 |
| Promissory notes to stockholders of acquired businesses, maturing February 2008 | 257 | 740 |
| Promissory note to stockholders of acquired business, maturing December 2009 | 1,159 | — |
| Other | 641 | 708 |
| Total | 55,697 | 10,774 |
| Less: Current portion | (6,196) | (2,589) |
| Long-term debt, less current portion | <u>\$ 49,501</u> | <u>\$ 8,185</u> |

FLOTEK INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

In August 2006, we amended the Senior Credit Facility with Wells Fargo. The amendment to the Senior Credit Facility increased the maximum amount outstanding on the revolving line of credit from the lesser of (a) \$10.0 million or (b) the sum of 80% of eligible domestic trade accounts receivable and 50% of eligible inventory, as defined. The terms are interest-only, maturing in August 2009.

In January 2007, we amended the Senior Credit Facility in conjunction with the acquisition of Triumph. The amendment to the Senior Credit Facility increased the maximum amount outstanding on the revolving line of credit from the lesser of (a) \$20.0 million or (b) the sum of 80% of eligible domestic trade accounts receivable and 50% of eligible inventory, as defined. The terms of the revolving loan agreement were modified to provide for borrowings that bear interest at LIBOR plus 175 basis points maturing in August 2009. The equipment term loan was amended to provide for borrowings of \$35.0 million bearing interest at LIBOR plus 175 basis points payable over 84 months. The amendment modified many of our principal covenants including our leverage ratio, fixed charge coverage ratio and net capital expenditures. The real estate term loans remained unchanged. Our bank borrowings are collateralized by substantially all of our assets. Based on the maturity date, the current revolving line of credit is classified as long-term debt.

In September 2007, we amended the Senior Credit Facility, comprised of a revolving line of credit, an equipment term loan and real estate term loans, in conjunction with the acquisition of Sooner. The amendment to the Senior Credit Facility increased the maximum amount outstanding on the revolving line of credit from the lesser of (a) \$25.0 million or (b) the sum of 85% of eligible domestic trade accounts receivable and 50% of eligible inventory, as defined. The terms of the revolving loan agreement were not modified from the January 2007 amendment and still provide for borrowings that bear interest at LIBOR plus 175 basis points maturing in August 2009. The equipment term loan was amended to provide for borrowings of \$36.0 million bearing interest at LIBOR plus 175 basis points payable over 84 months. The amendment modified many of our principal covenants including our fixed charge coverage ratio and net capital expenditures. The real estate term loans remained unchanged. Our bank borrowings are collateralized by substantially all of our assets. Based on the maturity date, the current revolving line of credit is classified as long-term debt.

As of September 30, 2007, we had \$16.8 million outstanding under the revolving line of credit of the amended Senior Credit Facility. Availability under the revolving line of credit as of September 30, 2007 is approximately \$8.2 million. Bank borrowings are subject to certain covenants and a material adverse change subjective acceleration clause. Affirmative covenants include compliance with laws, various reporting requirements, visitation rights, maintenance of insurance, maintenance of properties, keeping of records and books of account, preservation of existence of assets, notification of adverse events, ERISA compliance, joinder agreement with new subsidiaries, borrowing base audits, and use of treasury management services. Negative covenants include limitations associated with liens, indebtedness, change in nature of business, transactions with affiliates, investments, distributions, subordinate debt, leverage ratio, fixed charge coverage ratio, consolidated net income, prohibition of fundamental changes, asset sales and capital expenditures. As of September 30, 2007, we were in compliance with all covenants. As of September 30, 2007, the Company had approximately \$0.6 million in vehicle loans and capitalized vehicle leases.

In conjunction with the acquisition of a 50% interest in CAVO in January 2007, the Company issued a note to the seller in the amount of \$1.5 million. The note bears interest at 6% and is payable quarterly through December 31, 2009.

The Company believes the fair value of its long-term debt approximates the recorded value as of September 30, 2007 as the majority of the long-term debt carries a floating interest rate.

Note 9—Common Stock

Change in the number of common shares issued is summarized as follows:

| | |
|--|-------------------|
| Common shares issued as of December 31, 2006 | 17,694,428 |
| Common shares issued for acquisition of affiliate (See Note 3) | 143,434 |
| Warrants converted | 32,318 |
| Restricted stock granted | 336,998 |
| Stock options exercised | 530,224 |
| Common shares issued as of September 30, 2007 | <u>18,737,402</u> |

FLOTEK INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

Restricted stock of the Company relates to unvested shares of common stock awarded to certain officers, directors and employees which have vesting periods of one to four years and in some circumstances performance requirements. Change to the number of restricted common shares issued is summarized as follows:

| | |
|--|----------------|
| Restricted stock issued as of December 31, 2006 | — |
| Granted | 336,998 |
| Vested | — |
| Cancelled | — |
| Net restricted stock issued as of September 30, 2007 | <u>336,998</u> |

During the second quarter, the Company repurchased 70,174 shares of its common stock issued in conjunction with the acquisition of Spidle Sales and Services, Inc. The repurchase of these shares was optional by the parties involved in the acquisition agreement. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of stockholders' equity. The Company currently does not have or intend to initiate a share repurchase program.

On December 22, 2005, the Compensation Committee, on behalf of the Board of Directors approved the acceleration of the vesting of all previously unvested stock options granted under Flotek Industries, Inc.'s 2003 and 2005 Long Term Incentive Plans. The vesting acceleration imposed selling restrictions equal to the original option vesting requirements.

On July 11, 2007, the Company effected a two-for-one stock split in the form of a 100% stock dividend to stockholders of record as of July 3, 2007. All share and per share information has been retroactively adjusted to reflect the stock split.

Note 10—Earnings Per Share (“EPS”)

Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is based on the weighted average number of shares outstanding during each period and the assumed exercise of dilutive instruments (stock options and warrants) less the number of treasury shares assumed to be purchased with the exercise proceeds using the average market price of the Company's common stock for each of the periods presented.

The following table presents information necessary to calculate earnings per share for the periods presented.

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------------------|---------------|-------------------|---------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| | (in thousands, except per share data) | | | |
| Net income | \$ 5,049 | \$ 3,509 | \$13,608 | \$ 7,500 |
| Basic earnings per common share | \$ 0.27 | \$ 0.20 | \$ 0.75 | \$ 0.44 |
| Diluted earnings per common share | \$ 0.26 | \$ 0.19 | \$ 0.71 | \$ 0.41 |
| Weighted-average common shares outstanding | 18,542 | 17,639 | 18,215 | 17,162 |
| Incremental common shares from stock options, warrants and restricted stock | 1,174 | 1,221 | 1,072 | 1,306 |
| Weighted-average common equivalent shares outstanding | <u>19,716</u> | <u>18,860</u> | <u>19,287</u> | <u>18,468</u> |

As of September 30, 2007, the Company has 1,403,318 stock options outstanding.

Note 11—Stock-Based Compensation

The Company adopted FAS No. 123R effective as of January 1, 2006. FAS No. 123R requires all stock-based payments, including grants of stock options, to be recognized in the income statement as an operating expense, based on their fair values. The Company follows the “modified prospective” method of adoption of FAS No. 123R whereby earnings for prior periods will not be restated as though stock-based compensation had been expensed.

FLOTEK INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

In the first nine months of 2007, the Company issued stock options and restricted stock to certain officers, directors and employees as stock based compensation. Multiple stock options to purchase 293,602 shares of our common stock with exercise prices ranging from \$13.81 to \$32.00 per share were granted in 2007. Additionally, 336,998 shares of restricted stock were granted in 2007. Of the 336,998 shares, 63,398 vest evenly over four years if performance measures are met, 17,600 vest in one year, 16,000 vest evenly over four years and 240,000 vest evenly over five years. Approximately \$590,000 and \$881,000 of stock based compensation expense was recognized during the three and nine months ended September 30, 2007, respectively, related to stock option and restricted stock grants.

Note 12—Income Taxes

FASB Interpretation 48 “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”) clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company’s financial statements. FIN 48 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. Effective January 1, 2007, the Company has adopted the provisions of FIN 48. As a result, the cumulative effect related to adopting FIN 48 was a \$73,000 charge to retained earnings. In addition, certain amounts have been reclassified in the Consolidated Condensed Balance Sheets in order to comply with the requirements of the statement.

The Company is currently being audited by the Internal Revenue Service for the year ending December 31, 2005 and is open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2003 through 2006. The Company and its subsidiaries’ state income tax returns are open to audit under the statute of limitations for the years ending December 31, 2002 through 2006. The 2005 Internal Revenue Service audit is ongoing and at this point we do not expect the outcome of the audit to have a material impact on our operating results.

As of January 1, 2007, the Company has accrued \$200,000 of interest and penalties related to uncertain tax positions. Beginning January 1, 2007, the Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. Prior to 2007, the Company recorded interest related to uncertain tax positions in interest expense and did not include it as part of its provision for income taxes.

A reconciliation of the effective income tax rate to the statutory income tax rate is as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|--------------|----------------------|--------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Income tax (benefit) at statutory rate | 35.0% | 34.0% | 35.0% | 34.0% |
| State taxes, net of federal benefit | 3.6 | 2.9 | 3.6 | 2.5 |
| Deductible items | (1.6) | (0.6) | (1.6) | (0.5) |
| Other | 0.0 | 2.2 | 0.0 | 0.7 |
| Effective income tax rate | <u>37.0%</u> | <u>38.5%</u> | <u>37.0%</u> | <u>36.7%</u> |

Our effective income tax rate in 2007 and 2006 differs from the federal statutory rate primarily due to state income taxes and the domestic production activities deduction. As of September 30, 2007, we had estimated U.S. net operating loss carryforwards of approximately \$2.3 million, expiring in various amounts in 2017 through 2025.

Our current corporate organization structure requires us to file two separate consolidated U.S. Federal income tax returns. As a result, taxable income of one group cannot be offset by tax attributes, including net operating losses, of the other group.

Note 13—Commitments and Contingencies

The Company is involved, on occasion, in routine litigation incidental to our business. The Company believes that the ultimate resolution of the routine litigation that may develop will not have a material adverse impact on the Company’s financial position, results of operation or cash flows.

FLOTEK INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

Note 14—Segment Information

SFAS No. 131 “Disclosures about Segments of an Enterprise and Related Information” requires segmentation based on our internal organization and reporting of revenue and operating income based upon internal accounting methods. Our financial reporting systems present various data for management to run the business, including internal profit and loss statements prepared on a basis consistent with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Flotek’s operations consist of three reportable operating segments:

- The Chemicals and Logistics segment develops, manufactures and markets specialty chemicals used in oil and gas well cementing, stimulation, acidizing, drilling, and production treatment. The segment provides well cementing bulk blending and transload services and transload facility management services.
- The Drilling Products segment rents, inspects, manufactures and markets downhole drilling equipment for the energy, mining, water well and industrial drilling sectors.
- The Artificial Lift segment manufactures and markets artificial lift equipment which includes the Petrovalve line of beam pump components, electric submersible pumps, gas separators, valves and services to support coal bed methane production.

