
**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, 2008

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 No. 1-2960

Newpark Resources, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

72-1123385
(I.R.S. Employer
Identification No.)

2700 Research Forest Drive, Suite 100
The Woodlands, Texas
(Address of principal executive offices)

77381
(Zip Code)

(281) 362-6800
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 22, 2008, a total of 88,446,522 shares of common stock, \$0.01 par value per share, were outstanding.

NEWPARK RESOURCES, INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2008

Item Number	Description	Page Number
	<u>PART I-FINANCIAL INFORMATION</u>	
<u>1</u>	<u>Financial Statements:</u>	
	<u>Condensed Consolidated Balance Sheets as of September 30, 2008 (Unaudited) and December 31, 2007</u>	3
	<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2008 and 2007 (Unaudited)</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2008 and 2007 (Unaudited)</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2008 and 2007 (Unaudited)</u>	6
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
<u>2</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>4</u>	<u>Controls and Procedures</u>	26
	<u>PART II-OTHER INFORMATION</u>	
<u>1</u>	<u>Legal Proceedings</u>	26
<u>1A</u>	<u>Risk Factors</u>	26
<u>2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>3</u>	<u>Defaults Upon Senior Securities</u>	27
<u>4</u>	<u>Submission of Matters to a Vote of Security Holders</u>	27
<u>5</u>	<u>Other Information</u>	27
<u>6</u>	<u>Exhibits</u>	28
	<u>Signatures</u>	29
	<u>Exhibit 10.1</u>	
	<u>Exhibit 10.2</u>	
	<u>Exhibit 31.1</u>	
	<u>Exhibit 31.2</u>	
	<u>Exhibit 32.1</u>	
	<u>Exhibit 32.2</u>	

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. We also may provide oral or written forward-looking statements in other materials we release to the public. The words “anticipates,” “believes,” “estimates,” “expects,” “plans,” “intends,” and similar expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management; however, various risks, uncertainties and contingencies, including the risks identified in Item 1A, “Risk Factors,” in Part I of our Annual Report on Form 10-K for the year ended December 31, 2007, and those set forth from time to time in our filings with the Securities and Exchange Commission, could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, these statements, including the success or failure of our efforts to implement our business strategy.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-Q might not occur.

For further information regarding these and other factors, risks and uncertainties affecting us, we refer you to the risk factors set forth in Part I of our Annual Report on Form 10-K for the year ended December 31, 2007.

PART I FINANCIAL INFORMATION**ITEM 1. Financial Statements****Newpark Resources, Inc.****Condensed Consolidated Balance Sheets**

(In thousands, except share data)	September 30, 2008	December 31, 2007
	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 10,888	\$ 5,741
Receivables, net	186,628	141,949
Inventories	121,226	120,202
Deferred tax asset	23,359	28,439
Prepaid expenses and other current assets	13,586	12,131
Assets of discontinued operations	80,556	86,628
Total current assets	<u>436,243</u>	<u>395,090</u>
Property, plant and equipment, net	165,183	159,094
Goodwill	61,913	62,616
Deferred tax asset, net	383	408
Other intangible assets, net	16,425	18,474
Other assets	4,471	6,097
Total assets	<u>\$ 684,618</u>	<u>\$ 641,779</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Foreign bank lines of credit	\$ 9,234	\$ 7,297
Current maturities of long-term debt	10,397	11,565
Accounts payable	71,269	62,505
Accrued liabilities	31,787	20,367
Liabilities of discontinued operations	14,022	10,456
Total current liabilities	<u>136,709</u>	<u>112,190</u>
Long-term debt, less current portion	153,635	158,616
Deferred tax liability	10,977	5,923
Other noncurrent liabilities	3,697	4,386
Total liabilities	<u>305,018</u>	<u>281,115</u>
Common Stock, \$0.01 par value, 100,000,000 shares authorized 91,064,717 and 90,215,715 shares issued, respectively	910	902
Paid-in capital	455,856	450,319
Accumulated other comprehensive income	10,701	13,988
Retained deficit	(72,774)	(104,545)
Less treasury stock, at cost; 2,618,195 shares	(15,093)	—
Total stockholders' equity	<u>379,600</u>	<u>360,664</u>
Total Liabilities and Stockholders' Equity	<u>\$ 684,618</u>	<u>\$ 641,779</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

[Table of Contents](#)

Newpark Resources, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues	\$ 211,568	\$ 153,778	\$ 584,067	\$ 453,024
Cost of revenues	184,836	133,756	515,656	393,176
	26,732	20,022	68,411	59,848
General and administrative expenses	6,816	4,567	16,593	17,833
Operating income	19,916	15,455	51,818	42,015
Foreign currency exchange loss (gain)	36	(57)	133	(279)
Interest expense, net	2,499	3,950	8,375	12,182
Income from continuing operations before income taxes	17,381	11,562	43,310	30,112
Provision for income taxes	5,714	3,950	14,301	10,586
Income from continuing operations	11,667	7,612	29,009	19,526
(Loss) income from discontinued operations, net of tax	(1,249)	(229)	2,762	2,563
Loss from disposal of discontinued operations, net of tax	—	—	—	(2,173)
Net income	\$ 10,418	\$ 7,383	\$ 31,771	\$ 19,916
Basic weighted average common shares outstanding	88,682	90,085	89,227	89,965
Diluted weighted average common shares outstanding	89,109	90,542	89,569	90,503
Income per common share-basic:				
Income from continuing operations	\$ 0.13	\$ 0.08	\$ 0.33	\$ 0.22
(Loss) income from discontinued operations	(0.01)	—	0.03	—
Net income per common share	\$ 0.12	\$ 0.08	\$ 0.36	\$ 0.22
Income per common share-diluted:				
Income from continuing operations	\$ 0.13	\$ 0.08	\$ 0.32	\$ 0.22
(Loss) income from discontinued operations	(0.01)	—	0.03	—
Net income per common share	\$ 0.12	\$ 0.08	\$ 0.35	\$ 0.22

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

[Table of Contents](#)

Newpark Resources, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income	\$ 10,418	\$ 7,383	\$ 31,771	\$ 19,916
Changes in interest rate swap and cap, net of tax	(117)	84	(74)	(88)
Foreign currency translation adjustments	(6,172)	2,255	(3,213)	6,431
Comprehensive income	<u>\$ 4,129</u>	<u>\$ 9,722</u>	<u>\$ 28,484</u>	<u>\$ 26,259</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

[Table of Contents](#)

Newpark Resources, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 31,771	\$ 19,916
Adjustments to reconcile net income to net cash provided by operations:		
Net income from discontinued operations	(2,762)	(2,563)
Net loss on disposal of discontinued operations	—	2,173
Depreciation and amortization	18,283	14,835
Stock-based compensation expense	4,034	2,270
Provision for deferred income taxes	10,130	8,385
Provision for doubtful accounts	1,752	530
(Gain) loss on sale of assets	(345)	193
Change in assets and liabilities:		
(Increase) decrease in receivables	(49,170)	3,872
Increase in inventories	(7,038)	(1,340)
Increase in other assets	(3,871)	(3,994)
Increase in accounts payable	9,635	7,606
Increase (decrease) in accrued liabilities and other	10,901	(4,099)
Net operating activities of continuing operations	23,320	47,784
Net operating activities of discontinued operations	13,899	15,018
Net cash provided by operating activities	37,219	62,802
Cash flows from investing activities:		
Capital expenditures	(16,621)	(13,227)
Proceeds from sale of property, plant and equipment	522	888
Business acquisitions	—	(21,919)
Net investing activities of continuing operations	(16,099)	(34,258)
Net investing activities of discontinued operations	(551)	153
Net cash used in investing activities	(16,650)	(34,105)
Cash flows from financing activities:		
Net payments on lines of credit	(1,625)	(15,766)
Principal payments on notes payable and long-term debt	(2,116)	(20,806)
Proceeds from exercise of stock options and ESPP	1,897	2,016
Purchase of treasury stock	(15,093)	—
Net financing activities of continuing operations	(16,937)	(34,556)
Net financing activities of discontinued operations	(63)	(45)
Net cash used in financing activities	(17,000)	(34,601)
Effect of exchange rate changes	1,578	580
Net increase (decrease) in cash and cash equivalents	5,147	(5,324)
Cash and cash equivalents at beginning of year	5,741	12,736
Cash and cash equivalents at end of year	<u>\$ 10,888</u>	<u>\$ 7,412</u>
Cash paid for:		
Income taxes (net of refunds)	\$ 5,348	\$ 4,686
Interest	\$ 7,943	\$ 12,486

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

NEWPARK RESOURCES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Newpark Resources, Inc. and our wholly-owned subsidiaries, which we refer to as “we,” “our” or “us,” have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for the entire year.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of September 30, 2008, the results of our operations for the three and nine months ended September 30, 2008 and 2007, and our cash flows for the nine months ended September 30, 2008 and 2007. All adjustments are of a normal recurring nature. Our balance sheet at December 31, 2007 has been derived from the audited financial statements at that date.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For further information, see Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2007.

In March 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133” (“SFAS 161”). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”), and its related interpretations, and (3) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008.

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurements” (“SFAS 157”). This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. SFAS 157 introduces a fair value hierarchy (levels 1 through 3) to prioritize inputs to fair value and classifies the measurements for disclosure purposes. This pronouncement applies whenever other accounting standards require or permit assets or liabilities to be measured at fair value. Accordingly, this statement does not require any new fair value measurements. SFAS 157 was effective for our 2008 fiscal year and interim periods within the 2008 fiscal year. The adoption of SFAS 157 did not have a material effect on our consolidated financial position or results of operations.

- In January 2008, we entered into interest rate swap agreements to effectively fix the underlying LIBOR rate on our borrowings under our \$50.0 million term loan. These swap agreements are valued based upon level 2 fair value criteria under the guidelines of SFAS 157, where the fair value of these instruments is determined using other observable inputs-including quoted prices for similar assets/liabilities and market corroborated inputs as well as quoted prices in inactive markets. The fair value of the interest rate swap arrangements was a \$0.1 million liability, net of tax as of September 30, 2008.

- The FASB provided a one year deferral of the adoption of SFAS No. 157 for certain non-financial assets and liabilities. We elected to defer the adoption of the standard for these non-financial assets and liabilities, and are currently evaluating the impact, if any, that the deferred provisions of the standard will have on our financial statements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115” (“SFAS 159”). This statement provides companies with an option to measure, at specified election dates, many financial instruments and certain other items at fair value that are not currently measured at fair value. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 was effective for our 2008 fiscal year and interim periods within the 2008 fiscal year. The adoption of SFAS 159 did not have a material effect on our consolidated financial position or results of operations as we elected not to adopt fair value accounting on applicable financial assets and liabilities.

