



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 March 31, 2003

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.)

**3850 N. Causeway, Suite 1770**  
**Metairie, Louisiana**  
(Address of principal executive offices)

**70002**  
(Zip Code)

**(504) 838-8222**  
(Registrant's telephone number)

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common stock, \$0.01 par value: 77,813,458 shares at May 5, 2003.

## TABLE OF CONTENTS

### PART I

Unaudited Consolidated Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Cash Flows

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

ITEM 4. Controls and Procedures

### PART II

ITEM 5. Other Information

ITEM 6. Exhibit and Reports on Form 8-K

SIGNATURES

CERTIFICATIONS

EXHIBIT INDEX

EX-10.1 Amended and Restated Credit Agreement

EX-10.2 Amended and Restated Promissory Agreement

EX-10.3 Amendment to Security Agreement

EX-10.4 Amended and Restated Prepayment Letter

EX-10.5 Letter Agreement-Intercreditor Agreement

EX-99.1 Certification by James D. Cole

EX-99.2 Certification by Matthew W. Hardey

---

NEWPARK RESOURCES, INC.  
INDEX TO FORM 10-Q  
FOR THE THREE MONTH PERIOD ENDED  
March 31, 2003

Item Number	Description	Page Number
<u>PART I</u>		
1	Unaudited Consolidated Financial Statements:	
	Balance Sheets as of March 31, 2003 and December 31, 2002	3
	Statements of Income for the Three Month Periods Ended March 31, 2003 and 2002	4
	Statements of Comprehensive Income for the Three Month Periods Ended March 31, 2003 and 2002	5
	Statements of Cash Flows for the Three Month Periods Ended March 31, 2003 and 2002	6
	Notes to Unaudited Consolidated Financial Statements	7
2	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
3	Quantitative and Qualitative Disclosures about Market Risk	24
4	Controls and Procedures	24
<u>PART II</u>		
5	Other Information	28
6	Exhibits and Reports on Form 8-K	28
	Signatures	30
	Section 302 Certificates	31

[Table of Contents](#)

Newpark Resources, Inc.

**Consolidated Balance Sheets**

(Unaudited)

(In thousands, except share data)	March 31, 2003	December 31, 2002
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,486	\$ 2,725
Trade accounts receivable, less allowance of \$2,128 in 2003 and \$2,102 in 2002	99,134	97,657
Notes and other receivables	3,943	3,307
Inventories	69,040	55,473
Deferred tax asset	14,284	11,094
Prepaid expenses and other current assets	10,771	10,039
<b>Total current assets</b>	<b>204,658</b>	<b>180,295</b>
Property, plant and equipment, at cost, net of accumulated depreciation	207,705	204,703
Goodwill	111,727	110,727
Deferred tax asset	6,056	8,950
Other intangible assets, net of accumulated amortization	15,667	15,786
Other assets	23,155	21,795
	<b>\$ 568,968</b>	<b>\$ 542,256</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Foreign bank lines of credit	\$ 7,442	\$ 6,621
Current maturities of long-term debt	2,998	3,258
Accounts payable	42,891	35,568
Accrued liabilities	24,592	18,414
<b>Total current liabilities</b>	<b>77,923</b>	<b>63,861</b>
Long-term debt, less current portion	180,259	172,049
Other non-current liabilities	1,588	923
<b>Stockholders' equity:</b>		
Preferred Stock, \$.01 par value, 1,000,000 shares authorized, 167,500 shares outstanding	41,875	41,875
Common Stock, \$.01 par value, 100,000,000 shares authorized, 77,813,458 and 77,710,192 shares outstanding at March 31, 2003 and December 31, 2002, respectively	778	777
Paid-in capital	376,731	376,278
Unearned restricted stock compensation	(236)	(281)
Accumulated other comprehensive income	1,188	(864)
Retained deficit	(111,138)	(112,362)
<b>Total stockholders' equity</b>	<b>309,198</b>	<b>305,423</b>
	<b>\$ 568,968</b>	<b>\$ 542,256</b>

See Accompanying Notes to Unaudited Consolidated Financial Statements

[Table of Contents](#)

Newpark Resources, Inc.

**Consolidated Statements of Income**

For the Three Month Periods Ended March 31,

(Unaudited)

(In thousands, except per share data)	2003	2002
Revenues	\$90,577	\$75,110
Operating costs and expenses:		
Cost of services provided	58,021	48,646
Operating costs	25,480	19,654
	83,501	68,300
General and administrative expenses	1,195	1,517
Operating income	5,881	5,293
Foreign currency exchange (gain) loss	(277)	4
Interest income	(325)	(171)
Interest expense	3,792	3,122
Income before income taxes	2,691	2,338
Provision for income taxes	996	842
Net income	1,695	1,496
Less:		
Preferred stock dividends and accretion	471	975
Net income applicable to common and common equivalent shares	\$ 1,224	\$ 521
Basic and diluted income per common and common equivalent shares	\$ 0.02	\$ 0.01

See Accompanying Notes to Unaudited Consolidated Financial Statements

[Table of Contents](#)

Newpark Resources, Inc.

**Consolidated Statements of Comprehensive Income**

For the Three Month Periods Ended March 31,

(Unaudited)

---

(In thousands)	2003	2002
Net income	\$1,695	\$1,496
Other comprehensive income (loss):		
Foreign currency translation adjustments	2,052	19
Comprehensive income	<u>\$3,747</u>	<u>\$1,515</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements

[Table of Contents](#)

Newpark Resources, Inc.

**Consolidated Statements of Cash Flows**

For the Three Month Periods Ended March 31,

(Unaudited)

(In thousands)	2003	2002
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,695	\$ 1,496
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	5,290	6,076
Provision (benefit) for deferred income taxes	(113)	842
Gain on sale of assets	(306)	(956)
Change in assets and liabilities:		
Decrease (increase) in accounts and notes receivable	(3,447)	10,020
Decrease (increase) in inventories	(13,567)	(397)
Increase in other assets	(1,386)	(1,640)
Increase (decrease) in accounts payable	6,841	(3,820)
Increase (decrease) in accrued liabilities and other	6,823	1,606
<b>Net cash provided by operating activities</b>	<b>1,830</b>	<b>13,227</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(6,556)	(3,089)
Proceeds from sale of property, plant and equipment	352	1,446
Payments received on notes receivable	364	674
<b>Net cash used in investing activities</b>	<b>(5,840)</b>	<b>(969)</b>
<b>Cash flows from financing activities:</b>		
Net borrowings (payments) on lines of credit	9,821	(14,199)
Principal payments on notes payable and long-term debt	(1,050)	(906)
Proceeds from exercise of stock options and ESPP	—	839
<b>Net cash provided by (used in) financing activities</b>	<b>8,771</b>	<b>(14,266)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,761</b>	<b>(2,008)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,725</b>	<b>7,504</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,486</b>	<b>\$ 5,496</b>

See Accompanying Notes to Unaudited Consolidated Financial Statements



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

**Note 1 — Interim Financial Statements**

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments necessary to present fairly the financial position of Newpark Resources, Inc. ("Newpark") as of March 31, 2003, and the results of its operations and its cash flows for the three month periods ended March 31, 2003 and 2002. All such adjustments are of a normal recurring nature. These interim financial statements should be read in conjunction with the December 31, 2002 audited financial statements and related notes filed on Form 10-K. The results of operations for the three month period ended March 31, 2003 are not necessarily indicative of the results to be expected for the entire year.