Summarized unaudited financial information concerning the segments for the three and nine months ending September 30, 2007 and 2006 is shown in the following tables (in thousands):

| | Chemicals and Logistics | Drilling Products | Artificial Lift | Corporate and Other | Total |
|--|-------------------------------|----------------------|--------------------|---------------------------|------------|
| Three months ended September 30, 2007 | | | | | |
| Revenue | \$ 23,310 | \$ 14,145 | \$ 4,273 | \$ — | \$ 41,728 |
| Income (loss) from operations | \$ 8,883 | \$ 1,757 | \$ 464 | \$ (2,581) | \$ 8,523 |
| Three months ended September 30, 2006 | | | | | |
| Revenue | \$ 13,608 | \$ 9,803 | \$ 5,785 | \$ — | \$ 29,196 |
| Income (loss) from operations | \$ 4,769 | \$ 1,974 | \$ 846 | \$ (1,629) | \$ 5,960 |
| Nine months ended September 30, 2007 | | | | | |
| Revenue | \$ 61,363 | \$ 42,452 | \$ 10,794 | \$ — | \$ 114,609 |
| Income (loss) from operations | \$ 23,737 | \$ 5,179 | \$ 914 | \$ (6,412) | \$ 23,418 |
| Nine months ended September 30, 2006 | | | | | |
| Revenue | \$ 31,989 | \$ 26,875 | \$ 8,506 | \$ — | \$ 67,370 |
| Income (loss) from operations | \$ 10,056 | \$ 4,961 | \$ 938 | \$ (3,451) | \$ 12,504 |

Revenue generated from international sales for the three months ended September 30, 2007 and 2006 was \$1.6 million and \$1.8 million, respectively. Revenue generated from international sales for the nine months ended September 30, 2007 and 2006 was \$5.4 million and \$5.0 million, respectively.

Identifiable assets by reportable segment were as follows:

| | September 30, 2007 (unaudited) | December 31, 2006 |
|-------------------------|--------------------------------------|----------------------|
| | (in thousands) | |
| Chemicals and Logistics | \$ 41,784 | \$ 25,459 |
| Drilling Products | 81,242 | 39,748 |
| Artificial Lift | 19,997 | 16,860 |
| Corporate and Other | 1,810 | 823 |
| Total assets | <u>\$ 144,833</u> | <u>\$ 82,890</u> |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Note About Forward-Looking Statements

Certain statements in Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

The following MD&A is intended to help the reader understand the results of operations, financial condition, and cash flows of Flotek Industries, Inc. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements ("Notes").

We are a technology-driven growth company serving the oil, gas, and mining industries. We operate in select domestic and international markets including the Gulf Coast, the Southwest and the Rocky Mountains. We also operate internationally in Canada, Mexico, Central America, South America, Europe, Russia and Asia. We provide products and services to address the drilling and production-related needs of oil and gas companies. The customers for our products and services include the major integrated oil and natural gas companies, independent oil and natural gas companies, pressure pumping service companies and state-owned national oil companies. Our ability to compete in the oilfield services market is dependent on our ability to differentiate our products and services, provide superior quality and service, and maintain a competitive cost structure. Activity levels are driven primarily by current and expected commodity prices, drilling rig count, oil and gas production levels, and customer capital spending allocated for drilling and production.

We have made strategic acquisitions and other investments during the past several years in an effort to expand our product offering and geographic presence in key markets. Acquisitions completed in 2006 and 2007 include:

- Can-Ok Oil Field Services, Inc. and Stabilizer Technology, Inc., a drilling tool sales and rental provider in Oklahoma, Louisiana and Arkansas, on January 2, 2006;
- Total Well Solutions, Inc., which manufactures, markets and services electric submersible pumps and downhole gas/water separators primarily to coal bed methane gas producers, on April 3, 2006;
- LifTech, LLC, which manufactures, markets and services electric submersible pumps and downhole gas/water separators primarily to coal bed methane gas producers, on June 6, 2006;
- Triumph Drilling Tools, Inc. ("Triumph"), a drilling tool sales and rental provider in Texas, New Mexico, Louisiana, Oklahoma and Arkansas, on January 4, 2007; and
- 50% partnership interest in CAVO Drilling Motors, Ltd. Co., ("CAVO") which specializes in the rental, service and sale of high performance mud motors, on January 31, 2007.
- Sooner Energy Services, Inc. ("Sooner"), which develops, produces and distributes specialty chemical products and services for drilling and production of natural gas, on August 31, 2007.

We continue to actively seek acquisition candidates in our core businesses.

Results of Operations

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 |
| (in thousands) | | | | |
| Revenue | | | | |
| Products | \$32,148 | \$24,566 | \$ 86,539 | \$53,753 |
| Rentals | 6,016 | 3,031 | 17,836 | 8,970 |
| Services | 3,564 | 1,599 | 10,234 | 4,647 |
| | <u>41,728</u> | <u>29,196</u> | <u>114,609</u> | <u>67,370</u> |
| Cost of revenue | | | | |
| Cost of products | 19,174 | 14,662 | 51,406 | 32,447 |
| Cost of rentals | 2,716 | 1,559 | 7,775 | 4,704 |
| Cost of services | 1,845 | 1,032 | 5,562 | 2,908 |
| | <u>23,735</u> | <u>17,253</u> | <u>64,743</u> | <u>40,059</u> |
| Gross profit | 17,993 | 11,943 | 49,866 | 27,311 |
| Gross profit % | 43.1% | 40.9% | 43.5% | 40.5% |
| Expenses: | | | | |
| Selling, general and administrative | 7,690 | 5,086 | 21,455 | 12,348 |
| Depreciation and amortization | 1,648 | 725 | 4,553 | 1,975 |
| Research and development | 132 | 172 | 440 | 484 |
| Total expenses | <u>9,470</u> | <u>5,983</u> | <u>26,448</u> | <u>14,807</u> |
| Income from operations | 8,523 | 5,960 | 23,418 | 12,504 |
| Income from operations % | 20.4% | 20.4% | 20.4% | 18.6% |
| Other income (expense): | | | | |
| Interest expense | (834) | (327) | (2,544) | (750) |
| Investment income and other | 325 | 69 | 709 | 91 |
| Total other income (expense) | <u>(509)</u> | <u>(258)</u> | <u>(1,835)</u> | <u>(659)</u> |
| Income before income taxes | 8,014 | 5,702 | 21,583 | 11,845 |
| Provision for income taxes | (2,965) | (2,193) | (7,975) | (4,345) |
| Net income | <u>\$ 5,049</u> | <u>\$ 3,509</u> | <u>\$ 13,608</u> | <u>\$ 7,500</u> |

Consolidated—Comparison of Three Months Ended September 30, 2007 and 2006

Revenue for the three months ended September 30, 2007 was \$41.7 million, an increase of 42.9%, compared to \$29.2 million for the same period in 2006. Revenue increased in our Chemicals and Logistics and Drilling Products segments due to increased acceptance of our products, the acquisition of Triumph in January 2007, the acquisition of Sooner in August 2007, and expansion of our rental tool fleet.

Gross profit for the three months ended September 30, 2007 was \$18.0 million, an increase of 50.7%, compared to \$11.9 million for the same period in 2006. Gross profit as a percentage of revenue for the three months ended September 30, 2007 was 43.1%, compared to 40.9% for the same period in 2006. The increase in gross profit is due to an increase in specialty chemical sales as a percentage of total sales overall. Chemicals and Logistics made up approximately 55.9% of total consolidated revenues for the three months ended September 30, 2007 versus 46.6% for the same period in 2006. In addition, sales of our proprietary environmentally benign 'green' chemicals, which sell at higher margins made up 68.7% of the total Chemicals and Logistics revenues for the quarter ended September 30, 2007, versus 50.0% for the same period in 2006. We have seen profit margin improvement in the businesses acquired during 2005, 2006 and 2007, and will continue to focus on improving margins through enhanced integration, cost reduction and sales mix.

Selling, general and administrative costs are not directly attributable to products sold or services rendered. Selling, general and administrative costs were \$7.7 million for the three months ended September 30, 2007, an increase of 51.2% compared to \$5.1 million during the same period in 2006. The increase was primarily due to increased indirect personnel costs in Chemicals and Logistics, Drilling Products and Corporate. In addition, \$0.6 million of stock

compensation expense was recorded during the quarter ended September 30, 2007 versus no such expense during the same period in 2006, associated with restricted stock and options granted to our employees, officers and directors in accordance with SFAS 123R. The majority of the expense relates to stock compensation expense associated with restricted stock and option awards made to the CEO and CFO as part of one year and five year retention programs. This expense was offset by a \$0.4 million decrease in corporate professional fees for the three months ended September 30, 2007 compared to the same period in 2006.

Depreciation and amortization was \$1.7 million for the three months ended September 30, 2007, an increase of 127.3% compared to \$0.7 million during the same period in 2006. The increase is due to higher depreciation associated with acquired assets and increased capital expenditures. In addition, amortization expense increased due to the recognition of intangible assets from acquisitions completed in 2006 and 2007.

Research and development (“R&D”) costs were slightly lower at \$132,000 for the three months ended September 30, 2007 compared to \$172,000 for the same period in 2006. We plan to expand significantly our chemical and mechanical research efforts in 2008. R&D expenditures are charged to expense as incurred.

Interest expense was \$0.8 million for the three months ended September 30, 2007 versus \$0.3 million in 2006. The increase was a result of the increase in our overall debt level associated with the Triumph and Sooner acquisitions and the investment in CAVO. We amended our credit facility in January 2007 in conjunction with the Triumph acquisition and again in August 2007 for the acquisition of Sooner. The borrowing capacity on the line of credit and equipment term loan was increased to partially fund these acquisitions.

A provision for income taxes of \$3.0 million was recorded for the three months ended September 30, 2007. An effective tax rate of 37.0% was applied for the three months ended September 30, 2007 versus 38.5% for the same period in 2006. The increase in our effective tax rate is primarily due to an increase in our federal statutory tax rate to 35% in 2007 from 34% in 2006, an increase in the percentage of earnings in state jurisdictions with higher state income tax rates, and increased state income tax expense resulting from the enactment of the new Texas Margin Tax in 2007. Partially offsetting these factors is the increased tax benefit associated with U.S. manufacturing operations under the American Jobs Creation Act of 2004.

Consolidated—Comparison of Nine Months Ended September 30, 2007 and 2006

Revenue for the nine months ended September 30, 2007 was \$114.6 million, an increase of 70.1%, compared to \$67.4 million for the same period in 2006. Revenue increased in all three of our segments due to increased acceptance of our products, the acquisition of two coal bed methane service companies in the second quarter of 2006, the acquisition of Triumph in January 2007, the acquisition of Sooner in August 2007 and expansion of our rental tool fleet. Approximately 60% of the revenue growth in the first nine months of 2007 versus 2006 related to organic growth of our existing businesses.