In December 2007, the FASB issued SFAS No. 141(R) (revised 2007), “Business Combinations”, (“SFAS 141(R)”) which provides revised guidance on the accounting for acquisitions of businesses. This standard changes the current guidance, requiring that all acquired assets, liabilities, minority interest and certain contingencies be measured at fair value, and certain other acquisition-related costs be expensed rather than capitalized. SFAS 141(R) will apply to acquisitions that are effective after December 31, 2008, and application of the standard to acquisitions prior to that date is not permitted.

Note 2 — Discontinued Operations

Following a comprehensive review of all of our businesses in 2007, we decided to explore strategic alternatives with regards to our Environmental Services business, which was historically reported as a third reportable segment. We initiated a sale process for this business and entered into an agreement in October 2007 to sell the U.S. Environmental Services business to Trinity TLM Acquisitions, LLC (“Trinity”) for \$81.5 million in cash and potentially an additional \$8 million which could be earned under a five-year earn out provision. In April 2008, this agreement was terminated as a result of Trinity’s inability to secure acceptable financing to complete the transaction and we entered into a new agreement with CCS Inc. to sell the U.S. Environmental Services business for \$85 million in cash, subject to adjustment as provided in the agreement. The termination agreement with Trinity includes provisions for the payment of a \$2.5 million transaction fee to Trinity in certain circumstances. On October 23, 2008, the Federal Trade Commission (“FTC”) filed suit in the United States District Court for the Southern District of Texas seeking a Temporary Restraining Order and Preliminary Injunction to prevent us and CCS from concluding the previously announced sale of our environmental services business. The FTC alleges that the proposed combination of CCS and our environmental services business would have an anti-competitive impact on the alleged markets. We disagree with the FTC’s position at this time and intend to oppose the FTC’s request to obtain a preliminary injunction preventing consummation of the proposed transaction. Simultaneous with the filing of the lawsuit in the Southern District of Texas, the FTC also filed an Administrative Complaint and has scheduled hearings before an Administrative Law Judge for January of 2009. If a preliminary injunction preventing consummation is granted and not overturned on appeal, we would expect to terminate the agreement with CCS for the sale of our environmental business and not go forward with the administrative hearings. If a preliminary injunction is finally denied, the Commission has the opportunity to withdraw its administrative complaint.

[Table of Contents](#)

Discontinued operations includes all of the assets, liabilities and results of operations of the former Environmental Services segment, including the U.S. business described above, along with the Canadian operations, which were exited in the third quarter of 2007. Also, discontinued operations includes the results of a sawmill facility sold in August 2007 and the continued shut-down costs associated with the Newpark Environmental Water Solutions business ("NEWS"), which was exited in 2006.

Summarized results of operations from discontinued operations are as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues	\$ 14,628	\$ 17,080	\$ 47,411	\$ 60,468
(Loss) income from discontinued operations before income taxes	(2,015)	(431)	4,336	4,830
(Loss) Income from discontinued operations, net of tax	(1,249)	(229)	2,762	2,563
Loss from disposal of discontinued operations, before income taxes	—	—	—	(4,095)
Loss from disposal of discontinued operations, net of tax	—	—	—	(2,173)

Assets and liabilities of discontinued operations are as follows:

(In thousands)	September 30, 2008	December 31, 2007
Receivables, net	\$ 10,729	\$ 10,599
Inventories	116	341
Other current assets	370	1,002
Property, plant and equipment	65,552	70,873
Other assets	3,789	3,813
Assets of discontinued operations	<u>\$ 80,556</u>	<u>\$ 86,628</u>
Accounts payable	\$ 7,064	\$ 6,165
Other accrued liabilities	2,541	1,587
Deferred tax liability	4,417	2,704
Liabilities of discontinued operations	<u>\$ 14,022</u>	<u>\$ 10,456</u>

In the third quarter of 2008, \$1.7 million in property, plant and equipment previously classified as discontinued operations was reclassified to continuing operations as we have implemented a plan to utilize these assets in on-going operations.

Note 3 — Acquisitions

In August 2007, we completed the acquisition of substantially all of the assets and operations of SEM Construction Company, headquartered in Grand Junction, Colorado (the “Colorado business”). The Colorado business is a full-service well site construction business engaged in construction, reclamation, maintenance, and general rig work for the oil and gas industry at drilling locations throughout Western Colorado. The financial results of this business are reported within the Mats and Integrated Services segment.

Total cash consideration paid was \$21.3 million which was funded by borrowing on our revolving credit facility. The following table summarizes the estimated fair value of the assets acquired at the date of acquisition:

(In thousands)	
Receivables, net	\$ 2,093
Property, plant and equipment	4,800
Goodwill	4,576
Employment and non-compete agreements (4.5 year life)	1,914
Customer relationships (10.6 year life)	8,294
Total	<u>\$ 21,677</u>

The Colorado business recorded revenues of \$4.3 million and \$10.2 million, and an operating income (loss) of \$0.4 million and (\$0.3) million during the three and nine months ended September 30, 2008, respectively, which included depreciation and amortization expense attributable to acquired assets of \$0.6 million and \$2.1 million during these respective periods.

We review goodwill and other intangible assets annually or as events or circumstances indicate that the carrying amount may not be recoverable. Should the review indicate that the carrying value is not fully recoverable, the amount of impairment loss is determined by comparing the carrying value to the fair value, which is estimated based on a combination of market multiple and discounted cash flow analysis.

Note 4 — Earnings per Share

The following table presents the reconciliation of the numerator and denominator for calculating income per share:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income	<u>\$ 10,418</u>	<u>\$ 7,383</u>	<u>\$ 31,771</u>	<u>\$ 19,916</u>
Weighted average number of common shares outstanding	88,682	90,085	89,227	89,965
Add: Net effect of dilutive restricted stock, stock options and warrants	<u>427</u>	<u>457</u>	<u>342</u>	<u>538</u>
Adjusted weighted average number of common shares outstanding	<u>89,109</u>	<u>90,542</u>	<u>89,569</u>	<u>90,503</u>

For the three and nine months ended September 30, 2008, we had dilutive stock options and restricted stock of approximately 1.6 million shares and 1.4 million shares, respectively. For the three and nine months ended September 30, 2007, we had dilutive stock options and restricted stock of approximately 0.9 million shares and 1.2 million shares, respectively. The resulting net effects of stock options and restricted stock were used in calculating diluted income per share for these periods.

[Table of Contents](#)

Options and warrants to purchase a total of approximately 4.0 million shares and 4.1 million shares, of common stock were outstanding during the three and nine months ended September 30, 2008, respectively, but were not included in the computation of diluted income per share because they were anti-dilutive. Options and warrants to purchase a total of approximately 4.7 million shares and 3.9 million shares, of common stock were outstanding during the three and nine months ended September 30, 2007, respectively, but were not included in the computation of diluted income per share because they were anti-dilutive.

On June 1, 2000, we completed the sale of 120,000 shares of Series B Convertible Preferred Stock, \$0.01 par value per share (the "Series B Preferred Stock"), and a warrant (the "Series B Warrant") to purchase up to 1,900,000 shares of our common stock at an exercise price of \$10.075 per share, subject to anti-dilution adjustments. Prior to 2006, all outstanding shares of the Series B Preferred Stock were converted to common stock. The Series B Warrant was originally issued with a seven year life, expiring June 1, 2007. This warrant contains certain registration provisions, which, if not met, reduce the exercise price of the warrants by 2.5%, for each year we are not in compliance with the registration requirements and extend the term of the warrant. As of September 30, 2008, the Series B Warrant, as adjusted for certain anti-dilution provisions, remains outstanding and provides for the right to purchase up to 2,094,235 shares of our common stock at an exercise price of \$9.14. We are currently not in compliance with the registration provisions and expect to establish an effective registration of this warrant by the end of 2008. Upon completion of the registration, the remaining life of the warrant will be approximately 28 months.

Note 5 — Treasury Stock

In February 2008, our Board of Directors approved a plan authorizing the repurchase of up to \$25.0 million of our outstanding shares of common stock. As of September 30, 2008, we had repurchased 2,618,195 shares for an aggregate price of approximately \$15.1 million. Of these repurchases, 732,195 were repurchased in the third quarter of 2008 for an aggregate price of \$5.1 million. All of the shares repurchased are held as treasury stock. We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock.

Note 6 — Receivables, net

Receivables consisted of the following:

(In thousands)	September 30, 2008	December 31, 2007
Trade receivables	\$ 149,463	\$ 120,641
Unbilled receivables	40,167	24,036
Gross trade receivables	189,630	144,677
Allowance for doubtful accounts	(3,768)	(3,890)
Net trade receivables	185,862	140,787
Notes and other receivables	766	1,162
Total receivables, net	<u>\$ 186,628</u>	<u>\$ 141,949</u>

Note 7 — Inventory

Inventory consisted of the following:

(In thousands)	September 30, 2008	December 31, 2007
Finished goods- mats	\$ 7,547	\$ 8,120
Raw materials and components:		
Drilling fluids raw material and components	112,977	110,173
Supplies and other	702	1,909
Total raw materials and components	113,679	112,082
Total	<u>\$ 121,226</u>	<u>\$ 120,202</u>

In the third quarter of 2008, \$4.2 million of raw materials inventory which serves as a permanent sub-surface for our barite ore, was reclassified to property, plant and equipment.

Note 8 — Commitments and ContingenciesLitigation Summary

In connection with our announcement regarding an internal investigation commissioned by our Audit Committee in April 2006, and subsequent announcements, we were served with a number of shareholder class action and derivative lawsuits. These suits asserted claims against us and certain of our former officers and current and former directors alleging damages resulting from the loss of value in our common stock and, derivatively, for damages we allegedly suffered.

In April 2007, we announced that we reached a settlement of our pending derivative and class action litigation. The settlement received final approval from the U.S. District Court for the Eastern District of Louisiana on October 9, 2007. Under the terms of the settlement, we paid \$1.6 million which was accrued in the first quarter of 2007, and our directors and officers' liability insurance carrier paid \$8.3 million. A portion of these amounts were used to pay administration costs and legal fees. This settlement resolved all pending shareholder class and derivative litigation against us, our former and current directors, and former officers. As part of the settlement, however, we preserved certain claims against our former Chief Executive Officer and Chief Financial Officer for matters arising from invoicing irregularities at Soloco Texas, LP and the backdating of stock options.