**Note 2 — Earnings Per Share**

The following table presents the reconciliation of the numerator and denominator for calculating income per share in accordance with the disclosure requirements of Statement of Financial Accounting Standards ("FAS") 128 (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2003	2002
Income applicable to common and common equivalent shares	\$ 1,224	\$ 521
Weighted average number of common shares outstanding	77,733	70,490
Add:		
Net effect of dilutive stock options and warrants	59	451
Adjusted weighted average number of common shares outstanding	77,792	70,941
Basic and diluted income applicable to common and common equivalent shares	\$ .02	\$ .01

Basic net income per share was calculated by dividing net income by the weighted-average number of common shares outstanding during the period. For the three months ended March 31, 2003 and 2002, Newpark had dilutive stock options and warrants of approximately 474,000 shares and 2.3 million shares, respectively, which were assumed exercised using the treasury stock method. The resulting net effects of stock options and warrants were used in calculating diluted income per share for these periods.

Options and warrants to purchase a total of approximately 10.4 million shares and 8.3 million shares of common stock were outstanding during the three months ended March 31, 2003 and 2002, respectively, but were not included in the computation of diluted income per share because they were anti-dilutive.

## [Table of Contents](#)

The net effect of the assumed conversion of the Series A Preferred Stock was excluded from the computation of diluted income per share for the quarter ended March 31, 2002 because the effect would be anti-dilutive. The net effects of the assumed conversion of the Series B and Series C Preferred Stock have been excluded from the computation of diluted income per share for all periods presented because the effects would be anti-dilutive.

### Note 3 — Stock-Based Compensation

In December 2002, FAS 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — An Amendment of FASB Statement No. 123," was issued by the Financial Accounting Standards Board ("FASB") and amends FAS 123, "Accounting for Stock-Based Compensation." FAS 148 provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation and amends the disclosure provisions of FAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Additionally, FAS 148 amends Accounting Principles Board Opinion ("APB") No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information.

Newpark elected to continue to apply APB 25 and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans as the exercise price of all stock options granted thereunder is equal to the fair value at the date of grant. Had compensation costs for Newpark's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of FAS 123, Newpark's net income and net income per share would have been reduced to the pro forma amounts indicated below:

(In thousands, except per share data)	Three Months Ended March 31,	
	2003	2002
Income applicable to common and common equivalent shares:		
As reported	\$1,224	\$ 521
Deduct stock based employee compensation expense determined under fair value based method for all awards, net of related taxes	(521)	(620)
Proforma	\$ 703	\$ (99)
Net income per share:		
Basic:		
As reported	\$ .02	\$ .01
Proforma	\$ .01	\$ .00
Diluted:		
As reported	\$ .02	\$ .01
Proforma	\$ .01	\$ .00

**Note 4 — Accounts and Notes Receivable**

Included in trade accounts receivable at March 31, 2003 and December 31, 2002 are (in thousands):

	March 31, 2003	December 31, 2002
Trade receivables	\$ 89,056	\$88,951
Unbilled revenues	12,206	10,808
Gross trade receivables	101,262	99,759
Allowance for doubtful accounts	(2,128)	(2,102)
Net trade receivables	\$ 99,134	\$97,657

**Note 5 — Inventories**

Newpark's inventories consisted of the following items at March 31, 2003 and December 31, 2002 (in thousands):

	March 31, 2003	December 31, 2002
Composite mats	\$19,362	\$17,039
Drilling fluids raw material and components	46,823	34,108
Logs	1,412	3,040
Supplies	407	354
Other	1,036	932
Total	\$69,040	\$55,473

The first quarter increase in drilling fluids raw materials and components is principally associated with the purchase, at a discount to the market, of previously consigned barite inventory from a supplier exiting the business. This investment is expected to be recaptured from operations during the next six to eight months.

**Note 6 — Long-Term Debt**

As of March 31, 2003, Newpark had outstanding \$125 million of unsecured senior subordinated notes (the "Notes") which mature on December 15, 2007. Interest on the Notes accrues at the rate of 8-5/8% per annum and is payable semi-annually on June 15 and December 15.

In November 2001, Newpark entered into an interest-rate swap instrument, effectively converting the Notes to a floating rate for a two year period. The swap arrangement originally expired in December 2003, but was terminated in July 2002. Newpark had designated this instrument as an ineffective fair value hedge. Accordingly, changes in the instrument's fair value were to be recognized currently in earnings. The net change in the fair value of the instrument was \$207,000 for the quarter ended March 31, 2002, and this amount was recognized as an increase in interest expense for the period.

As of March 31, 2003, Newpark also maintained a \$100.0 million bank credit facility, including up to \$25.0 million in standby letters of credit, in the form of a revolving line of credit commitment, which expires February 27, 2005. At March 31, 2003, \$15.8 million in

## [Table of Contents](#)

letters of credit were issued and outstanding under the facility and \$46.5 million was outstanding under the revolving facility, leaving \$37.7 million of availability under this facility at that date. The facility bears interest at either a specified prime rate (4.25% at March 31, 2003) or the LIBOR rate (1.29% at March 31, 2003), in each case plus a spread determined quarterly based on the ratio of Newpark's funded debt to cash flow. The weighted average interest rates on the outstanding balance under the credit facility for the first three months of 2003 and 2002 were 6.09% and 4.25%, respectively.

The credit facility contains certain financial covenants. As of March 31, 2003, Newpark was in compliance with all the covenants contained in the credit facility.

### **Note 7 — New Accounting Standards**

In June 2001, the FASB issued FAS 143, "Accounting for Asset Retirement Obligations", which is effective for fiscal years beginning after June 15, 2002. FAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. The principal retirement obligations of Newpark consist of expected costs of site restoration and other cleanup costs at leased facilities for all of our business units and costs to plug and abandon wells at our disposal facilities owned or leased by our E&P waste disposal segment. Newpark anticipates that the majority of the costs related to asset retirement obligations will be incurred between the years 2022 and 2052. Based on Newpark's current business plans, no material expenditures for asset retirement obligations are expected prior to 2012.

Newpark adopted FAS 143 on January 1, 2003, at which time a liability of \$343,000 was recorded as a component of other non-current liabilities, representing the fair value of the expected future liability for asset retirement obligations at the date of adoption. In addition, upon adoption, net assets of \$184,000 were recorded, reflecting the unamortized value of the net assets that would have been recorded at the time the obligations originated, less accumulated depreciation from that date to the date of adoption. The gross difference between the net liability and net assets as of the date of adoption was \$159,000 and has been recorded as a component of operating expenses. This amount was considered immaterial and was not disclosed as a cumulative effect of accounting change.

Newpark adopted the reporting requirements of FAS 148 in the first quarter of 2003 (See Note 3).

In January 2003, the FASB issued Financial Interpretation Number ("FIN") 46 "Consolidation of Variable Interest Entities," which clarifies the application of Accounting Research Bulletin 51, "Consolidated Financial Statements", to certain entities (called variable interest entities) in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The disclosure requirements of FIN 46 were effective for all financial statements issued after January 31, 2003. The consolidation requirements apply to all variable interest entities created after January 31, 2003. In addition, public companies must apply the consolidation requirements to variable interest entities that existed prior to February 1, 2003 and remain in existence as of the beginning of annual or interim periods beginning after June 15, 2003.