Gross profit for the nine months ended September 30, 2007 was \$49.9 million, an increase of 82.6%, compared to \$27.3 million for the same period in 2006. Gross profit as a percentage of revenue for the nine months ended September 30, 2007 was 43.5%, compared to 40.5% for the same period in 2006. The increase in gross profit is due to an increase in specialty chemical sales as a percentage of total sales overall. Chemicals and Logistics made up approximately 53.5% of total consolidated revenues for the nine months ended September 30, 2007 versus 47.5% for the same period in 2006. In addition, sales of our proprietary environmentally benign ‘green’ chemicals which sell at higher margins made up 66.7% of the total Chemicals and Logistics revenues for the nine months ended September 30, 2007, versus 45.3% for the same period in 2006. We have seen profit margin improvement in the businesses acquired during 2005, 2006 and 2007 and will continue to focus on improving margins through enhanced integration and sales mix.

Selling, general and administrative costs are not directly attributable to products sold or services rendered. Selling, general and administrative costs were \$21.5 million for the nine months ended September 30, 2007, an increase of 73.8%, compared to \$12.4 million during the same period in 2006. The increase was primarily due to increased indirect personnel costs in all divisions as we shift into the more people intensive rental and service business, expand geographically and expand our sales and corporate support staff. In addition, \$0.9 million of stock compensation expense was recorded during the nine months ended September 30, 2007 versus no such expense for the same period in 2006, associated with restricted stock and option grants made to our employees, officers and directors in accordance with SFAS 123R. The majority of the expense relates to stock compensation expense associated with restricted stock and

option awards made to the CEO and CFO as part of the one year and five year retention programs. Professional fees increased \$0.4 million due to higher audit and Sarbanes Oxley preparedness related fees, and board of director fees increased \$0.2 million during the nine months ended September 30, 2007 versus the same period in 2006.

Depreciation and amortization costs were \$4.6 million for the nine months ended September 30, 2007, an increase of 130.5% compared to \$2.0 million during the same period in 2006. The increase is due to higher depreciation associated with acquired assets and expanded capital expenditures. In addition, amortization expense increased due to the recognition of intangible assets from acquisitions completed in 2006 and 2007.

R&D costs remained constant for the nine months ended September 30, 2007 compared to the same period in 2006. We plan to expand significantly our chemical and mechanical research efforts in 2008. R&D expenditures are charged to expense as incurred.

Interest expense was \$2.5 million for the nine months ended September 30, 2007 versus \$0.8 million in 2006. The increase was a result of the increase in our overall debt level associated with the Triumph acquisition, investment in CAVO and Sooner acquisition. We amended our credit facility in January 2007 in conjunction with the Triumph acquisition and again in August 2007 for the acquisition of Sooner. Our borrowing capacity on the line of credit and equipment term loan was increased to partially fund these acquisitions.

A provision for income taxes of \$8.0 million was recorded for the nine months ended September 30, 2007. An effective tax rate of 37.0% was applied for the nine months ended September 30, 2007 versus 36.7% for the same period in 2006. The increase in our effective tax rate is primarily due to an increase in our federal statutory tax rate to 35% in 2007 from 34% in 2006, an increase in the percentage of earnings in state jurisdictions with higher state income tax rates, and increased state income tax expense resulting from the enactment of the new Texas Margin Tax in 2007. Partially offsetting these factors is the increased tax benefit associated with U.S. manufacturing operations under the American Jobs Creation Act of 2004.

Results by Segment

Revenue and operating income amounts in this section are presented on a basis consistent with U.S. GAAP and include certain reconciling items attributable to each of the segments. Segment information appearing in Note 14 – Segment Information of the Notes is presented on a basis consistent with the Company's current internal management reporting, in accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. Certain corporate-level activity has been excluded from segment operating results and is presented separately.

Chemicals and Logistics

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------|-------------------------------------|----------|------------------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | (in thousands) | | | |
| Revenue | \$23,310 | \$13,608 | \$61,363 | \$31,989 |
| Gross profit | \$11,021 | \$ 6,332 | \$29,477 | \$14,004 |
| Gross profit % | 47.3% | 46.5% | 48.0% | 43.8% |
| Income from operations | \$ 8,883 | \$ 4,769 | \$23,737 | \$10,056 |
| Income from operations % | 38.1% | 35.0% | 38.7% | 31.4% |

Chemicals and Logistics—Comparison of Three Months Ended September 30, 2007 and 2006

Chemicals and Logistics revenue increased \$9.7 million, or 71.3%, for the three months ended September 30, 2007 compared to the same period in 2006. The increase in revenue is a result of an increase in sales volume of our proprietary specialty chemicals. The most significant revenue growth occurred in the Mid-Continent, South Texas and Gulf Coast regions. Sales of our proprietary, biodegradable, environmentally benign 'green' chemicals grew 135.3% to \$16.0 million in the third quarter of 2007 from \$6.8 million in the third quarter of 2006.

On August 31, 2007 the Company acquired Sooner for \$7.1 million in cash and assumed debt of \$0.2 million. Sooner develops, produces and distributes specialty chemical products and services for drilling and production of natural gas. The Sooner acquisition contributed approximately \$0.5 million in revenue during the third quarter of 2007.

Gross profit increased \$4.7 million, or 74.1%, for the three months ended September 30, 2007 compared to the same period in 2006. Gross profit as a percentage of revenue increased to 47.3% for the three months ended September 30, 2007 compared to 46.5% for the three months ended September 30, 2006. The increase in gross profit is due to a continued shift in sales mix to higher margin patented and proprietary products. Green chemical sales made up approximately 68.7% of overall revenue for the segment for the three months ended September 30, 2007 compared to 50.0% for the same period in 2006. As of the end of 2006, construction of a 30,000 square foot expansion to our production facilities was substantially completed. This facility triples production capabilities and allows the division to manage larger volumes of inputs to take further advantage of volume pricing discounts.

Income from operations increased \$4.1 million, or 86.3%, for the three months ended September 30, 2007 compared to the same period in 2006. Income from operations as a percentage of revenue increased to 38.1% for the three months ended September 30, 2007 compared to 35.0% for the three months ended September 30, 2006 due to increased overall sales activity. The increase in operating profit is driven by a continued shift in sales mix to higher margin patented and proprietary products.

Chemicals and Logistics—Comparison of Nine Months Ended September 30, 2007 and 2006

Chemicals and Logistics revenue increased \$29.4 million, or 91.8%, for the nine months ended September 30, 2007 compared to the same period in 2006. The increase in revenue is a result of an increase in overall sales volume, particularly of our proprietary specialty chemicals. The most significant revenue growth occurred in the Mid-Continent, Permian Basin, Rocky Mountain and South Texas regions. Sales of our proprietary, biodegradable, environmentally benign ‘green’ chemicals grew \$26.4 million, or 182.1%, to \$40.9 million for the nine months ended September 30, 2007 from \$14.5 million for the same period in 2006.

Gross profit increased \$15.5 million, or 110.5%, for the nine months ended September 30, 2007 compared to the same period in 2006. Gross profit as a percentage of revenue increased to 48.0% for the nine months ended September 30, 2007 compared to 43.8% for the nine months ended September 30, 2006. The increase in gross profit is due to a continued shift in sales mix to higher margin patented and proprietary products. Green chemical sales made up approximately 66.7% of overall revenue for the segment for the nine months ended September 30, 2007 compared to 45.3% for the same period in 2006. As of the end of 2006, construction of a 30,000 square foot expansion to our production facilities was substantially completed. This facility tripled production capabilities and allows the division to manage larger volumes of inputs to take further advantage of volume pricing discounts.

Income from operations increased \$13.7 million, or 136.0%, for the nine months ended September 30, 2007 compared to the same period in 2006. Income from operations as a percentage of revenue increased to 38.7% for the nine months ended September 30, 2007 compared to 31.4% for the nine months ended September 30, 2006 due to increased overall sales activity. The increase in operating profit is driven by a continued shift in sales mix to higher margin patented and proprietary products.

Drilling Products

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------|----------------------------------|---------|---------------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | (in thousands) | | | |
| Revenue | \$14,145 | \$9,803 | \$42,452 | \$26,875 |
| Gross profit | \$ 5,836 | \$4,085 | \$17,686 | \$11,227 |
| Gross profit % | 41.3 | 41.7% | 41.7% | 41.8% |
| Income from operations | \$ 1,757 | \$1,974 | \$ 5,179 | \$ 4,961 |
| Income from operations % | 12.4% | 20.1% | 12.2% | 18.5% |

Drilling Products—Comparison of Three Months Ended September 30, 2007 and 2006

During 2007 we increased our drilling products sales through acquisition, expanding geographically and growing our line of products and services. In January 2007 we acquired the assets of Triumph, a drilling tool sales and rental provider in Texas, New Mexico, Louisiana, Oklahoma and Arkansas. Additionally, in January 2007 we acquired a 50% interest in CAVO, which specializes in the production rental, service and sale of high performance mud motors. These acquisitions expanded machining, repair, tool rental and inspection service capability within our Drilling Products group.

Drilling Products revenue increased \$4.3 million, or 44.3%, for the three months ended September 30, 2007 compared to the same period in 2006. Growth in rentals and services associated with the acquisition of Triumph and the expansion of our mud motor fleet contributed significantly to the increase.

Gross profit increased \$1.8 million, or 42.9%, for the three months ended September 30, 2007 compared to the same period in 2006. Gross profit as a percentage of revenue decreased to 41.3% in the third quarter of 2007 from 41.7% in the third quarter of 2006. The decrease in gross profit as a percentage of revenue is due to higher direct personnel costs, travel, and materials and supplies associated with rental and service activities.

Income from operations decreased \$0.2 million, or 11.0%, for the three months ended September 30, 2007 compared to the same period in 2006. Income from operations as a percentage of revenue decreased to 12.4% in the third quarter of 2007 from 20.1% in the third quarter of 2006. The decrease in operating profit as a percentage of revenue is due to a decrease in product sales (which tend to have a fixed level of indirect costs) as a percentage of total revenues, coupled with increased indirect personnel and travel costs, and an incremental \$0.7 million of depreciation and amortization associated with acquired assets.

Drilling Products—Comparison of Nine Months Ended September 30, 2007 and 2006

During 2007 we increased our drilling products sales through acquisition, expanding geographically and growing our line of products and services. In January 2007 we acquired the assets of Triumph, a drilling tool sales and rental provider in Texas, New Mexico, Louisiana, Oklahoma and Arkansas. Additionally, in January 2007 we acquired a 50% interest in CAVO, which specializes in the rental, service and sale of high performance mud motors. These acquisitions expanded machining, repair, tool rental and inspection service capability within our drilling products group.

Drilling Products revenue increased \$15.6 million, or 58.0%, for the nine months ended September 30, 2007 compared to the same period in 2006. Growth in rentals and services associated with the acquisition of Triumph and the expansion of our mud motor fleet contributed significantly to the increase.

Gross profit increased \$6.5 million, or 57.5%, for the nine months ended September 30, 2007 compared to the same period in 2006. Gross profit as a percentage of revenue decreased to 41.7% in the nine months ended September 30, 2007 compared to 41.8% for the same period in 2006. The decrease in gross profit as a percentage of revenue is due to decreased cost of goods as a percentage of revenue, offset by higher direct personnel costs, travel, and materials and supplies associated with rental and service activities.