James D. Cole Arbitration

By letter dated April 25, 2007, counsel for James D. Cole, our former Chief Executive Officer and former director, notified us that Mr. Cole is pursuing claims against us for breach of his employment agreement and other causes of action. Mr. Cole seeks recovery of approximately \$3.1 million purportedly due under his employment agreement and reimbursement of certain defense costs incurred in connection with the shareholder litigation and our internal investigation. Mr. Cole also claims that he is entitled to the sum of \$640,000 pursuant to the non-compete provision of his employment agreement. Pursuant to the terms of his employment agreement, this matter has been submitted to arbitration. We have deposited \$320,000 representing the first installment due under the employment agreement in a trust account, subject to further order from the arbitrator. We have also submitted to the same arbitration proceedings the claims preserved against Mr. Cole arising from the derivative litigation referenced above.

Matthew Hardey Lawsuit

On November 2, 2007, we were served with a lawsuit filed on behalf of Matthew Hardey, our former Chief Financial Officer, against Newpark Resources and Paul L. Howes, our current Chief Executive Officer. The lawsuit was filed on October 9, 2007, in the 24th Judicial District Court in Jefferson Parish, Louisiana. We have removed this case to Federal Court (United States District Court for the Eastern District of Louisiana). The lawsuit includes a variety of allegations arising from our internal investigation and Mr. Hardey's termination, including breach of contract, unfair trade practices, defamation, and negligence. The lawsuit does not specify the amount of damages being sought by Mr. Hardey. We dispute the allegations in the lawsuit and intend to vigorously defend our position.

The outcomes of the Cole and Hardey proceedings are not certain; however it is the opinion of management that any liability in these matters should not have a material effect on our consolidated financial statements.

SEC Investigation

On March 12, 2007, we were advised that the Securities and Exchange Commission ("SEC") has opened a formal investigation into the matters disclosed in Amendment No. 2 to our Annual Report on Form 10-K/A filed on October 10, 2006. On September 30, 2008, Newpark's former auditors, Ernst and Young, were served with a subpoena by the SEC requesting documents in its possession relating to Newpark. We are cooperating with the SEC in their investigation.

Other Legal Items

In addition, we and our subsidiaries are involved in litigation and other claims or assessments on matters arising in the normal course of business. In the opinion of management, any recovery or liability in these matters should not have a material effect on our consolidated financial statements.

Environmental Proceedings

In the ordinary course of conducting our business, we become involved in judicial and administrative proceedings involving governmental authorities at the federal, state and local levels, as well as private party actions. We believe that none of these matters involves material exposure. We cannot assure you, however, that this exposure does not exist or will not arise in other matters relating to our past or present operations.

Recourse against our insurers under general liability insurance policies for reimbursement in the actions described above is uncertain as a result of conflicting court decisions in similar cases. In addition, certain insurance policies under which coverage may be afforded contain self-insurance levels that may exceed our ultimate liability.

We believe that any liability incurred in the environmental matters described above will not have a material adverse effect on our consolidated financial statements.

Other

As of September 30, 2008 and December 31, 2007, we had outstanding guarantee obligations totaling \$8.5 million, in connection with facility closure bonds and other performance bonds issued by insurance companies.

Note 9 — Segment Data

The segment data has been reclassified to exclude the results of discontinued operations, as described in Note 2. Summarized financial information concerning our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Segment revenues				
Fluids systems and engineering	\$ 188,975	\$ 129,986	\$ 515,319	\$ 386,447
Mats and integrated services	22,593	23,792	68,748	66,577
Total revenues	<u>\$ 211,568</u>	<u>\$ 153,778</u>	<u>\$ 584,067</u>	<u>\$ 453,024</u>
Segment operating income				
Fluids systems and engineering	\$ 25,601	\$ 15,467	\$ 64,812	\$ 48,420
Mats and integrated services	1,131	4,555	3,599	11,428
Total operating income	26,732	20,022	68,411	59,848
General and administrative expenses	6,816	4,567	16,593	17,833
Total operating income from continuing operations	<u>\$ 19,916</u>	<u>\$ 15,455</u>	<u>\$ 51,818</u>	<u>\$ 42,015</u>

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

The following discussion of our financial condition, results of operations, liquidity and capital resources should be read together with our consolidated financial statements and notes to consolidated financial statements contained in this report as well as our Annual Report on Form 10-K for the year ended December 31, 2007.

Overview

We are a diversified oil and gas industry supplier, and we currently have two reportable segments: Fluids Systems and Engineering, and Mats and Integrated Services. We provide these products and services principally to the E&P industry in the U.S. Gulf Coast, West Texas, U.S. mid-continent, U.S. Rocky Mountains, Canada, Mexico, Brazil, United Kingdom ("U.K.") and areas of Europe and North Africa surrounding the Mediterranean Sea. Further, we are expanding our presence outside the E&P sector through our Mats and Integrated Services segment, where we are marketing to utilities, municipalities, and government sectors.

As previously reported, following a comprehensive review of all of our businesses in 2007, we decided to explore strategic alternatives with regards to our Environmental Services business, which was historically reported as a third reportable segment. We initiated a sale process for this business and entered into an agreement in October 2007 to sell the U.S. Environmental Services business to Trinity TLM Acquisitions, LLC ("Trinity") for \$81.5 million in cash and potentially an additional \$8 million which could be earned under a five-year earn out provision. In April 2008, this agreement was terminated as a result of Trinity's inability to secure acceptable financing to complete the transaction due to the difficult credit markets and we entered into a new agreement with CCS Inc. ("CCS") to sell the U.S. Environmental Services business for \$85 million in cash, subject to adjustment as provided in the agreement. The termination agreement with Trinity includes provisions for the payment of a \$2.5 million transaction fee to Trinity in certain circumstances. On October 23, 2008, the Federal Trade Commission ("FTC") filed suit in the United States District Court for the Southern District of Texas seeking a Temporary Restraining Order and Preliminary Injunction to prevent us and CCS from concluding the previously announced sale of our environmental services business. The FTC alleges that the proposed combination of CCS and our environmental services business would have an anti-competitive impact on the alleged markets. We disagree with the FTC's position at this time and intend to oppose the FTC's request to obtain a preliminary injunction preventing consummation of the proposed transaction. If a preliminary injunction preventing consummation is granted and not overturned on appeal, we would expect to terminate the agreement with CCS for the sale of our environmental business.

Another key element of our previously communicated strategic plan is to leverage our existing platform of international operations to drive further expansion into high-growth international markets. During the first nine months of 2008, we have made significant progress in expanding our presence in the Brazilian market. As announced earlier this year, we were awarded a significant deepwater offshore project, and have since completed the construction of a \$4.6 million fluids plant to serve this market. During the nine months ended September 30, 2008, we have generated \$8.6 million of revenue in this growing market. Also, we expect to sign the Lot B contract with Petroleo Brasileiro S.A. ("Petrobras") in November 2008, to provide drilling fluids and related services for both onshore and offshore locations beginning in 2009. This contract is valued by Petrobras at approximately 350 million Brazilian Reals (approximately \$165 million USD at current exchange rates) and is expected to have a term of 5 years.

[Table of Contents](#)

In February 2008, our Board of Directors approved a plan authorizing the repurchase of up to \$25.0 million of our outstanding shares of common stock. As of September 30, 2008, we had repurchased 2,618,195 shares for an aggregate price of approximately \$15.1 million. Of these repurchases, 732,195 were repurchased in the third quarter of 2008 for an aggregate price of \$5.1 million.

The recent volatility in credit markets and commodity prices has created an uncertain outlook for drilling activity. This volatility is expected to result in some decline in E&P spending during the fourth quarter of 2008 and early 2009 from the levels experienced in recent quarters.

Results of Operations

Our operating results depend in large measure on oil and gas drilling activity levels in the markets we serve, as well as on the depth of drilling, which governs the revenue potential of each well. These levels, in turn, depend on oil and gas commodity pricing, inventory levels and product demand. Rig count data is the most widely accepted indicator of drilling activity. Key average rig count data for 2008 and 2007 are as follows:

	Three Months Ended September 30,		2008 vs 2007	
	2008	2007	Count	%
U.S. Rig Count	1,979	1,789	190	11%
Canadian Rig Count	433	347	86	25%
Total	2,412	2,136	276	13%

	Nine Months Ended September 30,		2008 vs 2007	
	2008	2007	Count	%
U.S. Rig Count	1,871	1,760	111	6%
Canadian Rig Count	372	337	35	10%
Total	2,243	2,097	146	7%

Source: Baker Hughes Incorporated

Table of Contents

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	Three Months Ended September 30,		2008 vs 2007	
	2008	2007	\$	%
Segment revenues				
Fluids systems and engineering	\$ 188,975	\$ 129,986	\$ 58,989	45%
Mats and integrated services	22,593	23,792	(1,199)	(5%)
Total revenues	<u>\$ 211,568</u>	<u>\$ 153,778</u>	<u>\$ 57,790</u>	<u>38%</u>
Segment operating income				
Fluids systems and engineering	\$ 25,601	\$ 15,467	\$ 10,134	
Mats and integrated services	1,131	4,555	(3,424)	
Total operating income	26,732	20,022	6,710	
General and administrative expenses	6,816	4,567	2,249	
Operating income	<u>\$ 19,916</u>	<u>\$ 15,455</u>	<u>\$ 4,461</u>	
Segment operating margin				
Fluids systems and engineering	13.5%	11.9%		
Mats and integrated services	5.0%	19.1%		
Total operating margin	12.6%	13.0%		
(In thousands)	Nine Months Ended September 30,		2008 vs 2007	
	2008	2007	\$	%
Segment revenues				
Fluids systems and engineering	\$ 515,319	\$ 386,447	\$ 128,872	33%
Mats and integrated services	68,748	66,577	2,171	3%
Total revenues	<u>\$ 584,067</u>	<u>\$ 453,024</u>	<u>\$ 131,043</u>	<u>29%</u>
Segment operating income				
Fluids systems and engineering	\$ 64,812	\$ 48,420	\$ 16,392	
Mats and integrated services	3,599	11,428	(7,829)	
Total operating income	68,411	59,848	8,563	
General and administrative expenses	16,593	17,833	(1,240)	
Operating income	<u>\$ 51,818</u>	<u>\$ 42,015</u>	<u>\$ 9,803</u>	
Segment operating margin				
Fluids systems and engineering	12.6%	12.5%		
Mats and integrated services	5.2%	17.2%		
Total operating margin	11.7%	13.2%		

Quarter Ended September 30, 2008 Compared to Quarter Ended September 30, 2007Fluids Systems and Engineering*Revenues*

Total revenues for this segment consisted of the following:

(In thousands)	Three Months Ended September 30,		2008 vs 2007	
	2008	2007	\$	%
North America	\$ 110,985	\$ 77,532	\$ 33,453	43%
Mediterranean and South America	37,156	25,491	11,665	46%
Total drilling fluid and engineering revenues	148,141	103,023	45,118	44%
Completion fluids and services	24,448	16,944	7,504	44%
Industrial materials	16,386	10,019	6,367	64%
Total	\$ 188,975	\$ 129,986	\$ 58,989	45%

North American drilling fluid and engineering revenues increased 43% to \$111.0 million for the quarter ended September 30, 2008, as compared to \$77.5 million for the quarter ended September 30, 2007. This increase in revenues is largely attributable to an increase in market activity as well as an increase in our market share. As noted above, North American rig activity increased 13% during this period. During this same period, the number of rigs serviced by this business segment increased 38% reflecting our continued market share growth within the markets that we service.