[Table of Contents](#)

Management is currently assessing the impact of FIN 46 and does not expect this interpretation to have a material impact on the Consolidated Financial Statements.

**Note 8 — Segment Data**

Summarized financial information concerning Newpark's reportable segments is shown in the following table (dollars in thousands):

	Three Months Ended March 31,		Increase/(Decrease)	
	2003	2002	\$	%
Revenues by segment:				
E&P waste disposal	\$13,165	\$11,064	\$ 2,101	19%
Fluids sales & engineering	53,929	42,079	11,850	28
Mat & integrated services	23,483	21,967	1,516	7
Total revenues	\$90,577	\$75,110	\$15,467	21%
Operating income by segment:				
E&P waste disposal	\$ 2,609	\$ 554	\$ 2,055	371%
Fluids sales & engineering	2,813	4,004	(1,191)	(30)
Mat & integrated services	1,654	2,252	(598)	(27)
Total by segment	\$ 7,076	\$ 6,810	\$ 266	4
General and administrative expenses	1,195	1,517	(322)	(21)
Total operating income	\$ 5,881	\$ 5,293	\$ 588	11%

The amounts above are shown net of intersegment transfers.

**Note 9 — Condensed Consolidating Financial Information**

The Notes are fully and unconditionally guaranteed, on a joint and several basis, by certain wholly-owned subsidiaries of Newpark. Each of the guarantees is an unsecured obligation of the guarantor and ranks *pari passu* with the guarantees provided by and the obligations of such guarantor subsidiaries under Newpark's credit facility. Each guarantee also ranks *pari passu* with all existing and future unsecured indebtedness of such guarantor for borrowed money that is not, by its terms, expressly subordinated in right of payment to such guarantee. The net proceeds from the issuance of the Notes were used by Newpark to repay outstanding revolving indebtedness and for general corporate purposes, including working capital, capital expenditures and acquisitions of businesses.

The following condensed consolidating balance sheet as of March 31, 2003 and the related condensed consolidating statements of income and cash flows for the three months ended March 31, 2003 should be read in conjunction with the notes to these consolidated financial statements (in thousands). Comparable condensed consolidating financial statements as of March 31, 2002 have not been presented because the non-guarantor balances were not material. The acquisition of AVA in May 2002 resulted in the non-guarantor balances becoming material to warrant disclosure of this information.

	Parent Company Only	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>CONDENSED CONSOLIDATING BALANCE SHEET</b>					
Current assets:					
Cash and cash equivalents	\$ 97	\$ 3,291	\$ 4,098	\$ —	\$ 7,486
Accounts receivable, net	—	75,455	26,869	(3,190)	99,134
Inventories	—	57,115	11,925	—	69,040
Other current assets	5,556	24,082	1,860	(2,500)	28,998
<b>Total current assets</b>	<b>5,653</b>	<b>159,943</b>	<b>44,752</b>	<b>(5,690)</b>	<b>204,658</b>
Investment in subsidiaries	440,318	—	—	(440,318)	—
Property and equipment, net	4,593	195,868	7,244	—	207,705
Goodwill	—	95,114	16,613	—	111,727
Other intangibles, net	—	13,026	2,641	—	15,667
Other assets, net	39,481	2,333	1,329	(13,932)	29,211
<b>Total assets</b>	<b>\$ 490,045</b>	<b>\$466,284</b>	<b>\$ 72,579</b>	<b>\$(459,940)</b>	<b>\$ 568,968</b>
Current liabilities:					
Foreign bank lines of credit	\$ —	\$ —	\$ 7,442	\$ —	\$ 7,442
Current maturities of long-term debt	—	2,941	57	—	2,998
Accounts payable	1,642	26,391	18,048	(3,190)	42,891
Accrued liabilities	7,245	13,494	6,353	(2,500)	24,592
<b>Total current liabilities</b>	<b>8,887</b>	<b>42,826</b>	<b>31,900</b>	<b>(5,690)</b>	<b>77,923</b>
Long-term debt	171,500	8,389	14,302	(13,932)	180,259
Other non-current liabilities	460	1,384	3,409	(3,665)	1,588
Stockholders' Equity:					
Preferred stock	41,875	—	—	—	41,875
Common stock	778	2,677	7,777	(10,454)	778
Paid in capital	376,731	431,714	25,706	(457,420)	376,731
Unearned restricted stock	(236)	—	—	—	(236)
Accumulated comprehensive income	1,188	—	1,188	(1,188)	1,188
Retained deficit	(111,138)	(20,706)	(11,703)	32,409	(111,138)
<b>Total stockholders' equity</b>	<b>309,198</b>	<b>413,685</b>	<b>22,968</b>	<b>(436,653)</b>	<b>309,198</b>
<b>Total liabilities and equity</b>	<b>\$ 490,045</b>	<b>\$466,284</b>	<b>\$ 72,579</b>	<b>\$(459,940)</b>	<b>\$ 568,968</b>

**CONDENSED CONSOLIDATING STATEMENT OF INCOME**

Revenue	\$ —	\$71,121	\$19,590	\$ (134)	\$90,577
Cost of services provided	—	47,366	10,789	(134)	58,021
Operating costs	—	18,310	7,170	—	25,480
	—	65,676	17,959	(134)	83,501
General and administrative expense	1,195	—	—	—	1,195
Operating income (loss)	(1,195)	5,445	1,631	—	5,881
Other (income) expense	(120)	(142)	(340)	—	(602)
Interest expense	3,490	217	85	—	3,792
Income (loss) before income taxes	(4,565)	5,370	1,886	—	2,691
Income taxes (benefit)	(1,840)	1,987	849	—	996
Equity in earnings of subsidiaries	4,420	—	—	(4,420)	—
Net income	\$ 1,695	\$ 3,383	\$ 1,037	\$(4,420)	\$ 1,695

	Parent Company Only	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS</b>					
Net cash provided by operating activities	\$(3,486)	\$ 5,576	\$ (260)	\$ —	\$ 1,830
Net cash provided by (used in) investing activities:					
Capital expenditures, net of sales proceeds	(701)	(5,014)	(489)	—	(6,204)
Investments	(5,188)	3,173	2,015	—	—
Payments received on notes receivable	—	364	—	—	364
	(5,889)	(1,477)	1,526	—	(5,840)
Net cash provided by (used in) financing activities:					
Net borrowings (payments on) lines of credit, notes payable and long-term debt	9,000	(1,050)	821	—	8,771
	9,000	(1,050)	821	—	8,771
Net increase (decrease) in cash and cash equivalents	(375)	3,049	2,087	—	4,761
Cash and cash equivalents:					
Beginning of period	472	242	2,011	—	2,725
Ending of period	\$ 97	\$ 3,291	\$4,098	\$ —	\$ 7,486

**Note 10 — Subsequent Events**

On April 29, 2003, Newport executed an amendment to its note receivable obtained in connection with the sale of its former marine repair operations. The amendment, among other provisions, extends the maturity date of the note from September 30, 2003 to

## Table of Contents

September 30, 2005 and extends the period under which the debtor can pay the note in full at a reduced principal amount, including accrued interest until September 30, 2005. Under the revised terms, in the event of payment prior to the amended maturity date, interest will accrue on the reduced principal note at the rate of 5% through March 31, 2003 and at the rate of 10% thereafter. In addition, the amendment stipulates certain performance based measures that if achieved would require the operator to make scheduled principal and interest payments during the remaining term of the note. The note continues to be secured by a first lien on the assets sold by Newpark as well as certain guarantees of the operator. Newpark believes that it will ultimately recover its recorded investment in the note, including accrued interest, based on its secured position and the estimated value of the collateral. However, given the current operating performance of the operator, Newpark has elected to cease the accrual of interest on the note effective January 1, 2003. As of March 31, 2003 the recorded balance of the note included in other long-term assets is approximately \$8.2 million, consisting of the reduced principal balance of \$6.3 million and interest accrued on the reduced principal balance at the stated rate of 5% through December 31, 2002 of approximately \$1.9 million.