Income from operations increased \$0.2 million, or 4.4%, for the nine months ended September 30, 2007 compared to the same period in 2006. Income from operations as a percentage of revenue decreased to 12.2% for the nine months ended September 30, 2007 compared to 18.5% for the same period in 2006. The decrease in operating profit as a percentage of revenue is due to increased indirect personnel and travel costs, and an incremental \$2.1 million of depreciation and amortization associated with acquired assets.

Artificial Lift

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------|----------------------------------|---------|---------------------------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | (in thousands) | | | |
| Revenue | \$4,273 | \$5,785 | \$10,794 | \$8,506 |
| Gross profit | \$1,136 | \$1,526 | \$ 2,703 | \$2,080 |
| Gross profit % | 26.6% | 26.4% | 25.0% | 24.5% |
| Income from operations | \$ 464 | \$ 846 | \$ 914 | \$ 938 |
| Income from operations % | 10.9% | 14.6% | 8.5% | 11.0% |

Artificial Lift—Comparison of Three Months Ended September 30, 2007 and 2006

In the second quarter of 2006 we acquired two coal bed methane service companies to expand our production driven revenue base. The combined companies provide a broad spectrum of electric submersible pumps, gas separators, valves and services to support the coal bed methane producers in the Powder River Basin.

Artificial lift revenue was \$4.3 million for the three months ended September 30, 2007, a 26.1% decrease versus \$5.8 million for the same period in 2006. Sales have decreased significantly due to an overall decline in coal bed methane activity in the Powder River Basin for the three months ended September 30, 2007 versus 2006 and the loss of a significant customer.

Gross profit decreased \$0.4 million, or 25.6%, for the three months ended September 30, 2007 compared to the same period in 2006 due to decreased sales and service activity levels. Gross profit as a percentage of revenue increased to 26.6% in the three months ended September 30, 2007 compared to 26.4% for the same period in 2006.

Income from operations decreased \$0.4 million, or 45.2%, for the three months ended September 30, 2007 compared to the same period in 2006 due to decreased sales and service activity levels. Income from operations as a percentage of revenue decreased to 10.9% for the three months ended September 30, 2007 compared to 14.6% for the same period in 2006.

Artificial Lift—Comparison of Nine Months Ended September 30, 2007 and 2006

In the second quarter of 2006 we acquired two coal bed methane service companies to expand our production driven revenue base. The combined companies provide a broad spectrum of electric submersible pumps, gas separators, valves and services to support the coal bed methane producers in the Powder River Basin.

Artificial lift revenue was \$10.8 million for the nine months ended September 30, 2007, a 26.9% increase compared to \$8.5 million for the same period in 2006. The increase in overall sales is due to the acquisition of two coal bed methane service companies in the second quarter of 2006 offset by an overall decline in coal bed methane activity in the Powder River Basin during the first nine months of 2007 versus 2006 and the loss of a significant customer.

Gross profit increased \$0.6 million, or 30.0%, for the nine months ended September 30, 2007 compared to the same period in 2006. Gross profit as a percentage of revenue increased to 25.0% in the nine months ended September 30, 2007 compared to 24.5% for the same period in 2006. The increase in gross profit is due to higher overall sales during the first nine months of 2007 versus 2006.

Income from operations remained unchanged for the nine months ended September 30, 2007 compared to the same period in 2006. Income from operations as a percentage of revenue decreased to 8.5% for the nine months ended September 30, 2007 compared to 11.0% for the same period in 2006. The decrease in operating profit as a percentage of revenue is due to increased indirect personnel and travel costs, and an incremental \$0.3 million of depreciation and amortization associated with acquired assets.

Capital Resources and Liquidity

Cash and cash equivalents increased \$0.6 million during the nine months ended September 30, 2007. Cash flows from operations increased from \$6.2 million in 2006 to \$11.7 million in 2007 due to the increase in profitability and higher non-cash expenses, offset by increased working capital needs. Increased working capital requirements decreased operating cash flow by \$6.9 million for the nine months ended September 30, 2007 versus a decrease in operating cash flow of \$3.2 million for the same period in 2006. An increase in chemical inventory and an increase in accounts receivable due to higher sales levels, coupled with a decrease in accounts payable and accrued liabilities in our Chemical and Artificial Lift segments contributed to the increased working capital requirements. In 2007 we modified our treasury processes reducing the time outstanding between when a check is produced and mailed.

Capital expenditures for the nine months ended September 30, 2007 totaled approximately \$12.5 million (\$11.8 million after eliminating our share of profit on a purchase from an affiliate). The most significant expenditures related to the expansion of our mud motor fleet, addition of rental tools to expand our rental tool base, expansion of our specialty chemical facility and construction of our bulk liquids facility.

In September 2007, we amended the Senior Credit Facility, comprised of a revolving line of credit, an equipment term loan and real estate term loans, in conjunction with the acquisition of Sooner. The amendment to the Senior Credit Facility increased the maximum amount outstanding on the revolving line of credit from the lesser of (a) \$25.0 million or (b) the sum of 85% of eligible domestic trade accounts receivable and 50% of eligible inventory, as defined. The terms of the revolving loan agreement were not modified from the January 2007 amendment and still provide for borrowings that bear interest at LIBOR plus 175 basis points maturing in August 2009. The equipment term loan was amended to provide for borrowings of \$36.0 million bearing interest at LIBOR plus 175 basis points payable over 84 months. The amendment modified many of our principal covenants including our fixed charge coverage ratio and net capital expenditures. The real estate term loans remained unchanged. Our bank borrowings are collateralized by substantially all of our assets. Based on the maturity date, the current revolving line of credit is classified as long-term debt.

As of September 30, 2007, we had \$16.8 million outstanding under the revolving line of credit of the amended Senior Credit Facility. Availability under the revolving line of credit as of September 30, 2007 is approximately \$8.2 million. Bank borrowings are subject to certain covenants and a material adverse change subjective acceleration clause. Affirmative covenants include compliance with laws, various reporting requirements, visitation rights, maintenance of insurance, maintenance of properties, keeping of records and books of account, preservation of existence of assets, notification of adverse events, ERISA compliance, joinder agreement with new subsidiaries, borrowing base audits, and use of treasury management services. Negative covenants include limitations associated with liens, indebtedness, change in nature of business, transactions with affiliates, investments, distributions, subordinate debt, leverage ratio, fixed charge coverage ratio, consolidated net income, prohibition of fundamental changes, asset sales and capital expenditures. As of September 30, 2007 we were in compliance with all covenants.

As of September 30, 2007 the Company had approximately \$0.6 million in vehicle loans and capitalized vehicle leases.

We have funded our capital requirements with operating cash flows, debt borrowings, and by issuing shares of our common stock. Common stock issued during the nine months ended September 30, 2007 is described below:

- In the acquisition of the 50% membership interest in CAVO in January 2007, we issued 143,434 shares of common stock.
- Stock options to purchase 530,224 shares were exercised by officers, directors and employees, with proceeds of approximately \$1.3 million paid to the Company.
- Warrants to purchase 32,318 shares were converted with proceeds of \$87,000 paid to the Company.
- 336,998 shares of restricted stock were granted to employees, officers and directors in conjunction with long term equity incentive and officer retention programs.

On July 11, 2007, the Company effected a two-for-one stock split to shareholders of record as of July 3, 2007. All share and per share information has been retroactively adjusted to reflect the stock split.

Impact of Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board (“FASB”) issued its Statement of Financial Accounting Standards No. 157 (FAS No. 157), “Fair Value Measurements.” FAS No. 157 establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that FAS No. 157 will have on our results of operations and financial position.

In February 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities (“FAS No. 159”). FAS No. 159 provides an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements. The fair value option established by FAS No. 159 permits the Company to elect to measure eligible items at fair value on an instrument-by-instrument basis and then report unrealized gains and losses for those items in the Company’s earnings. FAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company evaluated FAS No. 159 and believes that it will have no effect on our results of operations and financial position.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Certain financial instruments we have used to obtain capital are subject to market risks from fluctuations in market interest rates. As of September 30, 2007, we have \$53.6 million of variable rate indebtedness within our credit facility. As a result, a fluctuation in market interest rates of one percentage point over the next twelve months would impact our interest expense by approximately \$0.5 million.

Item 4. Controls and Procedures

Except as otherwise discussed herein, there have been no significant changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. However, the Company made changes to the design and operation of internal control over financial reporting during the fourth quarter of 2006 and the nine months ending September 30, 2007 in order to increase the design and operating effectiveness of internal controls in connection with implementing Section 404 of the Sarbanes-Oxley Act of 2002 (the "Act"). In addition, the Company is currently implementing enhancements to the Company's internal control over financial reporting to address the material weaknesses disclosed in Form 10-K for the fiscal year ended December 31, 2006.

During 2007, we have taken a number of steps that we believe will impact the effectiveness of our internal control over financial reporting. We are reevaluating prior policies and procedures and have established new policies and procedures to improve the overall control structure, documentation of the effectiveness of our controls and segregation of duties. We have engaged outside resources to augment our finance and accounting departments and to provide additional expertise in the design and testing of our control structure. We have redesigned our internal controls framework and implemented SOX Symphony Software. We are in the process of upgrading our information systems and are implementing Rental Tool Management Software. We have appointed additional experienced staff in the following key positions during 2007—Vice President of Business Development, Director of Internal Controls, Director of Human Resources, Corporate Controller and Drilling Products Segment Chief Financial Officer. We have significantly expanded our accounting staff and shared services support staff. We have engaged outside consultants to supplement our information technology department.

Our Chief Executive Officer and our Chief Financial Officer (collectively, the "Certifying Officers") have evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report, and have concluded that, as of the date of this report, our disclosure controls and procedures are effective in enabling us to record, process, summarize, and report information required to be included in our SEC filings within the required time period, and to ensure that such information is accumulated and communicated to our management, including the Certifying Officers, to allow for timely decisions regarding required disclosure. Since the date of this report, there have not been any significant changes in our internal controls, or in other factors that could significantly affect these controls subsequent to the date of this report.

In anticipation of our compliance with the Act, we have increased our finance and accounting staff dedicated to the documentation and testing required under this Act.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

PART II—OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

A special meeting of the stockholders of the Company was held on August 17, 2007, at which meeting the stockholders approved proposals to: (1) approve an amendment to the Certificate of Incorporation of the Company to increase the number of authorized shares of common stock from 20,000,000 to 40,000,000; and (2) approve the 2007 Long Term Incentive Plan.

Amendment to the Certificate of Incorporation

Voting results for the amendment to the Certificate of Incorporation to increase the number of authorized shares of common stock from 20,000,000 to 40,000,000 were as follows: 15,122,356 FOR; 251,746 AGAINST; and 15,919 ABSTAIN.

2007 Long Term Incentive Plan

Voting results for the 2007 Long Term Incentive Plan were as follows: 8,560,482 FOR; 3,957,400 AGAINST; 12,510 ABSTAIN; and 1,431,519 NON-VOTES.

Item 6. Exhibits.

| <u>Exhibit No.</u> | <u>Description of Exhibit</u> |
|--------------------|--|
| 3.1 | Amended and Restated Certificate of Incorporation |
| 10.1 | Stock Purchase Agreement dated as of August 31, 2007 between the Registrant and SES Holdings, Inc. and the stockholders thereof. |
| 31.1 | Rule 13a-15(e) and 15d-15(e) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-15(e) and 15d-15(e) Certification of Chief Financial Officer |
| 32.1 | Certification of Periodic Report by Chief Executive Officer and Chief Financial Officer |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLOTEK INDUSTRIES, INC.