In the quarter ended September 30, 2008, our Mediterranean and South American revenues increased 46% over the same period in 2007. This revenue increase was driven largely by the increased rig activity and continued market penetration into the North African and Eastern European markets, a \$2.1 million increase due to the euro to US dollar translation rate, along with a \$4.7 million increase in revenues generated in Brazil in the 2008 period.

Revenues in our completion fluids and services business increased 44% for the quarter ended September 30, 2008, as compared to the same period in 2007, due to strong demand for rental equipment and transportation services for well completion activities in the Mid-continent region served by this business.

Revenues in our industrial materials business increased 64% for the quarter ended September 30, 2008, as compared to the same period in 2007, resulting from a 22% increase in sales volume, along with significant pricing increases to help offset higher barite transportation costs.

Operating Income

Operating income for this segment increased \$10.1 million for the quarter ended September 30, 2008 on a \$59.0 million increase in revenues, compared to the same period in 2007, reflecting an increase in operating margin from 11.9% to 13.5%. The increase in operating profit includes an \$8.6 million increase in operating profits on the \$47.3 million increase in revenues from the North American operations (including completion fluids and services and industrial materials). During this same period, operating profits from the international operations increased \$1.6 million on an \$11.7 million increase in revenues, which included a \$2.1 million revenue increase attributable to the strengthening euro exchange rate. Incremental profits associated with the international revenue increase is partially offset by higher operating expenses in our Brazil operations, as this business continues to ramp-up and prepare for future contracts.

Table of Contents

Mats and Integrated Services

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Three Months Ended September 30,		2008 vs 2007	
	2008	2007	\$	%
Mat rental and integrated services	\$ 17,132	\$ 16,778	\$ 354	2%
Mat sales	5,461	7,014	(1,553)	(22%)
Total	\$ 22,593	\$ 23,792	\$ (1,199)	(5%)

Total mat rental and integrated services revenues increased by \$0.4 million in the quarter ended September 30, 2008, compared to the same period in 2007 as a \$3.1 million increase in revenues generated by the Colorado business acquired in August 2007 was offset by a \$2.7 million decline in rental and related service volume in other regions, primarily the Gulf Coast.

Mat sales primarily consist of export sales of composite mats to various international markets. Mat sales volume decreased by \$1.6 million in the third quarter of 2008 from the comparable period of 2007, as mats sales volumes typically fluctuate significantly based on the specific timing of large order deliveries.

Operating Income

Mats and integrated services operating income decreased by \$3.4 million for the quarter ended September 30, 2008 on a \$1.2 million decrease in revenues compared to the same period in 2007, reflecting a decrease in operating margins to 5.0% from 19.1%. The decrease in operating margin is primarily attributable to the change in sales mix, along with certain charges incurred in the third quarter of 2008. The Colorado business acquired in August of 2007 generated a \$3.1 million increase in revenues and a \$0.2 million increase in operating profits in the third quarter of 2008 compared to the third quarter of 2007. The remainder of the business, which primarily consists of the Gulf Coast service business and mat sales, experienced a \$4.3 million decrease in revenues and a \$3.6 million decrease in operating profits. The third quarter of 2008 included a \$0.9 million charge for the transportation of rental mats to the United Kingdom for re-deployment in a rental agreement, under which the mats are being rented to customers within the U.K. utility industry. The remaining \$2.7 million decrease in operating profits is attributable to the lower revenues, as reductions in operating expenses only partially offset the impact of the lower revenues.

General and Administrative Expense

General and administrative expense increased \$2.2 million to \$6.8 million for the quarter ended September 30, 2008 from the comparable period of 2007. The increase in expenses in the third quarter of 2008 includes a \$0.8 million increase in charges for performance-based employee incentive programs, along with a \$1.3 million increase in legal and related fees, including expenses associated with arbitration with our former Chief Executive Officer, strategic planning, and merger and acquisition projects.

Interest Expense, net

Interest expense, net totaled \$2.5 million for the quarter ended September 30, 2008 compared to \$4.0 million for the quarter ended September 30, 2007. The decrease in interest expense is primarily attributable to lower interest rates in 2008 under the new credit facilities established in December 2007. As of September 30, 2008, the weighted average borrowing rate under the new credit facilities was 5.60% compared to a weighted average borrowing rate of 7.11% at September 30, 2007 under the former credit facilities.

Provision for Income Taxes

The provision for income taxes for the quarter ended September 30, 2008 was \$5.7 million, reflecting an income tax rate of 32.9%, compared to \$4.0 million for the prior year period, reflecting an income tax rate of 34.2%. The lower effective rate in the 2008 period resulted from favorable adjustments identified in the completion of 2007 tax returns during the third quarter of 2008. The full year income tax rate for 2008 is projected to be between 33% and 34%.

Discontinued Operations

Discontinued operations includes all of the assets, liabilities and results of operations associated with the former Environmental Services segment, including the U.S. business described above, along with the Canadian operations, which were exited in the third quarter of 2007. Also, discontinued operations includes the results of a sawmill facility sold in August 2007 and the on-going shut-down costs associated with the Newpark Environmental Water Solutions business ("NEWS"), which was exited in 2006.

During the quarter ended September 30, 2008, discontinued operations generated a pre-tax operating loss of \$2.0 million, which includes \$3.5 million of legal and selling costs associated with the pending sale of the Environmental Services business, including costs associated with our response to the second request from the Federal Trade Commission as part of the Hart-Scott-Rodino Act review. Also, the on-going U.S. environmental services business was negatively impacted by a temporary shut-down and property damage at most facilities following Hurricane Ike. This business generated an operating loss of \$1.7 million in the period. Discontinued operations also included \$0.3 million of shut-down expenses associated with the other exited businesses. The provision for income taxes was \$0.8 million, reflecting an effective rate of 38.0%, resulting in a net loss from discontinued operations of \$1.2 million.

During the quarter ended September 30, 2007, discontinued operations generated a pre-tax operating loss of \$0.4 million, including a \$1.9 million operating profit from the U.S. environmental services business, offset by a \$1.1 million charge following the decision to exit the Canadian environmental business operations and a \$0.9 million operating loss from the sawmill facility prior to its August 2007 sale. The provision for income taxes was \$0.2 million, reflecting an effective rate of 46.9%, resulting in a net loss from discontinued operations of \$0.2 million.

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**Fluids Systems and Engineering***Revenues*

Total revenues for this segment consisted of the following:

(In thousands)	Nine Months Ended September 30,		2008 vs 2007	
	2008	2007	\$	%
North America	\$ 296,753	\$ 239,499	\$ 57,254	24%
Mediterranean and South America	100,189	60,792	39,397	65%
Total drilling fluid and engineering revenues	396,942	300,291	96,651	32%
Completion fluids and services	68,553	53,915	14,638	27%
Industrial materials	49,824	32,241	17,583	55%
Total	<u>\$ 515,319</u>	<u>\$ 386,447</u>	<u>\$ 128,872</u>	<u>33%</u>

North American drilling fluid and engineering revenues increased 24% to \$296.8 million for the nine months ended September 30, 2008, as compared to \$239.5 million for the nine months ended September 30, 2007. While North American rig activity increased 7% during this period, the number of rigs serviced by this business segment increased 23% reflecting continued market share growth within the markets that we service.

In the nine months ended September 30, 2008, our Mediterranean and South American revenues increased 65% over the same period in 2007. This revenue increase was driven largely by the increased rig activity and continued market penetration into the North African and Eastern European markets, an \$8.0 million increase due to euro to US dollar translation rate, along with an \$8.6 million increase in revenues generated in Brazil in the 2008 period.

Revenues in our completion fluids and services business increased 27% for the nine months ended September 30, 2008, as compared to the same period in 2007, due to strong demand for rental equipment and services for well completion activities in the Mid-continent region served by this business.

Revenues in our industrial materials businesses increased 55% for the nine months ended September 30, 2008, as compared to the same period in 2007, resulting from a 16% increase in sales volume, along with significant pricing increases to help offset higher barite transportation costs.

Operating Income

Operating income for this segment increased \$16.4 million for the nine months ended September 30, 2008 on a \$128.9 million increase in revenues, compared to the same period in 2007, reflecting an increase in operating margin from 12.5% to 12.6%. This change includes a \$13.8 million increase in operating profits on an \$89.5 million increase in revenues from the North American operations. Operating profits from the international operations for the nine months ended September 30, 2008 increased \$2.6 million on the \$39.4 million increase in revenues, which included an \$8.0 million revenue increase attributable to the strengthening euro exchange rate. Incremental profits associated with higher revenues were somewhat offset by higher operating expenses attributable to personnel, higher transportation and logistics costs due to the location of projects, and start-up costs associated with new contracts.

Table of Contents

Mats and Integrated Services

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Nine Months Ended September 30,		2008 vs 2007	
	2008	2007	\$	%
Mat rental and integrated services	\$ 48,393	\$ 50,568	\$ (2,175)	(4%)
Mat sales	20,355	16,009	4,346	27%
Total	<u>\$ 68,748</u>	<u>\$ 66,577</u>	<u>\$ 2,171</u>	<u>3%</u>

Total mat rental and integrated services revenues decreased by \$2.2 million in the nine months ended September 30, 2008, compared to the same period in 2007 as a \$9.0 million increase in 2008 revenues generated by the Colorado business acquired in August 2007 was more than offset by an \$11.2 million decline in rental and related service volume in the Gulf Coast region, driven largely by weakness in the South Louisiana land rig count in 2008 compared to 2007.

Mat sales primarily consist of export sales of composite mats to various international markets. Mat sales volume increased by \$4.3 million in the first nine month of 2008 from the comparable period of 2007, as mats sales volumes typically fluctuate significantly based on the specific timing of large order deliveries.