On May 6, 2003, the holder of Series C preferred stock provided notice that it would be converting its remaining 47,500 shares of Series C preferred stock. The stated value of these shares is \$11,875,000 and will be converted into 2,776,683 shares of Newpark common stock at a conversion price of \$4.3125 per share, giving effect to accrued and unpaid dividends on the 47,500 shares of Series C Preferred Stock through and including May 6, 2003.

### **Note 11 — Legal and Other Matters**

Newpark, through a consolidated subsidiary, purchases composite mats from the Loma Company, LLC (“Loma”), which manufactures the mats under an exclusive license granted by OLS Consulting Services, Inc. (“OLS”). Newpark, through a separate consolidated subsidiary, owns 49% of Loma and OLS holds the remaining 51% interest. OLS has granted Newpark an exclusive license to use and sell these mats.

Newpark also purchase mats, other than the composite mats, from other suppliers. Recently, Newpark designed and has applied for a patent on a lightweight injection molded mat, called the Bravo Mat™, which is substantially smaller than and differs in other material respects from the mats manufactured by Loma. In the first quarter of 2003, Newpark manufactured a prototype production run of Bravo Mats™, and sold 4,200 of the prototype units to a single customer.

Loma and OLS have taken the position that the Bravo Mats™ are covered by the exclusive license agreement, and that Newpark’s manufacturing of even a limited quantity of Bravo Mats™ is a material breach of the exclusive license agreement. Loma and OLS have threatened to terminate Newpark’s exclusive license. Loma has also taken the position that it has the right to sell composite mats to third parties, despite Newpark’s exclusive license to sell them. Newpark contends that no violation has occurred and that Loma has no right to sell the composite mats it manufactures to anyone other than Newpark.

Although there is no litigation pending with respect to these claims, Newpark is vigorously contesting Loma’s position, which Newpark believes to be frivolous. As previously reported, litigation is already pending concerning the pricing formula that Loma



[Table of Contents](#)

utilizes to invoice Newpark for mats. The parties have recently initiated a series of discussions intended to resolve their differences. Newpark believes that it would prevail if any litigation were to result from the claims of Loma and OLS.

**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 "Unaudited Consolidated Financial Statements" and "Notes to Unaudited Consolidated Financial Statements" as well as our annual report on Form 10-K for the year ended December 31, 2002.

**Operating Environment and Recent Developments**

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 commodities pricing, inventory levels and product demand. Rig count data is the most widely accepted indicator of drilling activity. Key average rig count data for the last five quarters is listed in the following table:

	1Q02	2Q02	3Q02	4Q02	1Q03
U.S Rig Count	814	808	853	846	897
Gulf Coast market	224	203	216	223	218
Gulf Coast market to total	27.5%	25.1%	25.3%	26.4%	24.3%
Canadian Rig Count	377	144	249	283	492

Source: Baker Hughes Incorporated

Our primary Gulf Coast market, which accounted for approximately 62% of first quarter 2003 revenues, includes: (1) South Louisiana Land; (2) Texas Railroad Commission Districts 2 and 3; (3) Louisiana and Texas Inland Waters; and (4) Offshore Gulf of Mexico. This market has traditionally accounted for approximately 70% of total revenues. The decline in the percentage of Gulf Coast revenues is the result of the decline in Gulf Coast market activity relative to the increase in activity experienced in the other markets we serve. We expect this trend to reverse during the remainder of the year as the Gulf Coast market recovers.

The Canadian market accounted for approximately 15% of 2003 first quarter revenues. Much of the terrain throughout the oil and gas-producing region of Canada presents soil stability and access problems similar to those encountered in the marsh areas of the U.S. Gulf Coast region. Much of the drilling activity in Canada has historically been conducted when winter temperatures freeze the soil and stabilize it, allowing safe access. Quarterly fluctuations in the Canadian rig count generally reflect the seasonal nature of drilling activity related to these access issues.

Natural gas production accounts for the majority of activity in the markets we serve. Gas storage levels and demand for natural gas have a significant impact on gas pricing, which, in turn, affects drilling activity, as gas suppliers need to maintain adequate storage for peak demand levels and insure adequate supplies for anticipated future demand. Rising commodity prices moderated the demand for natural gas beginning in the second half of 2000, as some commercial users switched to less costly alternate fuel sources when possible. This moderating demand, which was due to both high gas prices and declining economic activity, resulted in record high levels of gas storage during 2001 and contributed to a

## [Table of Contents](#)

decline in commodity prices and exploration activity. Significant declines in exploration activity began in the fourth quarter of 2001 and continued into the second quarter of 2002, which we believe was the bottom of the downward cycle. Gas storage contracted from the first quarter of 2002 to the first quarter of 2003. A slight increase in rig activity began in the third quarter of 2002, but no significant increase in rig activity is expected through mid 2003.

We continue to develop a niche in the drilling fluids market based upon our proprietary DeepDrill™ technology. During 2002, we achieved drilling successes with DeepDrill™, and that track record is beginning to translate into new commitments for upcoming projects. Recently, we successfully completed projects for two major international oil companies using the DeepDrill™ system, and several other major companies are currently testing the system.

Our recent acquisition of AVA S.p.A. provides new market opportunities in the Mediterranean, Eastern Europe and North Africa. While this acquisition will initially concentrate on the drilling fluids market, we believe that most of our product offerings have applications in these markets, and we expect to develop these market opportunities in the future.

New Environmental Protection Agency regulations that limit the discharge of synthetic oil-based drilling fluids into the Gulf of Mexico became effective on August 19, 2002. In the third quarter of 2002 we began to see the positive impact of these regulations on our waste disposal operations. We believe that the new regulations could also increase the demand for our DeepDrill™ family of drilling fluid products.

We have begun to penetrate non-oilfield markets and foreign markets with our Dura-Base™ composite mat system and recognized our first significant shipment of this product for use by the U.S. military in the fourth quarter of 2002. Since the introduction of the Dura-Base™ composite mat system, we have identified and begun to develop eight key markets, including Canada, Alaska and the Arctic, Russia, the Middle East, South America, Mexico, Indonesia and the U.S. utilities markets. We now have completed sales in all of these eight key markets. In addition, we completed the first shipment of our new lightweight Dura-Base™ SP-12 mat during the first quarter of 2003. This new mat system has been designed specifically for personnel applications by the U.S. military, including walkways and tent flooring, but is likely to have many other applications.