(Registrant)

FLOTEK INDUSTRIES, INC.

By: /s/ Jerry D. Dumas Sr.

Jerry D. Dumas, Sr.

Chairman, Chief Executive Officer and President

By: /s/ Lisa G. Meier

Lisa G. Meier

Chief Financial Officer and Vice President

November 9, 2007

EXHIBITS

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| 32.1 | Certification of Periodic Report by Chief Executive Officer and Chief Financial Officer |

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
FLOTEK INDUSTRIES, INC.**

Flotek Industries, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Flotek Industries, Inc. (the "Corporation"). The Corporation was originally incorporated in the State of Delaware on October 30, 2001 pursuant to the Certificate of Incorporation filed with the Secretary of State of the State of Delaware on that date.
2. This Amended and Restated Certificate of Incorporation has been adopted by the Corporation and its stockholders pursuant to Section 242 and Section 245 of the General Corporation Law of the State of Delaware.
3. The Certificate of Incorporation of the Company is hereby amended and restated to read in its entirety as set forth in Exhibit A attached hereto.

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been signed this 30 day of September, 2007.

FLOTEK INDUSTRIES, INC.

/s/ Jerry D. Dumas, Sr.

Jerry D. Dumas, Sr.,
Chairman & CEO

EXHIBIT A
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
FLOTEK INDUSTRIES, INC.

FIRST: The name of the corporation is “Flotek Industries, Inc.”

SECOND: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted by the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware (the “DGCL”).

FOURTH: The aggregate number of shares which the corporation shall have authority to issue is 40,100,000, consisting of 40,000,000 shares of Common Stock, par value of \$.0001 per share, and 100,000 shares of Preferred Stock, par value of \$.0001 per share.

(A) Common Stock.

1. The holders of Common Stock will be entitled to one vote per share on all matters to be voted on by the corporation’s stockholders.

2. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of Common Stock shall be entitled to share, ratably according to the number of shares of Common Stock held by them, in the remaining assets of the Corporation available for distribution to its stockholders.

(B) Preferred Stock. 2,089,075 shares of the Preferred Stock shall be designated Series A Convertible Stock, and shall have the designations, preferences and rights described on Exhibit A attached hereto. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article FOURTH, to provide for the issuance of the remaining shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the

qualifications, limitations or restrictions thereof. The authority of the Board with respect to each such series shall include, but not be limited to, determination of the following:

1. The number of shares constituting that series and the distinctive designation of that series;
2. The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;
3. Whether that series shall have voting rights, and, if so, the terms of such voting rights;
4. Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;
5. Whether or not the shares of that series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
6. Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;
7. The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights or priority, if any, of payment of shares of that series; and/or
8. Any other relative rights, preferences and limitations of that series.

FIFTH: The Corporation, acting through its Board of Directors, may create and issue, whether or not in connection with the issue and sale of any shares of stock or other securities of the Corporation, rights or options entitling the holders thereof to purchase from the Corporation any shares of its capital stock of any class or classes, such rights or options to be evidenced by or in such instrument or instruments as shall be approved by the Board of Directors. The terms upon which, including the time or times, which may be limited or unlimited in duration, at or with which, and the price or prices at which any such shares may be purchased from the corporation upon exercise of any such right or option, shall be such as shall be stated in a resolution adopted by the Board of Directors providing for the creation and issue of such rights or options, and, in every case, shall be set forth or incorporated by reference in the instrument or instruments evidencing such rights or options. Without limiting the generality of the foregoing, the authority to adopt and maintain a shareholders' rights plan, and to establish the terms and conditions thereof, including the terms and circumstances under which the rights are to be redeemed, shall be reserved exclusively to the Board of Directors of the Corporation.

SIXTH: The name of the incorporator of this corporation is Casey W. Doherty and his mailing address is 1717 St. James Place, Suite 520, Houston, Texas 77056.

SEVENTH: The name and mailing address of the directors of the corporation, who shall serve until the first annual meeting of stockholders or until their successor are elected and qualified, are as follows:

Jerry D. Dumas, Jr.
7030 Empire Central Drive
Houston, Texas 77040

William Ziegler
7030 Empire Central Drive
Houston, Texas 77040

Gary M. Pittman
7030 Empire Central Drive
Houston, Texas 77040

John Chisholm
7030 Empire Central Drive
Houston, Texas 77040

Barry E. Stewart
7030 Empire Central Drive
Houston, Texas 77040

Richard O. Wilson
7030 Empire Central Drive
Houston, Texas 77040

The number of directors of the corporation shall be as specified in, or determined in the manner provided in, the bylaws of the corporation. Election of directors need not be by written ballot.

EIGHTH: In furtherance of, and not in limitation of, the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the bylaws of the corporation.

NINTH: (1) A director of the corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the laws of the State of Delaware ("Delaware Law").

(2)(a) Each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director of the corporation or is or was serving at the request of the Corporation as a director of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by the corporation to the fullest extent permitted by Delaware Law. The right to indemnification conferred in this ARTICLE NINTH shall also include the right to be paid by the Corporation the expenses incurred in connection with any such proceeding in advance of its final disposition to the fullest extent authorized by Delaware Law. The right to indemnification conferred in the ARTICLE NINTH shall be a contract right.

(b) The corporation may, by action of its Board of Directors, provide indemnification to such of the officers, employees and agents of the corporation to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by Delaware Law.

(3) The corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss incurred by such person in any such capacity or arising out of his status as such, whether or not the corporation would have the power to indemnify him or her against such liability under Delaware Law.

(4) The rights and authority conferred in this ARTICLE NINTH shall not be exclusive of any other right which any person may otherwise have or hereafter acquire.

(5) Neither the amendment nor repeal of this ARTICLE NINTH, nor the adoption of any provision of the Certificate of Incorporation or the bylaws of the corporation, nor, to the fullest extent permitted by Delaware Law, any modification of law, shall eliminate or reduce the effect of this ARTICLE NINTH in respect of any acts or omissions occurring prior to such amendment, repeal, adoption or modification.

TENTH: The corporation shall have the right, subject to any express provisions or restrictions contained in the certificate of incorporation or bylaws of the corporation, from time to time, to amend the certificate of incorporation or any provision thereof in any manner now or hereafter provided by law, and all rights and powers of any kind conferred upon a director or stockholder of the corporation by the certificate of incorporation or any amendment thereof are subject to such right of the corporation.

ELEVENTH: Except upon the affirmative vote of shareholders holding all the issued and outstanding shares of Common Stock, no amendment to this Certificate of Incorporation may be adopted by the Corporation which would impose personal liability for the debts of the Corporation on the shareholders of the Corporation or which would amend, alter or repeal or adopt any provision inconsistent with this Article ELEVENTH.

TWELVTH: The provisions of Section 203 Title 8 of the Delaware Statutes (2000), as amended, specifically shall apply to the Corporation from and after the filing of this Certificate of Incorporation with the Division of Corporations in the Department of State of Delaware.

THIRTEENTH: Any action which may be taken at any annual or special meeting of the shareholders may be taken without a meeting, without prior notice, and without a vote, only if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of all the outstanding capital stock of the Corporation entitled to vote on such action.

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT, dated as of August 31, 2007 (the "Agreement"), is by and among Flotek Industries, Inc., a Delaware corporation ("Buyer"), and SES Holdings, Inc., an Oklahoma corporation ("SES"), and Owen Richman ("Richman"), Antony Dyakowski ("Dyakowski") and Gwen Bristow ("Bristow") (collectively, the "Stockholders").

WITNESSETH:

WHEREAS, Stockholders own all of the issued and outstanding stock of SES; and

WHEREAS, Buyer desires to purchase from the Stockholders, and the Stockholders desire to sell to Buyer, all of the stock of SES; and

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I THE PURCHASE

Section 1.1. **Sale and Purchase.** At the Closing (as hereinafter defined) and in accordance with the provisions of this Agreement, Buyer shall purchase from the Stockholders, and the Stockholders shall sell to Buyer, all of the outstanding shares of equity stock of SES (the "SES Shares"), in exchange for the consideration described in Section 1.2. At the Closing, the Stockholders shall transfer to Buyer good and marketable title to the SES Shares, free and clear of all pledges, liens, claims, charges, options, calls, encumbrances, restrictions, and assessments whatsoever.

Section 1.2. **Purchase Consideration.**

(a) The Purchase Price for the delivery and transfer to Buyer of the SES Shares (the "Purchase Price") shall be the price determined pursuant to Section 1.2(b), as adjusted pursuant to Section 1.2(c) and Section 1.2(d).

(b) The Purchase Price shall be the greater of (i) \$7,000,000; or (ii) five (5) multiplied by the EBITDA of SES and Sooner Energy Services, Inc. ("Sooner") for the period ending March 31, 2007; and shall be adjusted as provided pursuant to Section 1.2(c). For purposes hereof "EBITDA" means the consolidated net income of the Companies (as hereinafter defined) without adjustment, except net income shall be increased to the extent any of the following amounts were taken into account in its computation: compensation in the form of bonuses and consulting and management fees to any of the Stockholders, interest, taxes, depreciation, and amortization.

(c) The Purchase Price will be adjusted upwards or downwards to reflect any positive or negative change, respectively, in the Working Capital of the Companies for the period from March 31, 2007 through the Effective Date (as hereinafter defined). “Working Capital” means the excess, if any, of “Working Capital Assets” over “Working Capital Liabilities.” “Working Capital Assets” means the consolidated cash, accounts receivable, inventory, and prepaid expenses of the Companies plus a reserve for prepaid taxes in the amount of \$82,778. “Working Capital Liabilities” means the consolidated accounts payable of the Companies and the balance as of the Effective Date of the line of credit of the Companies with BancFirst (the “Line”), but excluding accrued taxes attributable to periods prior to the Effective Date.

(d) The Purchase Price shall be reduced by the balance due: (i) on loans owed by the Companies to the Stockholders (the “Stockholders Loans”); and (ii) on promissory notes secured by real estate owned by the Companies (the “Real Estate Loans”) but shall not be reduced by loans incurred by the Companies to acquire automobiles.

Section 1.3. **Other Agreements.** At the Closing, each Stockholder shall execute and deliver agreements not to compete substantially identical in form to Exhibit 1.3(a) (the “NonCompete Agreements.”)

Section 1.4. **Closing.**

(a) The closing (the “Closing”) of the transaction contemplated by this Agreement (the “Transaction”) shall take place at Sooner’s office on August 31, 2007, or the first subsequent date on which the last of the conditions set forth in Article V is fulfilled or waived, or at such other time and place as Buyer and the Stockholders shall agree in writing. The date on which the Closing occurs is referred to in this Agreement as the “Closing Date.”

(b) The Closing will be deemed to be effective as of the close of business on August 31, 2007 (the “Effective Date”).