Operating Income

Mats and integrated services operating income decreased by \$7.8 million to \$3.6 million for the nine months ended September 30, 2008 on a \$2.2 million increase in revenues compared to the same period in 2007, reflecting a decrease in operating margins to 5.2% from 17.2%. The decrease in operating margin is primarily attributable to the change in sales mix. The Colorado business acquired in August 2007 generated an increase in revenues of \$9.0 million in the nine months ended September 30, 2008; however, operating profits from this business declined by \$0.5 million over this period, partially due to a \$1.9 million increase in depreciation and amortization related to acquired assets. Operating profits for the remaining operations, which primarily service the Gulf Coast area, declined by \$7.3 million on a \$6.8 million decline in revenue. As noted above, this \$6.8 million decline in revenue included a \$11.2 million decrease in rental and integrated services revenue, offset by a \$4.3 million increase in mat sales. The high rate of flow-through of the revenues decline to operating profits is primarily due to the mix shift from rental and integrated service activities, which have a relatively fixed cost structure, as well as additional pricing pressure resulting from the significantly lower rig counts in the region. Also, the business recorded \$3.2 million of pre-tax charges in the first nine months of 2008 related primarily to inventory and receivable write-downs, transportation costs for the re-deployment of rental mats, as well as severance and related costs associated with restructuring activities in this segment.

General and Administrative Expense

General and administrative expense decreased \$1.2 million to \$16.6 million for the nine months ended September 30, 2008 from the comparable period of 2007. The decrease is attributable to a \$2.1 million decrease in legal expenses, including lower costs associated with the 2007 settlement of the shareholder class action and derivative litigation, along with a \$0.6 million decline in costs related to corporate strategic planning projects. These decreases were partially offset by an increase in charges for performance-based employee incentive programs.

Interest Expense, net

Interest expense, net totaled \$8.4 million for the nine months ended September 30, 2008 compared to \$12.2 million for the nine months ended September 30, 2007. The decrease in interest expense is primarily attributable to lower interest rates in 2008 under the new credit facilities established in December 2007. As of September 30, 2008, the weighted average borrowing rate under the new credit facilities was 5.60%, compared to a weighted average borrowing rate of 7.11% at September 30, 2007 under the former credit facilities.

Provision for Income Taxes

The provision for income taxes for the nine months ended September 30, 2008 was \$14.3 million, reflecting an income tax rate of 33.0%, compared to \$10.6 million for the prior year period, reflecting an income tax rate of 35.2%.

Discontinued Operations

During the nine months ended September 30, 2008, discontinued operations generated a pre-tax operating profit of \$4.3 million, which includes an operating profit of \$5.1 million from the on-going U.S. Environmental Services business, including \$3.5 million of legal costs primarily associated with our response to the second request from the Federal Trade Commission as part of the Hart-Scott-Rodino Act review, and \$0.7 million of shut-down expenses associated with the other exited businesses. The provision for income taxes was \$1.6 million, reflecting an effective rate of 36.3%, resulting in a net income from discontinued operations of \$2.8 million.

During the nine months ended September 30, 2007, discontinued operations generated a pre-tax operating profit of \$0.7 million, including a \$8.0 million operating profit from the U.S. Environmental Services business, offset by a \$4.1 million loss from disposal, a \$0.9 million charge related to the impairment of assets and settlement of outstanding claims in the NEWS business, a \$1.1 million charge following the decision to exit the Canadian environmental business operations, along with a combined \$1.9 million operating loss from these discontinued operations. The provision for income taxes was \$0.3 million, resulting in net income from discontinued operations of \$0.4 million.

Liquidity and Capital Resources

Net cash provided by operating activities during the nine months ended September 30, 2008 totaled \$37.2 million. Net income adjusted for non-cash items generated \$62.8 million of cash during the period, while increases in working capital used \$39.5 million of cash. The increase in working capital during the period includes a \$49.2 million increase in receivables, resulting from the higher revenues generated in the period. Cash provided by operating activities of discontinued operations was \$13.9 million.

Net cash used in investing activities during the nine months ended September 30, 2008 was \$16.7 million, consisting primarily of capital expenditures. Net cash used in financing activities during the nine months ended September 30, 2008 totaled \$17.0 million which included \$15.1 million to repurchase outstanding shares under our stock repurchase program.

We anticipate that our working capital requirements for continuing operations will remain consistent with the changes in revenue in the near term. As described previously, our Board of Directors approved a plan authorizing the repurchase of up to \$25.0 million of our outstanding shares of common stock, of which \$15.1 million of common stock has been repurchased through September 30, 2008. We also anticipate capital expenditures in 2008 to be approximately \$22.0 million. Cash generated by operations, availability under existing long-term credit agreements, and our continued focus on improving our collection cycle are expected to be adequate to fund our anticipated capital needs.

[Table of Contents](#)

Our long term capitalization was as follows as of:

(In thousands)	September 30, 2008	December 31, 2007
Term loan	\$ 50,000	\$ 50,000
Revolving credit facility	113,000	117,000
Foreign bank lines of credit	9,234	7,676
Other	1,032	2,802
Total	173,266	177,478
Less: current portion	(19,631)	(18,862)
Long-term portion of debt	153,635	158,616
Stockholder's equity	379,600	360,664
Total long-term capitalization	\$ 533,235	\$ 519,280
Long-term debt to long-term capitalization	<u>28.8%</u>	<u>30.5%</u>

In December 2007, we entered into a \$225.0 million Amended and Restated Credit Agreement ("Credit Agreement") with a five-year term, expiring in December 2012. The Credit Agreement consists of a \$175.0 million revolving credit facility along with a \$50.0 million term loan ("Term Loan"), which is to be repaid through annual principal repayments of \$10.0 million beginning in December 2008. There are no prepayment penalties should we decide to repay the Term Loan in part or in full prior to the scheduled maturity dates.

We can elect to borrow under the Credit Agreement at an interest rate either based on the prime rate plus a margin ranging from 0 to 100 basis points or at LIBOR plus a margin ranging from 150 to 250 basis points, both of which margins vary depending on our leverage. As of September 30, 2008, \$150.0 million of the outstanding principal is bearing interest at LIBOR plus 200 basis points, or 5.61%, while the remaining \$13.0 million in outstanding principal is bearing interest at Prime Rate plus 50 basis points, or 5.5%. In January 2008, we entered into interest rate swap agreements to effectively fix the underlying LIBOR rate on our borrowings under the Term Loan. The initial notional amount of the swap agreements totals \$50.0 million, reducing by \$10.0 million each December, matching the required principal repayments under the Term Loan. As a result of the swap agreements, we will pay a fixed rate of 3.74% plus the applicable LIBOR margin, which was 200 basis points at September 30, 2008, over the term of the loan. The weighted average interest rates on the outstanding balances under the credit facilities as of September 30, 2008 and December 31, 2007 were 5.60% and 6.95%, respectively.

The Credit Agreement is a senior secured obligation, secured by first liens on all of our U.S. tangible and intangible assets, including our accounts receivable and inventory. Additionally, a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral.

At September 30, 2008, \$17.0 million in letters of credit were issued and outstanding and \$113.0 million was outstanding under our revolving credit facility, leaving \$45.0 million of availability at that date.

The Credit Agreement contains covenants normal and customary for lending facilities of this nature. The financial covenants include requirements to maintain certain thresholds for a fixed-charge coverage ratio, a consolidated leverage ratio, and a funded debt-to-capitalization ratio. As of September 30, 2008, we were in compliance with these financial covenants. The Credit Agreement also contains covenants that allow for, but limit, our ability to pay dividends, repurchase our common stock, and incur additional indebtedness.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, which requires us to make assumptions, estimates and judgments that affect the amounts reported. We periodically evaluate our estimates and judgments related to uncollectible accounts and notes receivable, customer returns, reserves for obsolete and slow moving inventory, impairments of long-lived assets, including goodwill and other intangibles and our valuation allowance for deferred tax assets. Our estimates are based on historical experience and on our future expectations that we believe to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

For additional discussion of our critical accounting estimates and policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2007. Our critical accounting policies have not changed materially since December 31, 2007.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates and changes in foreign currency rates. A discussion of our primary market risk exposure in financial instruments is presented below.

Interest Rate Risk

Our policy historically has been to manage exposure to interest rate fluctuations by using a combination of fixed and variable-rate debt. At September 30, 2008, we had total debt outstanding of \$173.3 million, all of which is subject to variable rate terms. As described above, we entered into interest rate swap agreements in January 2008 to effectively fix the underlying LIBOR rate on our borrowings under the Term Loan. Through these swap arrangements, we have effectively fixed the interest rate on \$50.0 million, or 29%, of our total debt outstanding as of September 30, 2008. The fair value of the interest rate swap arrangements was a \$0.1 million liability, net of tax as of September 30, 2008. The counterparties to the interest rate swap agreements are major financial institutions. The credit ratings and concentration of risks of these financial institutions are monitored on a continuing basis. In the unlikely event that the counterparties fail to meet the terms of the agreement, our exposure is limited to the LIBOR differential.

The remaining \$123.3 million of debt outstanding at September 30, 2008 bears interest at a floating rate. At September 30, 2008, the weighted average interest rate under our floating-rate debt was approximately 5.55%. A 200 basis point increase in market interest rates during 2008 would cause our annual interest expense to increase approximately \$1.7 million, net of taxes, resulting in \$0.02 per diluted share reduction in annual earnings.

Foreign Currency

Our principal foreign operations are conducted in areas surrounding the Mediterranean Sea, Canada, Brazil and the United Kingdom. We have foreign currency exchange risks associated with these operations, which are conducted principally in the foreign currency of the jurisdictions in which we operate. Historically, we have not used financial hedging instruments to manage foreign currency risks when our businesses enter into a transaction denominated in a currency other than their functional currencies because the dollar amount of these transactions has not warranted our using hedging instruments.

ITEM 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Based on their evaluation of our disclosure controls and procedures as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are effective.

Changes in internal control over financial reporting

There has been no change in internal control over financial reporting during the quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

The information set forth in the legal proceedings section of Note 9, "Commitments and Contingencies," to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1.

ITEM 1A. Risk Factors

Information regarding risk factors appears in Item 1A to our Annual Report on Form 10-K for the year ended December 31, 2007. The risk factor described below updates, and should be read in conjunction with, the risk factors identified in our Annual Report on Form 10-K for the period ended December 31, 2007.

The ability to provide many of our drilling fluid systems could be negatively impacted if we experience interruptions in deliveries of raw materials.