The mat rental market in our traditional Gulf Coast oilfield market was depressed during 2002, declining more than 50% from the prior year. The activity in this market, which historically is a leading indicator of drilling activity in this region, began to improve late in the fourth quarter and has maintained this momentum to date in 2003. Pricing has recovered by more than 50% from 2002 levels and is expected to remain stable.

Total industry mat inventories are down 45% from the peak in 2001, which should help improve pricing and utilization of the rental fleet in the coming market cycle. In addition, the overall condition of our competitors' inventory is deteriorating, and their usable inventory is at historic low levels. By comparison, our inventory is in very good condition and investment returns should recover to historic levels as the market improves. We have also increased our marketing efforts for rental services to other non-oilfield

## [Table of Contents](#)

markets, such as electric utility construction, and believe there are many opportunities nation-wide.

### Other Market Trends

Current short-term industry forecasts suggest that we should continue to see a slight increase in the number of rigs active in our primary Gulf Coast market, but this increase is expected to develop slowly and accelerate in the second half of 2003. We anticipate continued market penetration of critical, deep water and geologically deeper wells with our DeepDrill™ family of products, which should help to provide additional revenue growth as the market recovers.

Current long-term industry forecasts reflect a stable to growing demand for natural gas, predicated upon improving economic conditions. In addition, current gas reserves are being depleted at a rate faster than current replacement through drilling activities. Because many shallow fields in the Gulf Coast market have been heavily exploited, and because of improved economics, producers are increasing drilling depth to reach the larger gas reserves. We expect gas-drilling activity to be increasingly associated with deeper, more costly wells. We view this trend as favorable with respect to demand for product offerings in all of our segments.

### Results of Operations

Summarized financial information concerning Newpark's reportable segments is shown in the following table (dollars in thousands):

	Three Months Ended March 31,		Increase/(Decrease)	
	2003	2002	\$	%
Revenues by segment:				
E&P waste disposal	\$13,165	\$11,064	\$ 2,101	19%
Fluids sales & engineering	53,929	42,079	11,850	28
Mat & integrated services	23,483	21,967	1,516	7
Total revenues	\$90,577	\$75,110	\$15,467	21%
Operating income by segment:				
E&P waste disposal	\$ 2,609	\$ 554	\$ 2,055	371%
Fluids sales & engineering	2,813	4,004	(1,191)	(30)
Mat & integrated services	1,654	2,252	(598)	(27)
Total by segment	\$ 7,076	\$ 6,810	\$ 266	4
General and administrative expenses	1,195	1,517	(322)	(21)
Total operating income	\$ 5,881	\$ 5,293	\$ 588	11%

The amounts above are shown net of intersegment transfers.

#### Revenues

E&P Waste Disposal: Waste disposal revenue increased \$2.1 million, or 19%, on a 19% increase in waste volumes received. During the first quarter of 2003, we received

## Table of Contents

871,000 barrels of E&P waste, compared to 730,000 barrels in the comparable quarter of 2002. We realized this increase in waste volumes received in spite of a 3% decline in average rigs in our primary Gulf Coast market. We believe this is an indication of the impact of the new discharge limitations on synthetic-based fluids that recently became fully effective. In addition, we opened a new facility at Galveston, Texas in the third quarter of 2002 that immediately began to receive waste from customers in that area. The average revenue per barrel remained stable at \$13.03, compared to an average of \$12.94 for the first quarter of 2002.

**Fluids Sales and Engineering:** Revenues for this segment increased \$11.9 million, or 28%, to \$53.9 million during the first quarter of 2003, as compared to the first quarter of 2002. This increase in revenue is principally associated with the acquisition of our AVA, S.p.A. drilling fluids unit, in May 2002 and an increase in our Canadian drilling fluids unit resulting from an improved Canadian market in 2003 compared to 2002. The AVA unit, which services our customers in the Mediterranean, Eastern Europe and North Africa markets, generated revenues of \$6.4 million in the first quarter of 2003.

The average number of rigs we serviced in the North American market increased by 26%, from 122 in 2002 to 154 in 2003. The average annual revenue per rig for the North American market declined 6% to approximately \$1.3 million in the first quarter of 2003, as compared to approximately \$1.4 million for the comparable period in 2002, primarily due to the relative decline of higher-value Gulf Coast rigs in the mix of revenues.

The Environmental Protection Agency's new synthetic based fluid discharge regulations could also accelerate the acceptance of our DeepDrill™ family of products, since discharge of these products would be exempt from the new regulations, thus reducing the disposal costs of our customers. These new regulations have helped us to open discussions about our drilling fluids products, services and capabilities with many operators who are not currently drilling fluids customers. We anticipate that drilling fluid revenue will lead our revenue growth in 2003, assuming improvement in drilling activity.

**Mat and Integrated Services:** Mat and integrated services revenue for the quarter was \$23.4 million, as compared to \$22.0 million in the comparable prior year quarter, representing an increase of 7%. Both pricing and volume of mats rented in the core Gulf Coast market increased compared to a year ago due to improving market conditions and decreased industry capacity. However, the positive effects of these increases were significantly offset by declines in the units of composite mats sold and in integrated services revenue. Average rental pricing increased to \$1.17 from \$.61 per square foot, and the volume of mats installed increased 50% to 4.8 million square feet. Recent increases in the volume of non-oilfield market rentals, primarily to customers in the utilities industry, have helped to increase the average rental pricing by \$0.14 in the first quarter of 2003.

During the first quarter of 2003, we sold approximately 1,600 composite mats, generating revenue of \$3.7 million, as compared to \$5.9 million of revenue on 3,800 mats sold in the comparable period of 2002. The sales in 2003 were principally to a customer in Indonesia, representing our first shipment of composite mats to the Southeast Asia market. We have furnished price quotations for sales of composite mats on several large projects outside our primary North American oil service market and expect that these projects will be the source of increasing composite mat sales revenue in 2003. These quotations include

## [Table of Contents](#)

the potential for follow up sales to customers in Peru, Mexico and other markets which have previously acquired composite mats.

### *Operating Income*

**E&P Waste Disposal:** Waste disposal operating income increased \$2.1 million on a \$2.1 million increase in revenues. The significant increase in operating margin for this segment reflects the effect of cost reduction measures which became fully in place by the middle of 2002. These cost reduction measures were made in response to declining waste volumes experienced in 2001 and in an effort to improve the variable nature of our waste disposal cost structure. These cost reduction efforts included the decision not to renew our disposal contract with U.S. Liquids upon its expiration on June 30, 2002.

**Fluids Sales and Engineering:** Operating income for this segment declined \$1.2 million in spite of an increase of \$11.9 million in revenues. The operating margin for this segment in the first quarter of 2003 was 5.2%, as compared to 9.5% in the first quarter of 2002. The decline in operating margin reflects the concentration of revenue growth during the period in regions of North America where rig activity generally involves lower technology and correspondingly lower margins and the change in mix associated with the recently acquired operations in the Mediterranean. The Mediterranean operations also have traditionally experienced lower margins as the acquired customer base has been associated with lower-margin commodity revenues. In addition, this unit experienced increases in operating and other infrastructure costs in anticipation of several recently awarded contracts.