(c) At the Closing, each of the parties shall take such actions as shall be required pursuant to the terms hereof to be taken at the Closing, or which are otherwise reasonably required to cause the Transaction to be consummated. At the Closing, the Purchase Price shall be paid in immediately available funds payable to the Stockholders in the percentages indicated on Schedule A.

(d) Buyer shall not withhold any withholding for taxes which might be due from a Stockholder as a result of the Transaction.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to the SES and Stockholders as follows:

Section 2.1. **Organization and Qualification.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted.

Section 2.2. **Authority; Non-Contravention; Approvals.**

(a) Buyer has full corporate power and authority to execute and deliver this Agreement and to consummate the Transaction. This Agreement has been approved by the Board of Directors of Buyer, and no other corporate proceedings on the part of Buyer are necessary to authorize the execution and delivery of this Agreement or the consummation by Buyer of the Transaction, including, without limitation, under the applicable requirements of any securities exchange. This Agreement has been duly executed and delivered by Buyer, and, assuming the due authorization, execution and delivery hereof by SES and the Stockholders, constitutes a valid and legally binding agreement of Buyer enforceable against Buyer in accordance with its terms, except that such enforcement may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally, and (ii) general equitable principles.

(b) The execution and delivery of this Agreement by Buyer and the consummation by Buyer of the Transaction do not and will not violate or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Buyer under any of the terms, conditions or provisions of (i) the charter or bylaws of Buyer, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to Buyer or any of Buyer's respective properties or assets, or (iii) any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind to which Buyer is now a party or by which Buyer or any of its respective properties or assets may be bound or affected.

(c) No declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by Buyer or the consummation by Buyer of the Transaction.

Section 2.3 **Investment.** The Buyer is acquiring the SES Shares for investment only, for Buyer's own account, and not with a view to or for reoffer for sale in connection with the transfer pursuant to this Agreement. The SES Shares are not being purchased for subdivision or fractionalization, and the Buyer has no contract, undertaking, agreement or arrangement with any person to sell, hypothecate, pledge, donate or otherwise transfer (with or without consideration) to any such person any of the SES Shares. The Buyer has no present plans or intentions to enter into any such contract, undertaking, agreement or arrangement.

Section 2.4. **Disclosure.** No representation or warranty of the Buyer set forth hereunder or in any certificate delivered pursuant to Section 6.1(a) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF SES AND THE STOCKHOLDERS

Each Stockholder and SES severally represent and warrant to Buyer that except as indicated in the Disclosure Schedules delivered to Buyer in connection with this Agreement (the “Disclosure Schedules”):

Section 3.1. **Subsidiaries.** Sooner is a wholly-owned subsidiary of SES. SES and Sooner are referred to herein collectively as the “Companies” or separately as a “Company.” Neither of the Companies owns any equity interests of any other entity.

Section 3.2. **Organization and Qualification.** Each of the Companies are corporations duly organized, validly existing and in good standing under the laws of the State of Oklahoma, and each of the Companies has the requisite corporate power and authority to own, lease and operate their respective assets and properties and to carry on its business as such business is now being conducted. Each of the Companies is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the properties owned, leased, or operated by it or the nature of the business conducted by it makes such qualification necessary. True, accurate and complete copies of the organizational documents of the Companies, in each case as in effect on the date hereof, including all amendments thereto, have been obtained by Buyer.

Section 3.3. **Capitalization.** The SES Shares are the only issued and outstanding shares of the capital stock of SES. The SES Shares are validly issued and are fully paid, nonassessable and free of preemptive rights. There are no outstanding subscriptions, options, calls, contracts, rights or warrants, including any right of conversion or exchange obligating the Companies or the Stockholders to issue, deliver or sell, additional shares of the capital stock of the Companies. Except as disclosed on the Section 3.3 Disclosure Schedule, there are no voting trusts, proxies or other agreements or understandings to which either of the Companies or the Stockholders is a party or is bound with respect to the voting of or restricting the sale of any shares of capital stock of either of the Companies. Each Stockholder has good, valid and marketable title to the SES Shares indicated as being owned by that Stockholder in Schedule A, free and clear of all pledges, liens, claims, charges, options, calls, encumbrances, restrictions, and assessments whatsoever.

Section 3.4. **Authority; Non-Contravention; Approvals.**

(a) SES has full corporate power and authority to execute and deliver this Agreement and to consummate the Transaction. This Agreement has been approved by the Board of Directors of SES, and no other corporate proceedings on the part of SES are necessary

to authorize the execution and delivery of this Agreement or the consummation by SES of the Transaction. This Agreement has been duly executed and delivered by SES and the Stockholders, and, assuming the due authorization, execution and delivery hereof by Buyer, constitutes a valid and legally binding agreement of SES and the Stockholders, enforceable against SES and the Stockholders in accordance with its terms, except that such enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (b) general equitable principles.

(b) The execution and delivery of this Agreement by SES and the Stockholders, and the consummation by SES and the Stockholders of the Transaction, do not and will not violate or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Companies under any of the terms, conditions or provisions of (i) the charter or bylaws of either of the Companies, (ii) to the knowledge of Stockholders and SES any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to either of the Companies or any of its properties or assets, or (iii) any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, or any agreement to which either Company is now a party or by which either of the Companies any of its properties or assets may be bound or affected.

Section 3.5. **Financial Statements.** SES has furnished Buyer with an audited consolidated balance sheet, income statement and statement of cash flow for Sooner for the fiscal year ended June 30, 2006, an unaudited consolidated balance sheet, income statement, and statement of cash flow for SES for the fiscal year ended June 30, 2006, and audited balance sheets, income statements, and statements of cash flow for the Companies for the year ended June 30, 2007, and an unaudited balance sheets, income statements, and statements of cash flow for the Companies for the one month period ended July 31, 2007, and if made available by SES to Buyer prior to Closing, for any period ending in August, 2007 (collectively, the "Financial Statements"). Richman hereby represents that (i) he has not provided any misleading information to the preparers of the audited Financial Statements that would cause them to be prepared other than in accordance with generally accepted accounting principles, consistently applied, and to fairly present the financial condition and result of operations of the Companies, and (ii) to his knowledge, the Financial Statements have been prepared in accordance with generally accepted accounting principles, consistently applied (except for the absence of footnote disclosures and for the absence of normal year-end audit adjustments which are not material in the aggregate). Bristow and Dyakowski hereby represents that, to their respective knowledge, the Financial Statements have been prepared in accordance with generally accepted accounting principles, consistently applied (except, in the unaudited statements, for the absence of footnote disclosures and for the absence of normal year-end audit adjustments which are not material in the aggregate), and fairly present the financial condition and result of operations of the Companies.

Section 3.6. **Absence of Undisclosed Liabilities.** Neither of the Companies are subject to any liabilities (whether absolute, accrued, contingent or otherwise) of any nature, except liabilities that are: (a) provided in the Financial Statements, or reflected in the notes thereto; or (b) undertaken in this Agreement

Section 3.7. **Absence of Certain Changes or Events.** Except as disclosed in the Section 3.7 Disclosure Schedule, since March 31, 2007, the business of the Companies has been conducted in the ordinary course of business consistent with past practices, and there has not been any event, occurrence, development or state of circumstances or facts which has had, or is reasonably anticipated to have, in the aggregate, a material adverse effect with respect to the business of the Companies.

Section 3.8. **Accounts Receivable.** The accounts receivable of Sooner are valid, genuine and subsisting, arise out of bona fide sales and delivery of goods, performance of services or other business transactions in the ordinary course of business, and are current and to the knowledge of the Stockholders and SES collectible.

Section 3.9. **Inventory.** The inventory (the "Inventory") reflected in the June 30, 2007, Financial Statements (the "June 30, 2007 Balance Sheet") consists of items that are usable and saleable in the ordinary course of business by Sooner. Except as disclosed in the Section 3.9 Disclosure Schedule, all items included in the Inventory are owned by the Company free and clear of any lien or encumbrance, and are not missing (except for sales made in the ordinary course of business since June 30, 2007) or obsolete, and are in good condition.

Section 3.10. **Tangible Assets.** The tangible personal property of the Companies reflected in the June 30, 2007 Balance Sheet (the "Tangible Personal Property") and the items of personal property indicated in the Section 3.10 Disclosure Schedule as being leased by the Companies (the "Leased Personal Property") constitute all of the tangible personal property used by the Companies for the conduct by the Companies of their business as now conducted. The Companies have good and indefeasible title to the Tangible Personal Property, free and clear of all mortgages, liens, pledges, charges, or encumbrance of any nature whatsoever except as set forth in the Section 3.10 Disclosure Schedule. The Tangible Personal Property and Leased Personal Property are in good condition subject only to normal maintenance requirements.

Section 3.11. Real Property.

(a) The Companies do not have any ownership interest of any kind in any real property except the real estate described as now owned by the Companies in the Section 3.11 Disclosure Schedule (the "Company Owned Real Estate"). None of the Company Owned Real Estate is subject to any leases, except as disclosed on the Section 3.11 Disclosure Schedule.

(b) The Companies do not lease or occupy any real estate not owned by the Companies other than the premises described as leased by the Companies in the Section 3.11 Disclosure Schedule (the "Company Leased Premises"). (The Company Owned Real Estate and the Company Leased Premises are referred to herein collectively as the "Company Facilities"). Except as disclosed in the Section 3.11 Disclosure Schedule, no consent of a landlord under any lease will be required in order for the leases applicable to the Company Leased Premises to remain in effect in accordance with their terms after the occurrence of the Transaction.

(c) The improvements included in the Company Facilities are in good condition (reasonable wear and tear excepted), and are adequate for the operation of the business of the Companies as presently conducted.

(d) To the knowledge of the Stockholders and SES the use by the Companies of Company Facilities in the normal conduct of their business does not violate any applicable building, zoning or other law, ordinance or regulation.

(e) The Companies have not experienced any material interruption in the delivery of adequate quantities of any utilities or other public services to Company Facilities required by the Companies in the normal operation of their business.

Section 3.12. **Intellectual Property.** The Section 3.12 Disclosure Schedule sets forth all patents, trademarks, service marks, trade names, copyrights, formulas, and other proprietary rights and processes (provided that formulas of the Companies are listed on such Disclosure Schedule by general description only) that are material to the business of the Companies (collectively referred to herein with the trade secrets of the Companies as the “Intellectual Property Rights”). The Companies have the right to use the Intellectual Property Rights freely and, except as indicated on the Section 3.12 Disclosure Schedule, own the Intellectual Property Rights, free of any lien, encumbrance, or existing or known claim. The Section 3.12 Disclosure Schedule describes any obligation of the Companies, or any other entity, to pay royalties or other compensation to third parties in exchange for the right to use the Intellectual Property Rights. The Companies have not assigned, hypothecated or otherwise encumbered any of the Intellectual Property Rights. The Companies may freely assign or transfer all licenses that they may have with third parties with respect to the Intellectual Property Rights. Except as indicated in the Section 3.12 Disclosure Schedule, the Stockholders and SES have no knowledge of any infringement of any of the Intellectual Property Rights, and neither Company has entered into any agreement to indemnify any party against any charge of infringement of any of the Intellectual Property Rights. The Companies have not been sued for infringing any intellectual property right of another person or entity. None of the Intellectual Property Rights or other know-how relating to the business of the Companies, whose value to the Companies are contingent upon maintenance of the confidentiality thereof, to the knowledge of the Stockholders and SES has been disclosed by either of the Companies or any of their agents to any person other than those persons who are bound to hold such information in confidence by operation of law. The Stockholders do not claim any ownership or other interest with respect to the Intellectual Property Rights.