We currently secure the majority of our barite ore, which is a principal component of many drilling fluid systems, from foreign sources, primarily China and India. We rely upon the ability of our suppliers to mine the crude ore, provide the quality control function required to produce ore meeting market specifications and to manage the internal transportation and storage required to move the crude ore to designated ports for loading onto ocean vessels contracted by us. The internal logistics and supply chain infrastructure in China has struggled in keeping pace with the rapid expansion of China's economy, resulting in periodic constraints in the supply of all raw materials. In addition, the supply of our barite ore is also vulnerable to other factors beyond our control including power shortages, political priorities (for example, the Olympic Games), and pending government imposed export fees in China as well as natural disasters such as the recent earthquake in Sichuan Province, China. Depending upon the extent of the damage and disruption caused by this earthquake to our suppliers and the transportation infrastructure, as well as the other factors listed above, our fluids systems and engineering segment as well as our operating results may be adversely affected.

Instability and volatility in the financial markets could have a negative impact on our business, financial condition, results of operations and cash flows.

Our business strategy has included, and will continue to include, growth both organically and through acquisitions. To the extent we do not generate sufficient cash from operations, we may need to incur additional indebtedness to finance our plans for growth. Recent turmoil in the credit markets and the potential impact on the liquidity of major financial institutions may have an adverse effect on our customer's and our ability to fund our business strategy through borrowings, under either existing or newly created instruments in the public or private markets on terms we believe to be reasonable.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not applicable

(b) Not applicable

(c) The following table details our repurchases of shares of our common stock, for the three months ended September 30, 2008:

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
July 1 – 30, 2008	—	—	1,886,000	\$ 15.0 million
August 1 – 31, 2008	—	—	1,886,000	\$ 15.0 million
September 1 – 30, 2008	732,195	\$ 6.90	2,618,195	\$ 9.9 million
Total	732,195	\$ 6.90		

In February 2008, our Board of Directors approved a stock repurchase plan authorizing the repurchase of up to \$25 million of our outstanding shares of common stock. These purchases may be funded with borrowings under our revolving credit facility.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

- 10.1 Amendment No. 1 To The Membership Interests Purchase Agreement dated as of June 30, 2008 by and among Newpark Resources, Inc., Newpark Drilling Fluids, LLC,, Newpark Texas, L.L.C., CCS, Inc. and CCS Midstream Services, LLC.
- 10.2 Amendment No. 2 To The Membership Interests Purchase Agreement dated as of September 30, 2008 by and among Newpark Resources, Inc., Newpark Drilling Fluids, LLC, Newpark Texas, L.L.C., CCS, Inc. and CCS Midstream Services, LLC.
- 31.1 Certification of Paul L. Howes pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of James E. Braun pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Paul L. Howes pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of James E. Braun pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

NEWPARK RESOURCES, INC.

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.

Date: October 31, 2008

NEWPARK RESOURCES, INC.

By: /s/ Paul L. Howes
Paul L. Howes, President and
Chief Executive Officer
(Principal Executive Officer)

By: /s/ James E. Braun
James E. Braun, Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Gregg S. Piontek
Gregg Piontek, Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

- 10.1 Amendment No. 1 To The Membership Interests Purchase Agreement dated as of June 30, 2008 by and among Newpark Resources, Inc., Newpark Drilling Fluids, LLC,, Newpark Texas, L.L.C., CCS, Inc. and CCS Midstream Services, LLC.
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- 32.3 Certification of James E. Braun pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**AMENDMENT NO. 1
TO THE
MEMBERSHIP INTERESTS PURCHASE AGREEMENT**

This Amendment No. 1 to the Membership Interests Purchase Agreement (this "Amendment"), dated as of June 30, 2008, is entered into by and among Newpark Resources, Inc., a Delaware corporation ("Newpark"), Newpark Drilling Fluids LLC, a Texas limited liability company and a direct wholly-owned subsidiary of Newpark ("DFI"), Newpark Texas, L.L.C., a Louisiana limited liability company and an indirect wholly-owned subsidiary of Newpark ("Newpark Texas"), CCS Inc., an Alberta corporation ("CCS"), and CCS Midstream Services, LLC, a Louisiana limited liability company ("Purchaser"), and an Affiliate of CCS.

RECITALS:

A. Reference is herein made to that certain Membership Interests Purchase Agreement by and among Newpark, DFI, Newpark Texas, CCS, and Purchaser, dated April 16, 2008 (the "Purchase Agreement"). Terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

B. The parties to the Purchase Agreement acknowledge that each of Newpark and CCS has fulfilled its initial obligations under Section 5.2(a) of the Purchase Agreement as originally written to file, or cause to be filed, on or before May 1, 2008 with the Department of Justice ("DOJ") and the Federal Trade Commission ("FTC") the notification and report form required for the transactions contemplated in the Purchase Agreement by the HSR Act, requesting early termination of the waiting period thereunder.

C. Newpark, DFI, Newpark Texas, CCS, and Purchaser, who constitute all of the parties to the Purchase Agreement, desire to amend the Purchase Agreement as set forth herein in accordance with Section 11.8 of the Purchase Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual promises set forth herein and in the Purchase Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties hereby agree as follows:

Section 1. Amendment Format. In connection with each amendment to the Purchase Agreement and the Newpark Disclosure Schedule as set forth herein or attached hereto that is not being deleted or added in its entirety (i) the text of the language in the Purchase Agreement or the Newpark Disclosure Schedule which is being deleted by such amendment is stricken through, and (ii) the text of the language in the Purchase Agreement or the Newpark Disclosure Schedule which is being added is double-underlined and boldfaced.

Section 2. Amendment to Defined Terms. The Parties to the Purchase Agreement acknowledge that Purchaser changed its name to "CCS Midstream Services, LLC" on June 5, 2008. Therefore, the definition of "Purchaser" in the Preamble of the Purchase Agreement is hereby amended to mean CCS Midstream Services, LLC.

Section 3. Amendment to Section 2.4(c). Section 2.4(c) of the Purchase Agreement is amended and restated in its entirety as follows:

(c) For purposes of this Agreement, "Net Working Capital" shall (i) be calculated as of the Effective Time on an aggregate basis among the Transferred Entities and (ii) mean the amount equal to the Current Assets minus Current Liabilities. "Current Assets" shall mean, subject to the adjustments set forth below, the current assets of the Transferred Entities as of the Effective Time comprised of accounts receivable, whether billed or unbilled (net of allowances for doubtful accounts); costs and estimated earnings in excess of billings on uncompleted contracts; the current portion of any notes or other receivables; inventories; and prepaid expenses. "Current Liabilities" shall mean, subject to the adjustments set forth herein, the current liabilities of the Transferred Entities as of the Effective Time comprised of accounts payable; accrued liabilities; the current portion of any Capital Leases; billings in excess of costs and estimated earnings on uncompleted contracts; and, payroll, accrued incentive compensation and bonuses, accrued vacation benefits and related taxes and withholdings payable. Subject to the adjustments set forth below, Current Assets and Current Liabilities shall be computed in accordance with GAAP on a basis consistent with the December 31, 2007 combined balance sheet of NESI. Notwithstanding the foregoing, for purposes of calculating the Net Working Capital, the Current Assets and the Current Liabilities shall not include:

(i) to the extent not incurred in the ordinary course of business, intercompany receivables and payables between or among any of the Transferred Entities, Newpark and its other Affiliates;

(ii) any bank or funded Indebtedness including, without limitation, any short-term debt and the current portion of any long-term debt that has been or will be paid in full by the Transferred Entities, Newpark and its other Affiliates prior to the Effective Time;

(iii) any liability for income Taxes payable by any of the Transferred Entities that are actually paid or payable, when due, by Newpark or one of its Affiliates other than the Transferred Entities; and

(iv) any proceeds from the transfer of the owned barges pursuant to Section 5.18.

Section 4. Amendment to Section 3.8 of the Newpark Disclosure Schedule. Section 3.8 of the Newpark Disclosure Schedule is amended and restated in its entirety to read as set forth on Schedule 3.8 attached hereto.

Section 5. Amendment to Section 3.16 and Section 3.16 of the Newpark Disclosure Schedule.

5.1 The final paragraph of Section 3.16 of the Purchase Agreement is amended and restated in its entirety by the following:

Except as set forth in Section 3.16 of the Newpark Disclosure Schedule, each Contract required to be disclosed pursuant to this Section 3.16 (collectively, the “Material Contracts”), whether written or oral, is in full force and effect and is a valid and binding agreement of the Transferred Entity, as the case may be, and, to Newpark’s knowledge, of each other party thereto. Except as set forth in Section 3.16 of the Newpark Disclosure Schedule, none of the Transferred Entities or, to the knowledge of Newpark, any other party thereto is in default or breach in any material respect under the terms of any such Material Contract and neither any Transferred Entity, Newpark, DFI nor Newpark Texas has received any notice of termination or threatened termination of any Material Contract or is aware of any facts or circumstances that either currently or with the passage of time could result in a breach or default under or give rise to a right to terminate any Material Contract, including, without limitation, any Transportation Contract. Newpark has made available to the Purchaser complete and correct copies of each Material Contract.

5.2 Section 3.16 of the Newpark Disclosure Schedule is amended and restated in its entirety to read as set forth on Schedule 3.16 attached hereto.

Section 6. Amendment to Section 5.1(a). Section 5.1(a) of the Purchase Agreement is amended and restated in its entirety by the following:

(a) After the date of this Agreement until the earlier of the Closing or the termination of this Agreement, Newpark shall, and shall cause each of the Transferred Entities and their respective representatives to (i) afford Purchaser and its representatives access, at reasonable times during normal business hours after first obtaining the consent of Newpark, to the books, records, properties and personnel of the Transferred Entities; (ii) furnish Purchaser and its representatives with such additional financial, operating and other data and information within the control of Newpark and/or the Transferred Entities as Purchaser may reasonably request; and (iii) otherwise cooperate with the investigation by Purchaser and its representatives of the Transferred Entities; provided, however, that if the Outside Date is extended past July 15, 2008, Newpark may limit Purchaser’s access to the personnel of the Transferred Entities if Newpark determines, in its reasonable discretion, that such access would be disruptive to Newpark’s business. Any expenses related to the furnishing of such information which is within the control of Newpark and/or the Transferred Entities shall be paid by Newpark. The foregoing shall not require Newpark, DFI, Newpark Texas or any Transferred Entity to permit any inspection, or to disclose any information, that in the reasonable judgment of Newpark is reasonably likely to result in the disclosure of any trade secrets to third parties, violate any of its obligations with respect to confidentiality or disclose information that does not relate exclusively to the Business. All information provided to Purchaser and its representatives in accordance with this Agreement, including this Section 5.1, or by a third party subject to an obligation of confidentiality for the benefit, either directly or indirectly, of Newpark shall, prior to the Closing, be held by Purchaser and its representatives in accordance with, shall be considered “Evaluation Material” under, and shall be subject to the terms of, the Confidentiality Agreement. All requests for information made pursuant to this Section 5.1(a) shall be directed to a designated officer of Newpark or such other individual as may be designated by Newpark, and shall not be granted to the extent deemed inconsistent with any Law.