As noted above, we anticipate an increase in the number of rigs serviced in the Gulf of Mexico market during the remainder of 2003. This market represents the premium-priced business for this segment. We expect to see margin improvement throughout the remainder of 2003 as we continue to penetrate the offshore Gulf of Mexico market and gain wider customer acceptance of our higher-margin premium products such as our DeepDrill™ family of products.

**Mat and Integrated Services:** Mat and integrated services operating income declined \$598,000 on a \$1.5 million increase in revenues. The operating margin for this segment in the first quarter of 2003 was 7.0%, as compared to 10.3% in the first quarter of 2002. While pricing for the mat rental business continues to improve, the benefits realized from improving prices were offset by the reduction in composite mat sales, which typically generate a gross margin of approximately 40% to 45%. We believe that rental pricing will remain stable due to the recent firming of customer activity. In addition, we expect to see an increase in the utilization of our mat fleet which should result in a positive effect on operating margins resulting from an increase in high-margin re-rental revenues (the revenue which extend beyond the initial installation term).

### *General and Administrative Expense*

General and administrative expense declined \$322,000 to approximately \$1.2 million in the first quarter of 2003, as compared to the same period in 2002. This decline is principally associated with better loss experience in some of our insurance programs.

## [Table of Contents](#)

### *Interest Income/Expense*

Net interest expense was \$3.5 million for the first quarter of 2003, an increase of \$516,000, or 17%, as compared to \$3.0 million for the first quarter of 2002. The increase in net interest cost is due to an increase of \$15.6 million in average outstanding borrowings and an increase in the average effective interest rate from 8.2% in 2002 to 8.4% in 2003. The increase in the average outstanding borrowings is primarily attributable to a draw of \$9.3 million for the purchase of raw barite inventory which had previously been held on consignment. The increase in net interest expense related to the increases in average outstanding borrowings and average effective interest rate were partially offset by a decline in the effects the interest rate swap arrangement entered into in November 2001 which was terminated in July 2002. The recorded effects of the swap arrangement in the first quarter of 2002 resulted in an increase in interest expense of \$207,000 for that period.

### *Provision for Income Taxes*

For the quarter ended March 31, 2003 we recorded an income tax provision of \$996,000, reflecting an income tax rate of 37%. For the quarter ended March 31, 2002, we recorded an income tax provision of \$842,000, reflecting an income tax rate of 36%.

### **Liquidity and Capital Resources**

Cash generated from operations for the first quarter totaled \$1.8 million, which, combined with \$8.8 million of net funds received from financing activities, were used principally to fund capital expenditures of \$6.6 million.

Working capital data is as follows:

	March 31, 2003	December 31, 2002
Working Capital (000's)	\$126,735	\$116,434
Current Ratio	2.63	2.82

The first quarter increase in working capital of \$10.3 million is principally associated with inventory and included the purchase, at a discount to the market, of previously consigned barite inventory from a supplier exiting the business. This investment will be recaptured from operations during the next six to eight months. Other inventory additions in the period included \$2 million of composite mats for resale, substantially completing our 2003 planned purchases. We expect that improving sales of composite mats in 2003 will be a source of cash flow.

We estimate that capital expenditures will be approximately \$18 million in 2003, with approximately \$6 million used to relocate our primary barite grinding facilities and \$4 million for maintenance capital. The remaining amount is expected to be used principally to expand drilling fluids service capacity. Our commitments to expand drilling fluids capacity will be monitored and adjusted depending on market conditions. We expect to fund 2003 capital expenditures with cash generated from operations. We anticipate that cash flow from operations will provide the majority of our cash needs and that the remaining availability under our credit facility will be sufficient to meet our working capital funding needs in any cyclical recovery.

## Table of Contents

Our long term capitalization was as follows (in thousands):

	March 31, 2003	December 31, 2002
Long-term debt:		
Credit facility	\$ 46,500	\$ 37,500
Senior subordinated notes	125,000	125,000
Other	8,759	9,549
Total long-term debt	180,259	172,049
Stockholders' equity	309,198	305,423
Total capitalization	\$489,457	\$477,472
Long-term debt to long-term capitalization	36.8%	36.0%

Effective January 31, 2002, we completed the resyndication of our \$100 million bank credit facility, expanding the participants to six banks from four, and extending the term through February 2005. The compliance ratios were simplified, and minor technical changes were implemented to simplify the documentation. At March 31, 2003, \$15.8 million in letters of credit were issued and outstanding under the facility and \$46.5 million was outstanding under the revolving facility, leaving \$37.7 million of availability under this facility at March 31, 2003.

The credit facility bears interest at either a specified prime rate (4.25% at March 31, 2003) or the LIBOR rate (1.29% at March 31, 2003), in each case plus a spread determined quarterly based on the ratio of our funded debt to cash flow. The weighted average interest rates on the outstanding balance under the credit facility for the first three months of 2003 and 2002 were 6.09% and 4.25%, respectively.

The credit facility contains certain financial covenants. As of March 31, 2003, we were in compliance with the covenants contained in the credit facility. Our Senior Subordinated Notes ("Notes") do not contain any financial covenants. However, if we do not meet the financial covenants of the bank credit facility and are unable to obtain an amendment from the banks, we would be in default of the credit facility which would cause the Notes to be in default and immediately due. The Notes, the bank credit facility and the certificates of designation relating to our preferred stock also contain covenants that significantly limit the payment of dividends on our common stock.

With respect to off balance sheet liabilities, we lease most of our office and warehouse space, rolling stock and certain pieces of operating equipment under operating leases. In addition, as discussed below in Item 3, during 2001 we entered into a limited duration interest rate swap arrangement. This arrangement was terminated in July 2002. We have issued a guaranty of certain debt obligations of the manufacturer of our composite mats. This guaranty is backed by a letter of credit. The amount of this guaranty as of March 31, 2003 was \$9.8 million. The underlying debt obligation of the manufacturer matures in approximately six years, and current sales of composite mats are generating sufficient cash flows to support this debt, which is amortizing on schedule. We have also issued a guaranty for certain debt obligations of a joint venture which supplies a portion of



## [Table of Contents](#)

our wooden mats on a day rate leasing basis. The amount of this guaranty as of March 31, 2003 was \$8.3 million.

Except as described in the preceding paragraphs, we are not aware of any material expenditures, significant balloon payments or other payments on long term obligations or any other demands or commitments, including off-balance sheet items to be incurred within the next 12 months. Inflation has not materially impacted our revenues or income.

### ***New Accounting Standards.***

In June 2001, the FASB issued FAS 143, "Accounting for Asset Retirement Obligations", which is effective for fiscal years beginning after June 15, 2002. FAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. The principal retirement obligations of Newpark consist of expected costs of site restoration and other cleanup costs at leased facilities for all of our business units and costs to plug and abandon wells at our disposal facilities owned or leased by our E&P waste disposal segment. Newpark anticipates that the majority of the costs related to asset retirement obligations will be incurred between the years 2022 and 2052. Based on Newpark's current business plans, no material expenditures for asset retirement obligations are expected prior to 2012.