Section 3.13. **Employee Benefits.** The Section 3.13 Disclosure Schedule contains a complete list of employee benefit or welfare plans of the Company. All such plans comply with applicable law, including but not limited to the Employee Retirement Income Security Act of 1974.

Section 3.14. **Litigation.** Except as described on the Section 3.14 Disclosure Schedule, there are no claims, suits, actions, or proceedings pending or, to the knowledge of Stockholders and SES, threatened against or relating to either of the Companies, before any court, governmental department, commission, agency, instrumentality or authority, or any arbitrator. Except as described in the Section 3.14 Disclosure Schedule, neither of the Companies are subject to any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality, authority, or any arbitrator.

Section 3.15. **No Violation of Law.** To the knowledge of the Stockholders and SES the Companies are not in violation of, do not have notice of, and have not been charged with, any violation of any law, statute, order, rule, regulation, ordinance or judgment (including, without limitation, any applicable environmental law) of any governmental or regulatory body or authority. To the knowledge of the Stockholders and SES no investigation or review by any governmental or regulatory body or authority is pending or threatened, nor has any governmental or regulatory body or authority indicated its intent to conduct the same. To the knowledge of the Stockholders and SES the Companies have all permits, including without limitation environmental permits, licenses, franchises, variances, exemptions, orders and other governmental authorizations, consents and approvals necessary to conduct their respective business as presently conducted (collectively, the “Company Permits”). To the knowledge of the Stockholders and SES the Companies are not in violation of the terms of any Company Permits and are not required to possess any other permit, license, franchise, variance, exemption, order or other governmental authorization, consent or approval.

Section 3.16. **Suppliers, Customers, and Distributors.** Since March 31, 2007, there has not been (a) any material adverse change in the business relationship of Sooner with any of the suppliers, customers, or distributors of Sooner; or (b) any change in any material term (including credit terms) of the agreements with any such person or entity.

Section 3.17. **Labor Matters.** Except as set forth in the Section 3.17 Disclosure Schedule: (a) there are no material controversies pending or, to the knowledge of Stockholders and SES, threatened between either of the Companies and any of their respective employees; (b) neither of the Companies are party to a collective bargaining agreement or other labor union contract applicable to persons employed by the Companies, nor do the Companies have any knowledge of any activities or proceedings of any labor union to organize any such employees; (c) the Companies are not party to any written agreement, memorandum, or understanding with respect to the employment of any individual; and (d) neither the Companies nor the Stockholders are aware of any intention of any employee to terminate his or her employment with the Companies, either as a result of the Transaction or otherwise.

Section 3.18. **Material Contracts.** The Section 3.18 Disclosure Schedule lists all material agreements, commitments, contracts, undertakings or understandings to which either Company is a party, including but not limited to service agreements, manufacturing agreements, purchase or sale agreements, supply agreements and distribution or distributor agreements, (the “Listed Agreements”). To the knowledge of the Stockholders and SES each Listed Agreement

is a valid, binding and enforceable agreement of the respective Company and, to the knowledge of SES and the Stockholders, the other parties thereto. To the knowledge of the Stockholders and SES there has not occurred any breach or default under any Listed Agreement on the part of the respective Company or, to the knowledge of SES or its Stockholders, any other parties thereto. To the knowledge of the Stockholders and SES no event has occurred which, with the giving of notice or the lapse of time, or both, would constitute a default under any Listed Agreement on the part of the respective Company, or, to the knowledge of SES or the Stockholders, any of the other parties thereto. To the knowledge of the Stockholders and SES there is no dispute between the parties to any Listed Agreement as to the interpretation thereof, or as to whether any party is in breach or default thereunder, and no party to any Listed Agreement has indicated its intention to, or suggested it may evaluate whether to, terminate any Listed Agreement.

Section 3.19. **Environmental Matters.**

(a) Except as set forth in the Section 3.19 Disclosure Schedule:

(i) no notice, demand, request for information, citation, summons or order has been received by, no complaint has been served upon, no penalty has been assessed against, and to the knowledge of the Stockholders and SES no investigation, action, claim, suit, proceeding or review is pending or, to the knowledge of SES or the Stockholders, is threatened by any governmental entity or other person against the Companies, or any predecessors of a Company, relating to or arising out of any Environmental Laws (as hereinafter defined);

(ii) each Company is and has been in material compliance with all Environmental Laws and Environmental Permits (as hereinafter defined); and

(iii) neither of the Companies has entered into any obligation, liability, order, settlement, judgment, injunction or decree involving uncompleted, outstanding or unresolved requirements relating to or arising under Environmental Laws and, to the knowledge of SES or the Stockholders, there are no facts, conditions, situations or set of circumstances that could reasonably be expected to result in, or be the basis for, any such obligation.

(b) For purposes of this Agreement: (i) “Environmental Laws” mean any and all laws, statutes, ordinances, rules, regulations, orders or determinations of any Governmental Authority (as hereinafter defined) relating to the protection of the environment or protection of human health from exposure to hazardous materials that is currently in effect in any jurisdiction in which the Companies own property, conduct business, or could otherwise for any reason be subject to liability or prevailing law, including without limitation, the Clean Air Act, as amended; the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980, as amended; the Federal Water Pollution Control Act, as amended; the Occupational Safety and Health Act of 1970, as amended; the Resource Conservation and Recovery Act of 1976, as amended; the Safe Drinking Water Act, as amended; the Toxic Substances Control Act, as amended; the Superfund Amendments and Reauthorization Act of 1986, as amended; or the Hazardous Materials Transportation Act, as amended; (ii) “Governmental Authority” includes

the United States of America and any other jurisdiction or state, county, city or political subdivision in which the Company owns property, conducts business, or could otherwise for any reason be subject to liability or prevailing law, and any agency, department, commission, board, bureau or instrumentality of any of them that exercises jurisdiction over the Companies pursuant to Environmental Laws; and (iii) “Environmental Permits” mean all permits, licenses, certificates, registrations, identification numbers, applications, consents, approvals, variances, notices of intent, and exemptions necessary for the ownership, use and/or operation of any facility or operation of the Companies to comply with any requirements of Environmental Laws.

Section 3.20. **FIRPTA.** Neither of the Companies are real-property holding corporations for purposes of Section 897 of the Internal Revenue Code of 1986.

Section 3.21. **Disclosure.** No representation or warranty of SES or Stockholders set forth hereunder or in any certificate delivered pursuant to Section 6.2(a) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

Section 3.22. **Stockholders.** Notwithstanding any other provision of the Agreement to the contrary, any representation, warranty, covenant or agreement of a Stockholder is made by the individual Stockholder and not jointly with the other Stockholders, and a breach, misrepresentation or omission by a Stockholder relating to this Agreement, any Schedule or the Transaction shall not constitute a breach, misrepresentation or omission by the other Stockholders.

ARTICLE IV CONDUCT OF BUSINESS PENDING THE CLOSING

Section 4.1. **Conduct of Business of the Companies.** From the date of this Agreement until the Closing, the Companies shall operate their business in, and only in, the ordinary course of business in substantially the same manner as operated on the date of this Agreement. Specifically, but not by way of limitation, except as described in the Section 4.1 Disclosure Schedule, the Companies shall not, except for the payment of bonuses described in the Section 4.1 Disclosure Schedule, increase the compensation of any employees. The Stockholders will assure that the Companies comply with the requirements of this Section.

Section 4.2. **Business Organization.** Prior to the Closing, SES and the Stockholders shall use their best efforts to: (a) preserve intact the business organization of the Companies; (b) keep available the services of the officers and employees of the Companies; (c) preserve the good will of the Companies; (d) maintain and keep the properties and assets of the Companies in as good repair and condition as presently exists; and (e) maintain in full force and effect any insurance coverage of the Companies.

**ARTICLE V
ADDITIONAL AGREEMENTS**

Section 5.1. **Cooperation.** SES and the Stockholders shall afford to Buyer and its accountants, counsel, financial advisors and other representatives reasonable access during normal business hours throughout the period prior to and including the Closing to all of the properties, books, and records of the Companies (including, but not limited to, tax returns and any and all records or documents which are within the possession of governmental or regulatory authorities, agencies or bodies, and the disclosure of which the Companies or their Stockholders can facilitate or control). Any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of the Companies or with the performance of any of the employees of the Companies.

Section 5.2. **Further Assurances.** SES and the Stockholders shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered to Buyer at and after Closing such assignments or other instruments of transfer, assignment and conveyance, in form and substance reasonably satisfactory to counsels of Buyer and the Stockholders, as shall be necessary to vest in Buyer all of the right, title and interest in and to the SES Shares, free and clear of all liens, charges, encumbrances, rights of others, mortgages, pledges or security interests, and any other document reasonably requested by Buyer in connection with this Agreement.

Section 5.3. **Expenses and Fees.** Subject to Section 8.3, all costs and expenses incurred in connection with this Agreement and the Transaction by Buyer shall be paid by Buyer. All costs and expenses incurred in connection with this Agreement and the Transaction by Stockholders and SES shall be paid by Sooner; provided, however, that such fees and expenses shall be considered a charge against Working Capital for purposes of Section 1.2.

Section 5.4 **Payment of Loans.** At the Closing, Buyer shall pay the balance of the Line, the Real Estate Loans, and the Stockholder Loans. The payment of these amounts pursuant to this Section shall not impact the effect of the balance of such loans on the Purchase Price as provided pursuant to Section 1.2

**ARTICLE VI
CONDITIONS TO CLOSING**

Section 6.1. **Conditions to Obligation of the Stockholders and SES to Effect the Transaction.** Unless waived by the Stockholders and SES the obligation of the Stockholders and SES to effect the Transaction shall be subject to the fulfillment on or prior to the Closing Date of the following additional conditions:

- (a) Buyer shall have performed in all material respects (or in all respects in the case of any agreement containing any materiality qualification) its agreements contained in this Agreement required to be performed on or prior to the Closing Date and the representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects

(or in all respects in the case of any representation or warranty containing any materiality qualification) on and as of the date made and on and as of the Closing Date as if made at and as of such date, and SES and Stockholders shall have received a certificate executed on behalf of Buyer by the President or a Vice President of Buyer to that effect.

(b) Buyer shall have executed the Disclosure Schedules.

Section 6.2. **Conditions to Obligations of Buyer to Effect the Transaction.** Unless waived by Buyer, the obligations of Buyer to effect the Transaction shall be subject to the fulfillment on or prior to the Closing Date of the following additional conditions:

(a) SES and the Stockholders shall have performed in all material respects (or in all respects in the case of any agreement containing any materiality qualification) their agreements contained in this Agreement required to be performed on or prior to the Closing Date and the representations and warranties of SES and the Stockholders contained in this Agreement shall be true and correct in all material respects (or in all respects in the case of any representation or warranty containing any materiality qualification) on and as of the date made and on and as of the Closing Date as if made at and as of such date;

(b) Since March 31, 2007, there shall have been no changes that constitute, and no event or events shall have occurred which have resulted in or constitute, a material adverse effect or a material adverse change with respect to the business or results of operation of the Companies;

(c) The Stockholders shall have entered into Noncompete Agreements; and

(d) SES shall have executed and delivered the Disclosure Schedules.