Section 7. Amendment to Section 5.2(a). Section 5.2(a) of the Purchase Agreement is amended and restated in its entirety by the following:

(a) Each of Newpark and CCS shall file, or cause to be filed, on or before June 4, 2008 with the Department of Justice (“DOJ”) and the Federal Trade Commission (“FTC”) the notification and report form required for the transactions contemplated hereunder by the HSR Act, requesting early termination of the waiting period thereunder. Newpark and CCS shall use reasonable efforts to coordinate their initial filing of the notification and report form so that such filings are made simultaneously. Each of the parties further agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with the other in connection with the foregoing, including using commercially reasonable efforts (i) to supply promptly any additional information or documentary material that may be requested by a Governmental Entity, including, without limitation, the DOJ or the FTC, (ii) to obtain all other consents, approvals and authorizations that are required to be obtained under any federal, state, local or foreign Law or regulation, (iii) to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to this Agreement to consummate the transactions contemplated by this Agreement, (iv) to effect as promptly as practicable all necessary registrations, filings and responses to requests for additional information or documentary material from a Governmental Entity, if any, and (v) to fulfill all conditions to this Agreement.

Section 8. Amendment to Article V. Article V of the Purchase Agreement is amended to add the following Section 5.18:

5.18 Transfer of Owned Barges. Immediately prior to Closing, and after satisfaction or waiver of all conditions to the parties’ obligations to close as set forth in Article VIII, Newpark shall cause NESI to transfer and convey to CCS 7525, L.L.C. the owned barges described in Section 5.18 of the Newpark Disclosure Schedule pursuant to the terms and conditions set forth in transfer documents which are in a form mutually acceptable to Newpark and CCS 7525, L.L.C. For the avoidance of doubt, Purchaser acknowledges that the transfer of the barges as contemplated by this Section 5.18 shall not constitute a breach of any representation, warranty or covenant of Newpark, DFI or Newpark Texas contained in this Agreement.

Section 9. Amendment to Section 9.1(a)(ii). Section 9.1(a)(ii) of the Purchase Agreement is amended and restated in its entirety by the following:

(ii) by Newpark if CCS (or Purchaser) shall not have filed on or before June 4, 2008 with the DOJ and FTC the notification and report form required to be filed by CCS (or Purchaser) for the transactions contemplated hereby pursuant to the HSR Act;

Section 10. Amendment to Section 9.1(a)(iii). Section 9.1(a)(iii) of the Purchase Agreement is amended and restated in its entirety by the following:

(iii) by Purchaser if Newpark shall not have filed on or before June 4, 2008 with the DOJ and FTC the notification and report form required to be filed by Newpark for the transactions contemplated hereby pursuant to the HSR Act;

Section 11. Amendment to Section 9.1(a)(iv). Section 9.1(a)(iv) of the Purchase Agreement is amended and restated in its entirety by the following:

(iv) by either Newpark, on the one hand, or Purchaser, on the other hand, if the Closing shall not have occurred on or before July 15, 2008 (the "Outside Date"); provided, however, that (A) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date on one or more occasions for an aggregate period not to exceed forty-five (45) days if all other conditions to consummation of the transactions contemplated by this Agreement are satisfied or capable of then being satisfied, and the sole reason that such transactions have not been consummated by such date is that the condition set forth in Section 8.1(a) has not been satisfied, provided, that the extension may be increased to a period not to exceed seventy-five (75) days if a Divestiture is required and any dispute with respect to the Agreed Value is submitted to an Accounting Arbitrator or a valuation expert in accordance with Section 5.2(e), provided, further, that the Outside Date shall not be extended for a period in excess of five (5) Business Days following the later to occur of the date upon which the waiting period (or any extension thereof) under the HSR Act shall have expired or been terminated, or the date upon which a determination of the Agreed Value is made, (B) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date on one or more occasions for an aggregate period not to exceed forty-five (45) days if one or more Environmental Disputes shall have been submitted to arbitration in accordance with Section 5.14(d), provided, that the Outside Date shall not be extended for a period in excess of five (5) Business Days following the date upon which the arbitrator shall have delivered his written decision with respect to such Environmental Disputes, (C) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date (as same may have been extended) until the sooner to occur of (1) the expiration of Purchaser's thirty (30) day notice period provided for in Section 5.14(c)(iii), or (2) five (5) Business Days following the Purchaser's delivery of its notice under Section 5.14(c)(iii) that Purchaser is electing to continue with the transactions contemplated by this Agreement, (D) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date (as same may have been extended) up to six (6) months if Newpark exercises its option under Section 5.14(c)(iii) to cure or remediate the Selected Alleged Recognized Environmental Conditions, (E) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date on one or more occasions for an aggregate period not to exceed thirty (30) days if a dispute with respect to LTM EBITDA shall have been submitted to an Accounting Arbitrator in accordance with Section 9.1(b), provided, that the Outside Date shall not be extended for a period in excess of five (5) Business Days following the date on which the Accounting Arbitrator shall have delivered his written decision with respect to any such dispute, and (F) the right to terminate this Agreement under this Section 9.1(a)(iv) shall not be available to any party to this

Agreement whose failure to comply or perform in any material respect with such party's representations, warranties, covenants or other agreements contained in this Agreement has been the cause of or resulted in the failure of the transactions contemplated by this Agreement to occur on or before the Outside Date. In the event (x) any Environmental Report required pursuant to Section 5.14 hereof shall not have been completed on or before the Outside Date, or (y) any Environmental Dispute shall not have been resolved by arbitration or otherwise on or before the Outside Date as it may have been extended pursuant to clause (B) above, Newpark shall have the right, at its discretion, to terminate this Agreement on the Outside Date (as same may have been extended). In the event Newpark shall not have completed the cure or remediation of the Selected Alleged Recognized Environmental Conditions on or before the Outside Date as it may have been extended pursuant to clause (D) above, Purchaser shall have the right, at its discretion, to terminate this Agreement on the Outside Date (as the same may have been extended);.

Section 12. Amendment to Section 9.1(a)(viii). Section 9.1(a)(viii) of the Purchase Agreement is amended and restated in its entirety by the following:

(viii) by Purchaser, if it is not satisfied, in its sole discretion, with the results of its due diligence, provided, however, that as a condition to its right to terminate this Agreement pursuant to this Section 9.1(a)(viii), the Purchaser must provide written notice of such termination to Newpark on or before July 15, 2008. If Purchaser fails to provide such written notice of termination on or before July 15, 2008, Purchaser shall have waived any right to terminate this Agreement pursuant to this Section 9.1(a)(viii);

Section 13. Amendment to Section 11.6. Section 11.6 of the Purchase Agreement is amended and restated in its entirety by the following:

11.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and permitted assigns; provided, however, that no party to this Agreement will assign its rights or delegate any or all of its obligations under this Agreement without the express prior written consent of each other party to this Agreement, except that (i) each of Newpark, DFI, Newpark Texas and Purchaser may assign their respective rights and obligations under this Agreement to an Affiliate of Newpark and/or Purchaser, as the case may be; provided, that no such assignment shall release Newpark, Newpark Texas and/or Purchaser from any liability or obligation under this Agreement and (ii) CCS or Purchaser, as part of any merger, consolidation, contribution by or reorganization of CCS or Purchaser in which all of CCS's or Purchaser's operating assets are merged into, consolidated with or otherwise contributed to Purchaser or any Affiliate of Purchaser, as the case may be, may assign all of its respective rights and obligations under this Agreement to such successor in interest to CCS's or Purchaser's assets; provided, that no such assignment shall release CCS or Purchaser from any liability or obligation under this Agreement. Any attempted assignment in violation of this Section 11.6 shall be void.

Section 14. Amendment to Section 5.18 of the Newpark Disclosure Schedule. Section 5.18 of the Newpark Disclosure Schedule shall be amended to add Section 5.18 which shall consist of Exhibit A to this Amendment.

Section 15. Amendment to Section 10.2(d) of the Newpark Disclosure Schedule. Section 10.2(d) of the Newpark Disclosure Schedule is amended and restated in its entirety to read as set forth on Schedule 10.2(d) attached hereto.

Section 16. Miscellaneous. The provisions of the Purchase Agreement shall remain in full force and effect except as expressly amended and modified as set forth in this Amendment. This Amendment and the rights and obligations of the parties hereunder shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Texas without regard to any choice of law principles. This Amendment may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 to the Membership Interests Purchase Agreement as of the day and year first above written.

NEWPARK RESOURCES, INC.

By: /s/ Paul L. Howes
Name: Paul L. Howes
Title: President and Chief Executive Officer

NEWPARK DRILLING FLUIDS LLC

By: /s/ Mark J. Ariola
Name: Mark J. Ariola
Title: Vice President

NEWPARK TEXAS, L.L.C.

By: /s/ Mark J. Ariola
Name: Mark J. Ariola
Title: Vice President

CCS INC.

By: /s/ Jim McMahon
Name: Jim McMahon
Title: Vice President

CCS MIDSTREAM SERVICES, LLC

By: /s/ Jim McMahon
Name: Jim McMahon
Title: Vice President

Signature Page to Amendment No. 1 to the Membership Interests Purchase Agreement.

AMENDMENT NO. 2
TO THE
MEMBERSHIP INTERESTS PURCHASE AGREEMENT

This Amendment No. 2 to the Membership Interests Purchase Agreement (this "Amendment"), dated as of September 30, 2008, is entered into by and among Newpark Resources, Inc., a Delaware corporation ("Newpark"), Newpark Drilling Fluids LLC, a Texas limited liability company and a direct wholly-owned subsidiary of Newpark ("DFI"), Newpark Texas, L.L.C., a Louisiana limited liability company and an indirect wholly-owned subsidiary of Newpark ("Newpark Texas"), CCS Inc., an Alberta corporation ("CCS"), and CCS Midstream Services, LLC, a Louisiana limited liability company ("Purchaser"), and an Affiliate of CCS.