Newpark adopted FAS 143 on January 1, 2003, at which time a liability of \$343,000 was recorded as a component of other non-current liabilities, representing the fair value of the expected future liability for asset retirement obligations at the date of adoption. In addition, upon adoption, net assets of \$184,000 were recorded, reflecting the unamortized value of the net assets that would have been recorded at the time the obligations originated, less accumulated depreciation from that date to the date of adoption. The gross difference between the net liability and net assets as of the date of adoption was \$159,000 and has been recorded as a component of operating expenses. This amount was considered immaterial and was not disclosed as a cumulative effect of accounting change.

In January 2003, the FASB issued Financial Interpretation Number ("FIN") 46 "Consolidation of Variable Interest Entities," which clarifies the application of Accounting Research Bulletin 51, "Consolidated Financial Statements", to certain entities (called variable interest entities) in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The disclosure requirements of FIN 46 were effective for all financial statements issued after January 31, 2003. The consolidation requirements apply to all variable interest entities created after January 31, 2003. In addition, public companies must apply the consolidation requirements to variable interest entities that existed prior to February 1, 2003 and remain in existence as of the beginning of annual or interim periods beginning after June 15, 2003. We are currently assessing the impact of FIN 46 and do not expect this interpretation to have a material impact on our consolidated financial statements.

### **ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to certain market risks that are inherent in our financial instruments arising from transactions that are entered into in the normal course of business. Historically, we have not entered into derivative financial instrument transactions to manage or reduce market risk or for speculative purposes. However, in November 2001, we did enter into an interest-rate swap arrangement. A discussion of our primary market risk exposure in financial instruments is presented below.

#### *Long-term Debt*

We are subject to interest rate risk on our long-term fixed interest rate Notes. The bank credit facility has a variable interest rate and, accordingly, is not subject to interest rate risk. All other things being equal, the fair market value of debt with a fixed interest rate will increase as interest rates fall. Conversely, the fair market value of this debt will decrease as interest rates rise. Our policy has historically been to manage exposure to interest rate fluctuations by using a combination of fixed and variable-rate debt.

In November 2001, we entered into an interest-rate swap instrument, effectively converting our Notes to a floating rate for a two year period. The swap arrangement originally expired in December 2003, but was terminated in July 2002. We had designated this instrument as an ineffective fair value hedge. Accordingly, changes in the instrument's fair value were to be recognized currently in earnings. The net change in the fair value of the instrument was \$207,000 for the quarter ended March 31, 2002, and this amount was recognized as an increase in interest expense for the period.

The Notes mature on December 15, 2007. There are no scheduled principal payments under the Notes prior to the maturity date. However, all or some of the Notes may be redeemed at a premium after December 15, 2002. We have no current plans to repay the Notes ahead of their scheduled maturity.

During the three months ended March 31, 2003, we increased our total long-term variable-rate debt by \$9 million.

#### *Foreign Currency*

Our principal foreign operations are conducted in Canada and, since the acquisition of AVA in 2002, in areas surrounding the Mediterranean Sea. There is exposure to future earnings due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currencies. We primarily conduct our business in the functional currency of the jurisdictions in which we operate. Historically, we have not used off-balance sheet financial hedging instruments to manage foreign currency risks when we enter into a transaction denominated in a currency other than our local currencies because the dollar amount of these transactions has not warranted our using hedging instruments.

### **ITEM 4. Controls and Procedures**

Our chief executive officer and chief financial officer, with the participation of management, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of a date within 90 days prior to the filing of this quarterly report on Form 10-Q. Based on

## Table of Contents

their evaluation, they have concluded that our disclosure controls and procedures (1) are effective in timely alerting them to material information relating to Newpark (including our consolidated subsidiaries) required to be disclosed in our periodic Securities and Exchange Commission filings and (2) are adequate to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934 is recorded, processed and summarized and reported within the time periods specified in the SEC's rules and forms.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation described above.

### **Forward-Looking Statements**

The foregoing discussion contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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 below, 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. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

Among the risks and uncertainties that could cause future events and results to differ materially from those anticipated by us in the forward-looking statements included in this report are the following:

- A material decline in the level of oil and gas exploration and production and any reduction in the industry's willingness to spend capital on environmental and oilfield services could adversely affect the demand for our services;
- Material changes in oil and gas prices, expectations about future prices, the cost of exploring for, producing and delivering oil and gas, the discovery rate of new oil and gas reserves and the ability of oil and gas companies to raise capital could adversely affect the demand for our services;
- Changes in domestic and international political, military, regulatory and economic conditions may adversely affect the demand for oil and gas or production volumes;
- A rescission or relaxation of government regulations affecting E&P and NORM waste disposal could reduce the demand for our services and reduce our revenues and income.
- Changes in existing regulations could require us to change the way we do business, which may have a material adverse affect on our consolidated financial statements;

## Table of Contents

- Our patents or other proprietary technology may not prevent our competitors from developing substantially similar technology, which would reduce any competitive advantages we may have from these patents and proprietary technology;
- We may not be able to keep pace with the continual and rapid technological developments that characterize the market for our products and services, and our failure to do so may result in our loss of market share;
- We face intense competition in our existing markets and expect to face tough competition in any markets into which we seek to expand, which will put pressure on our ability to maintain our current market share and may limit our ability to expand our market share or enter into new markets;
- We may not be able to successfully integrate our recent acquisitions, including AVA, into our operations, and these acquisitions may not achieve sales and profitability levels that justify our investment in them, which could result in these businesses placing downward pressure on our margins or our disposing of these businesses at a loss;
- The demand for our services may be adversely affected by shortages of critical supplies or equipment in the oil and gas industry and personnel trained to operate this equipment;
- We may not be able to successfully replace our wooden mat fleet with our new composite mats or introduce our other new products and services, including our DeepDrill™ technology and our new Dura-Base™ SP-12 mat, and we may not be successful in gaining acceptance or market share for these products and services;
- We may not be able to maintain the necessary permits to operate our non-hazardous waste disposal wells or we may not be able to successfully compete in this market;
- adverse weather conditions could disrupt drilling operations and reduce the demand for our services;
- We would be adversely affected if there were any delays in implementing the new synthetic fluids disposal regulations or if these regulations failed to materially impact waste disposal volumes or drilling fluids revenues;
- We may fail to comply with any of the numerous Federal, state and local laws, regulations and policies that govern environmental protection, zoning and other matters applicable to our business, or these regulations and policies may change, and we may face fines or other penalties if we fail to comply with these new regulations, or be forced to make significant capital expenditures or changes to our operations;
- Our business exposes us to potential environmental or regulatory liability, and we could be required to pay substantial amounts with respect to these liabilities, including the costs to clean up and close contaminated sites;
- We may not have adequate insurance for potential liabilities, and any significant liability not covered by insurance or in excess of our coverage limits could have a material adverse affect on our financial condition;
- Our international operations are subject to uncertainties which could limit our ability to expand or reduce the revenues and profitability of these operations, including difficulties and cost associated with complying with a wide variety of complex foreign laws, treaties and regulations, unexpected changes in regulatory environments, inadequate protection of intellectual property in foreign countries, legal uncertainties, timing delays and expenses

## [Table of Contents](#)

associated with tariffs, export licenses and other trade barriers, among other risks; and

- Any increases in interest rates under our credit facility either as a result of increases in the prime or LIBOR rates or as a result of changes in our funded debt to cash flow ratio, would increase our cost of borrowing and have an adverse affect on our consolidated financial statements.