ARTICLE VII INDEMNIFICATION

Section 7.1. **Indemnification of Buyer.** Subject to the limitations of Section 3.22, each Stockholder severally agrees to indemnify Buyer and hold Buyer harmless from and against, any and all claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities, judgments and expenses (including, without limitation, reasonable attorneys' fees) ("Indemnified Amounts") incurred by the Buyer as a result of: (a) any error, inaccuracy, breach or misrepresentation in any of the representations and warranties made by or on behalf of SES or such Stockholder in this Agreement; (b) any violation or breach by SES or such Stockholders of or default by SES or such Stockholder under the terms of this Agreement; or (c) relating to or arising from the operation of the Companies prior to the Effective Date.

Section 7.2. **Indemnification of Stockholders.** Buyer agrees to indemnify each of the Stockholders against, and hold each of them harmless from and against, any and all Indemnified Amounts incurred by a Stockholder as a result of: (a) any error, inaccuracy, breach or misrepresentation in any of the representations and warranties made by or on behalf of Buyer in

this Agreement; (b) any violation or breach by Buyer of or default by Buyer under the terms of this Agreement; or (iii) relating to or arising from the operation of the Companies subsequent to the Effective Date.

Section 7.3. **Procedure.** The defense of any claim, action, suit, proceeding or investigation subject to indemnification under this Article VII shall be conducted by the indemnifying party. If the indemnifying party fails to conduct such defense, the indemnified party may retain counsel of such indemnified party's own choosing, and the indemnifying party shall pay all reasonable fees and expenses of such counsel for the indemnified party promptly as statements therefor are received. The party not conducting the defense will use reasonable efforts to assist in the vigorous defense of any such matter, provided that such party shall not be liable for any settlement of any claim reached without its written consent, which consent shall not be unreasonably withheld. Any indemnified party wishing to claim indemnification under this Article VII, upon learning of any such claim, action, suit, proceeding or investigation, shall notify the indemnifying party (but the failure so to notify a party shall not relieve such party from any liability which it may have under this Article VII except to the extent such failure materially prejudices such party). If the indemnifying party is responsible for the attorneys' fees of more than one indemnified party, then the indemnified parties as a group may retain only one law firm to represent them with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any issue between the positions of any two or more indemnified parties.

ARTICLE VIII MISCELLANEOUS

Section 8.1. **Termination.** This Agreement may be terminated at any time prior to the Closing, as follows:

(a) The Stockholders shall have the right to terminate this Agreement:

(i) if the representations and warranties of Buyer fail to be true and correct in all material respects (or in all respects in the case of any representation or warranty containing any materiality qualification) on and as of the date made and as of the Closing Date and such failure shall not have been cured in all material respects (or in all respects in the case of any representation or warranty containing any materiality qualification) within 30 days after written notice of such failure is given to Buyer by the Stockholders;

(ii) if the Transaction is not completed by August 31, 2007 (provided that the right to terminate this Agreement under this Section 8.1(a)(ii) shall not be available to the Stockholders if the failure of the SES or the Stockholders to fulfill any obligation to Buyer under or in connection with this Agreement is the cause of or resulted in the failure of the Transaction to occur on or before such date);

(iii) if Buyer (A) fails to perform in any respects any of Buyer's covenants in this Agreement, and (B) does not cure such default in all material respects (or in all respects in the case of any covenant containing any materiality qualification) within 30 days after written notice of such default is given to Buyer by the Stockholders.

(b) Buyer shall have the right to terminate this Agreement:

(i) if the representations and warranties of SES or the Stockholders fail to be true and correct in all material respects (or in all respects in the case of any representation or warranty containing any materiality qualification) on and as of the date made and as of the Closing Date and such failure shall not have been cured in all material respects (or in all respects in the case of any representation or warranty containing any materiality qualification) within 30 days after written notice of such failure is given to Stockholders by Buyer;

(ii) if the Transaction is not completed by August 31, 2007 (provided that the right to terminate this Agreement under this Section 8.1(b)(ii) shall not be available to Buyer if the failure of Buyer to fulfill any obligation to SES or the Stockholders under or in connection with this Agreement has been the cause of or resulted in the failure of the Transaction to occur on or before such date); or

(iii) if SES or the Stockholders (A) fail to perform in any material respect (or in all respects in the case of any covenant containing any materiality qualification) any of SES's or Stockholders' covenants in this Agreement and (B) do not cure such default in all material respects (or in all respects in the case of any covenant containing any materiality qualification) within 30 days after notice of such default is given to the Stockholders by Buyer.

Section 8.2. **Effect of Termination.** In the event of termination of this Agreement by either Buyer or the Stockholders pursuant to the provisions of Section 8.1, this Agreement shall forthwith become void, and there shall be no further obligations on the part of SES, Stockholders or Buyer or their respective officers or directors (except as set forth in this Section 8.2 and in Sections 5.3, 8.3, 8.9, 8.10 and 8.15, all of which shall survive the termination). Nothing in this Section 8.2 shall relieve any party from liability for any breach of this Agreement.

Section 8.3. **Remedies.** If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and all costs incurred in that action or proceeding in addition to any other relief to which it may be entitled at law or equity.

Section 8.4. **Notices.** All notices, consents, demands or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed sufficiently given: (i) when delivered personally during a business day to the appropriate location described below or telefaxed to the telefax number indicated below; or (ii) five (5) business days after the posting thereof by United States first class, registered or certified mail, return receipt requested, with postage fee prepaid and addressed:

If to Buyer: 7030 Empire Central Drive
Houston, Texas 77040
Telefax No. (713) 466-8386

With a copy to: Casey W. Doherty
Doherty & Doherty LLP
1717 St. James Place, Suite 520
Houston, Texas 77056
Telefax No. (713) 572-1001

If to SES (before closing)
or the Stockholders: Owen Richman
#10-4751 Shell Road
Richmond, BC
Canada V6X3H4
Telefax No. (604) 273-1982

With a copy to: James E. Britton
Mulinix Ogden Hall Andrews & Ludlam
210 West Park Avenue
3030 First Oklahoma Tower
Oklahoma City, Oklahoma 73102
Telefax No. 405-232-8999.

Section 8.5. **Successors.** This Agreement shall be binding upon each of the parties upon their execution, and inure to the benefit of the parties hereto and their successors and assigns.

Section 8.6. **Severability.** In the event that any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement.

Section 8.7. **Section Headings.** The section headings used herein are descriptive only and shall have no legal force or effect whatsoever. Except to the extent the context specifically indicates otherwise, all references to articles, schedules, exhibits and sections refer to articles schedules, exhibits and sections of this Agreement.

Section 8.8. **Gender.** Whenever the context so requires, the reference to a gender shall include all other gender and the singular shall include the plural and conversely.

Section 8.9. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, U.S.A., applicable to agreements and contracts executed and to be wholly performed there, without giving effect to the conflicts of law principles thereof. The parties hereto agree that the Transaction has a reasonable relation to the State of Texas because the corporate headquarters of Buyer is located in Texas.

Section 8.10. **Multiple Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original.

Section 8.11. **Waiver.** Any waiver by either party must be in writing to be enforceable, and no waiver by either party shall constitute a continuing waiver.

Section 8.12. **Entire Agreement.** This Agreement and the other agreements referred to herein set forth the entire understanding of the parties hereto relating to the subject matter hereof and thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof and thereof.

Section 8.13. **References.** References in this Agreement to Articles, Sections, Schedules and Exhibits shall be deemed references to Articles, Sections, Schedules, and Exhibits to this Agreement unless the context clearly indicates otherwise.

Section 8.14. **Representative.** Owen Richman is hereby appointed by the Stockholders as their exclusive representative for purposes of giving and receiving notice pursuant to this Agreement.

Section 8.15 **Confidentiality.** Any non-public information furnished by the Companies and/or Stockholders to Buyer, its officers, directors, employees, attorneys, accountants, agents or representatives, with respect to the Companies and/or Stockholders or obtained by the Buyer or any of its officers, directors, employees, attorneys, accountants, agents or representatives in connection with this Agreement, the Transaction and the Letter of Intent between Flotek Industries, Inc., and Owen Richman and SES, including the Disclosure Schedules shall be considered "Confidential Material." Confidential Material shall not include public information or non-public information obtained by Buyer or its representatives on a non-confidential basis from another source. In the event that the Transaction is not Closed or consummated Buyer shall cause all persons and entities in possession of Confidential Material to promptly return all written and electronic Confidential Material and copies thereof furnished to it by the party originally providing the Confidential Material. Except as otherwise required by law, the Buyer, its officers, directors, employees, attorneys, accountants, agents and representatives, shall keep the Confidential Material confidential, not use the Confidential Material for any purpose other than to the extent contemplated by this Agreement, or permit any such Confidential Material to be made available to third parties other than Buyer's designated representatives or agents whom the Buyer shall direct to maintain the Confidential Material confidential. Confidential Material may be disclosed to the extent required in the course of inspections or inquiries by any federal or state regulatory agency to whose jurisdiction the parties are subject and that have the legal right to inspect the files that contain the Confidential Material. The obligations of the Buyer and its officers, directors, employees, attorneys, accountants, agents and representatives under the provisions of this Section 8.15 shall expire upon the earlier of the Closing or five (5) years after the date of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first set forth above.

Stockholders:

/s/ Owen Richman
Owen Richman

/s/ Antony Dyakowski
Antony Dyakowski

/s/ Gwen Bristow
Gwen Bristow

SES:

SES Holdings, Inc.

By: /s/ Owen Richman
Owen Richman, President

BUYER:

Flotek Industries, Inc.

/s/ Lisa Meier

By: Lisa Meier
its Chief Financial Officer

**SCHEDULE A
TO
STOCK PURCHASE AGREEMENT**

The Stockholders own the following percentage of SES Stock:

| <u>Stockholder</u> | <u>Percentage</u> |
|--------------------|-------------------|
| Owen Richman | 54.5 |
| Antony Dyakowski | 33.5 |
| Gwen Bristow | 12.0 |
| Total | <u>100.0</u> |

Exhibit 31.1

CERTIFICATION

I, Jerry D. Dumas, Sr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2007 of Flotek Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2007

/s/ Jerry D. Dumas, Sr.
Jerry D. Dumas, Sr.
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Lisa G. Meier., certify that:

6. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2007 of Flotek Industries, Inc.;
7. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
8. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
9. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
10. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2007

/s/ Lisa G. Meier

Lisa G. Meier

Chief Financial Officer

Exhibit 32.1

**Certification of the Chief Executive Officer and of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Flotek Industries, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof ("the Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 9, 2007

/s/ Jerry D. Dumas, Sr.

Jerry D. Dumas, Sr.
Chief Executive Officer,

November 9, 2007

/s/ Lisa G. Meier

Lisa G. Meier
Chief Financial Officer