RECITALS:

A. Reference is herein made to that certain Membership Interests Purchase Agreement by and among Newpark, DFI, Newpark Texas, CCS, and Purchaser, dated April 16, 2008 (as amended by Amendment No. 1 dated as of June 30, 2008, the "Purchase Agreement"). Terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

B. Newpark, DFI, Newpark Texas, CCS, and Purchaser, who constitute all of the parties to the Purchase Agreement, desire to amend the Purchase Agreement as set forth herein in accordance with Section 11.8 of the Purchase Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual promises set forth herein and in the Purchase Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties hereby agree as follows:

Section 1. Amendment Format. In connection with each amendment to the Purchase Agreement as set forth herein that is not being deleted or added in its entirety (i) the text of the language in the Purchase Agreement which is being deleted by such amendment is stricken through and boldfaced, and (ii) the text of the language in the Purchase Agreement which is being added is double-underlined and boldfaced.

Section 2. Amendment to Section 5.1(a). The first paragraph of Section 5.1(a) of the Purchase Agreement is amended and restated in its entirety by the following:

(a) After the date of this Agreement until the earlier of the Closing or the termination of this Agreement, Newpark shall, and shall cause each of the Transferred Entities and their respective representatives to (i) afford Purchaser and its representatives access, at reasonable times during normal business hours after first obtaining the consent of Newpark, to the books, records, properties and personnel of the Transferred Entities; (ii) furnish Purchaser and its representatives with such additional financial, operating and other data and information within the control of Newpark and/or the Transferred Entities as Purchaser may reasonably request; and (iii) otherwise cooperate with the investigation by Purchaser and its representatives of the Transferred Entities; provided, however, that if the Outside Date is extended past ~~October 8~~ **November 14**, 2008, Newpark may limit Purchaser's access to the personnel of the Transferred Entities if Newpark determines, in its reasonable discretion, that such access would be disruptive to Newpark's business. Any expenses related to the furnishing of such information which is within the control of Newpark and/or the Transferred Entities shall be paid by Newpark. The foregoing shall not require Newpark, DFI, Newpark Texas or any Transferred Entity to permit any inspection, or to disclose any information, that in the reasonable judgment of Newpark is reasonably likely to result in the disclosure of any trade secrets to third parties, violate any of its obligations with respect to confidentiality or disclose information that does not relate exclusively to the Business. All information provided to Purchaser and its representatives in accordance with this Agreement, including this Section 5.1, or by a third party subject to an obligation of confidentiality for the benefit, either directly or indirectly, of Newpark shall, prior to the Closing, be held by Purchaser and its representatives in accordance with, shall be considered "Evaluation Material" under, and shall be subject to the terms of, the Confidentiality Agreement. All requests for information made pursuant to this Section 5.1(a) shall be directed to a designated officer of Newpark or such other individual as may be designated by Newpark, and shall not be granted to the extent deemed inconsistent with any Law.

Section 3. Amendment to Section 5.2(e). Section 5.2(e) of the Purchase Agreement is amended and restated in its entirety by the following:

(e) For purposes of this Agreement, the "Agreed Value" of any Divested Asset shall be the amount equal to: (A) (x) the number obtained by dividing \$85,000,000 by the LTM EBITDA (determined in accordance with Sections 9.1(a)(x) and 9.1(b)) multiplied by (y) the Adjusted EBITDA (the "Adjusted EBITDA Method"), or (B) if the Divested Asset is a property or asset owned or leased by CCS or its Affiliates and CCS reasonably determines that the Adjusted EBITDA Method will not result in a fair determination of the Agreed Value, CCS may calculate the Agreed Value utilizing a discounted cash flow analysis based upon the present value of the estimated future cash flows from such Divested Asset over a ten (10) year period beginning ~~July November~~ **July November** 1, 2008 and ending ~~June 30~~ **October 31**, 2018, using a discount rate of ten percent (10%) per annum (the "DCF Method"). If a Divestiture is required to obtain any necessary Governmental Consent, promptly following the determination by CCS that such Divestiture is required CCS shall provide written notice to Newpark (a "Divestiture Notice") which shall identify the proposed Divested Assets and set forth CCS' calculation of the Agreed Value relating to such assets. Newpark shall have ten (10) calendar days following the receipt of such Divestiture Notice to review the calculation of the Agreed Value. If Newpark and CCS are unable to agree on the calculation of such Agreed Value, such dispute shall be resolved as follows: (i) if the Agreed Value was determined on the basis of the Adjusted EBITDA Method, any such dispute shall be submitted to the Accounting Arbitrator selected in the manner provided in Section 2.4(b), and (ii) if the Agreed Value was determined on the basis of the DCF Method, any such dispute shall be submitted to a valuation expert mutually acceptable to CCS and Newpark who shall determine the Agreed Value in accordance with the DCF Method. If CCS and Newpark are unable to mutually agree upon a valuation expert within twenty (20) calendar days following the receipt of such Divestiture Notice, Newpark and CCS shall each select a valuation expert, and the two valuation experts shall select a third valuation expert who will determine, on its own, the Agreed Value of such Divested Asset in accordance with the preceding sentence. Any costs and expenses of an Accounting Arbitrator or valuation experts shall be shared equally by Newpark and CCS.

Section 4. Amendment to Section 9.1(a)(iv). Section 9.1(a)(iv) of the Purchase Agreement is amended and restated in its entirety by the following:

(iv) by either Newpark, on the one hand, or Purchaser, on the other hand, if the Closing shall not have occurred on or before ~~October 8~~ November 14, 2008 (the “Outside Date”); provided, however, that (A) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date on one or more occasions for an aggregate period not to exceed forty-five (45) days if all other conditions to consummation of the transactions contemplated by this Agreement are satisfied or capable of then being satisfied, and the sole reason that such transactions have not been consummated by such date is that the condition set forth in Section 8.1(a) has not been satisfied, provided, that the extension may be increased to a period not to exceed seventy-five (75) days if a Divestiture is required and any dispute with respect to the Agreed Value is submitted to an Accounting Arbitrator or a valuation expert in accordance with Section 5.2(e), provided, further, that the Outside Date shall not be extended for a period in excess of five (5) Business Days following the later to occur of the date upon which the waiting period (or any extension thereof) under the HSR Act shall have expired or been terminated, or the date upon which a determination of the Agreed Value is made, (B) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date on one or more occasions for an aggregate period not to exceed forty-five (45) days if one or more Environmental Disputes shall have been submitted to arbitration in accordance with Section 5.14(d), provided, that the Outside Date shall not be extended for a period in excess of five (5) Business Days following the date upon which the arbitrator shall have delivered his written decision with respect to such Environmental Disputes, (C) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date (as same may have been extended) until the sooner to occur of (1) the expiration of Purchaser’s thirty (30) day notice period provided for in Section 5.14(c)(iii), or (2) five (5) Business Days following the Purchaser’s delivery of its notice under Section 5.14(c)(iii) that Purchaser is electing to continue with the transactions contemplated by this Agreement, (D) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date (as same may have been extended) up to six (6) months if Newpark exercises its option under Section 5.14(c)(iii) to cure or remediate the Selected Alleged Recognized Environmental Conditions, (E) either Newpark or Purchaser may, at its sole discretion, extend the Outside Date on one or more occasions for an aggregate period not to exceed thirty (30) days if a dispute with respect to LTM EBITDA shall have been submitted to an Accounting Arbitrator in accordance with Section 9.1(b), provided, that the Outside Date shall not be extended for a period in excess of five (5) Business Days following the date on which the Accounting Arbitrator shall have delivered his written decision with respect to any such dispute, and (F) the right to terminate this Agreement under this Section 9.1(a)(iv) shall not be available to any party to this Agreement whose failure to comply or perform in any material respect with such party’s representations, warranties, covenants or other agreements contained in this Agreement has been the cause of or resulted in the failure of the transactions contemplated by this Agreement to occur on or before the Outside Date. In the event (x) any Environmental Report required pursuant to Section 5.14 hereof shall not have been completed on or before the Outside Date, or (y) any Environmental Dispute shall not have been resolved by arbitration or otherwise on or before the Outside Date as it may have been extended pursuant to clause (B) above, Newpark shall have the right, at its discretion, to terminate this Agreement on the Outside Date (as same may have been extended). In the event Newpark shall not have completed the cure or remediation of the Selected Alleged Recognized Environmental Conditions on or before the Outside Date as it may have been extended pursuant to clause (D) above, Purchaser shall have the right, at its discretion, to terminate this Agreement on the Outside Date (as the same may have been extended);.

Section 4. Amendment to Section 9.1(a)(viii). Section 9.1(a)(viii) of the Purchase Agreement is amended and restated in its entirety by the following:

(viii) by Purchaser, if it is not satisfied, in its sole discretion, with the results of its due diligence, provided, however, that as a condition to its right to terminate this Agreement pursuant to this Section 9.1(a)(viii), the Purchaser must provide written notice of such termination to Newpark on or before ~~October 8~~ November 14, 2008. If Purchaser fails to provide such written notice of termination on or before ~~October 8~~ November 14, 2008, Purchaser shall have waived any right to terminate this Agreement pursuant to this Section 9.1(a)(viii);

Section 5. Miscellaneous.

The provisions of the Purchase Agreement shall remain in full force and effect except as expressly amended and modified as set forth in this Amendment. This Amendment and the rights and obligations of the parties hereunder shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Texas without regard to any choice of law principles. This Amendment may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Left Blank]

NEWPARK RESOURCES, INC.

By: /s/ Paul L. Howes
Name: Paul L. Howes
Title: President and Chief Executive Officer

NEWPARK DRILLING FLUIDS LLC

By: /s/ Mark J. Ariola
Name: Mark J. Ariola
Title: Vice President

NEWPARK TEXAS, L.L.C.

By: /s/ Mark J. Ariola
Name: Mark J. Ariola
Title: Vice President

CCS INC.

By: /s/ Jim McMahon
Name: Jim McMahon
Title: Vice President

CCS MIDSTREAM SERVICES, LLC

By: /s/ Jim McMahon
Name: Jim McMahon
Title: Vice President

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Paul L. Howes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Newpark Resources, 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(s) 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(s) 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: October 30, 2008

/s/ Paul L. Howes
Paul L. Howes, President and
Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James E. Braun, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Newpark Resources, 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(s) 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(s) 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: October 30, 2008

/s/ James E. Braun
James E. Braun, Vice President and
Chief Financial Officer

Certification
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 on Form 10-Q for the period ended September 30, 2008, of Newpark Resources, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul L. Howes, President and Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: October 30, 2008

/s/ Paul E. Howes

Paul L. Howes, President and
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification
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 on Form 10-Q for the period ended September 30, 2008, of Newpark Resources, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James E. Braun, Vice President and Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: October 30, 2008

/s/ James E. Braun

James E. Braun, Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.