For further information regarding these and other factors, risks and uncertainties affecting us, we refer you to the risk factors set forth in the Prospectus included in our Registration Statement on Form S-3 filed on May 8, 2002 (File No. 333-87840), and to the section entitled "Forward-Looking Statements" on page 17 of that Prospectus.

**PART II**

**ITEM 5. Other Information**

Through a consolidated subsidiary, we purchase composite mats from the Loma Company, LLC (“Loma”), which manufactures the mat under an exclusive license granted by OLS Consulting Services, Inc. (“OLS”). Through a separate consolidated subsidiary, we own 49% of Loma and OLS holds the remaining 51% interest. OLS has granted us an exclusive license to use and sell these mats.

We also purchase mats, other than the composite mats, from other suppliers. Recently, we designed and have applied for a patent on a lightweight injection molded mat, called the Bravo Mat™, that is substantially smaller than and differs in other material respects from the mats manufactured by Loma. In the first quarter of 2003, we manufactured a prototype production run of Bravo Mats™, and sold 4,200 of the prototype units to a single customer.

Loma and OLS have taken the position that the Bravo Mats™ are covered by the exclusive license agreement, and that our manufacturing of even a limited quantity of Bravo Mats™ is a material breach of the exclusive license agreement. Loma and OLS have threatened to terminate our exclusive license. Loma has also taken the position that it has the right to sell composite mats to third parties, despite our exclusive license to use and sell them. We contend that no violation has occurred and that Loma has no right to sell the composite mats it manufactures to anyone other than Newport.

Although there is no litigation pending with respect to these claims, we are vigorously contesting Loma’s position, which we believe to be frivolous. As previously reported, litigation is already pending concerning the pricing formula that Loma utilizes to invoice us for mats. The parties have recently initiated a series of discussions intended to resolve their differences. We believe that we would prevail if any litigation were to result from the claims of Loma and OLS.

**ITEM 6. Exhibit and Reports on Form 8-K**

(a) *Exhibits*

- |      |   |
|------|---|
| 10.1 | Fifth Amendment dated as of May 1, 2003 to Amended and Restated Credit Agreement, dated January 31, 2002, among the registrant, as borrower, the subsidiaries of the registrant named therein, as guarantors, and Bank One, N.A., Credit Lyonnaise, Royal Bank of Canada, Hibernia National Bank, Comerica Bank and Whitney National Bank as lenders. |
| 10.2 | Amended and Restated Promissory Note dated as of April 29, 2003 between Newport Shipbuilding-Brady Island, Inc. and Newport Shipholding Texas, L.P.   |
| 10.3 | Agreement and Restating Amendment to Security Agreement dated as of April 29, 2003 between Newport Shipholding Texas, L.P. and Newport Shipbuilding-Brady Island, Inc.  |

Table of Contents

10.4	Amended and Restated Prepayment Letter dated as of April 29, 2003 between Newpark Shipbuilding-Brady Island, Inc. and Newpark Shipholding Texas, L.P.
10.5	Letter agreement to amend the Intercreditor Agreement between Foothill Capital Corporation and Newpark Shipholding Texas, L.P.
99.1	Certification dated May 7, 2003 by James D. Cole pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification dated May 7, 2003 by Matthew W. Hardey pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) *Reports on Form 8-K*

None.

**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: May 7, 2003

NEWPARK RESOURCES, INC.

By: /s/ James D. Cole

---

James D. Cole, Chairman and Chief  
Executive Officer

By: /s/ Matthew W. Hardey

---

Matthew W. Hardey, Vice President  
and Chief Financial Officer



**CERTIFICATIONS**

I, James D. Cole, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Newpark Resources, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - (a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 7, 2003

By: /s/ James D. Cole

---

James D. Cole, Chairman and Chief Executive Officer

## Table of Contents

I Matthew W. Hardey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Newpark Resources, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - (a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 7, 2003

By: /s/ Matthew M. Hardey

---

Matthew M. Hardey, Vice President and Chief Financial Officer

**EXHIBIT INDEX**

10.1	Fifth Amendment dated as of May 1, 2003 to Amended and Restated Credit Agreement, dated January 31, 2002, among the registrant, as borrower, the subsidiaries of the registrant named therein, as guarantors, and Bank One, N.A., Credit Lyonnaise, Royal Bank of Canada, Hibernia National Bank, Comerica Bank and Whitney National Bank as lenders.
10.2	Amended and Restated Promissory Note dated as of April 29, 2003 between Newport Shipbuilding-Brady Island, Inc. and Newport Shipholding Texas, L.P.
10.3	Agreement and Restating Amendment to Security Agreement dated as of April 29, 2003 between Newport Shipholding Texas, L.P. and Newport Shipbuilding-Brady Island, Inc.
10.4	Amended and Restated Prepayment Letter dated as of April 29, 2003 between Newport Shipbuilding-Brady Island, Inc. and Newport Shipholding Texas, L.P.
10.5	Letter agreement to amend the Intercreditor Agreement between Foothill Capital Corporation and Newport Shipholding Texas, L.P.
99.1	Certification dated May 7, 2003 by James D. Cole pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification dated May 7, 2003 by Matthew W. Hardey pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**FIFTH AMENDMENT TO  
AMENDED AND RESTATED  
CREDIT AGREEMENT**

This Fifth Amendment dated as of May 1, 2003 (this "Fifth Amendment") to that certain Amended and Restated Credit Agreement, dated as of January 31, 2002, as amended by First Amendment to Amended and Restated Credit Agreement dated as of April 30, 2002, by Second Amendment to Amended and Restated Credit Agreement dated as of July 31, 2002, by Third Amendment to Amended and Restated Credit Agreement dated as of October 31, 2002, and by Amended and Restated Fourth Amendment to Amended and Restated Credit Agreement dated as of December 16, 2002 (collectively, the "Credit Agreement"), is among Newpark Resources, Inc., a Delaware corporation, the Lenders, Bank One, NA, a national banking association with its main office in Chicago, Illinois, individually as a Lender, as Administrative Agent, and as LC Issuer, and the undersigned Guarantors.

WHEREAS, the Borrower intends to restructure the ownership structure of its Canadian operating subsidiary, Newpark Canada, Inc. to effect cost, tax, and other savings and operational efficiencies, and the parties wish to make certain modifications to the Credit Agreement to permit such restructuring and to modify certain other financial covenants, all by executing this Fifth Amendment on the terms and conditions set forth herein;

NOW, THEREFORE, the parties hereto do hereby amend the Credit Agreement, all on the terms and conditions hereof and do hereby agree as follows:

1. Unless otherwise defined herein, all defined terms used in this Fifth Amendment shall have the same meaning ascribed to such terms in the Credit Agreement.

2. Sections 6.24.1 and 6.24.2 of the Credit Agreement are hereby amended and restated to read in their entirety as follows:

6.24.1. Fixed Charge Coverage Ratio. The Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters, of (i) Consolidated EBITDA for the fiscal quarter then ended, *minus* (ii) \$1,500,000.00 for maintenance capital expenditures for the fiscal quarter then ended, *minus* (iii) the average of stock repurchases and/or retirements permitted under Section 6.10 for such fiscal quarter and the immediately preceding three fiscal quarters (exclusive of redemptions under Section 6.10 (iii)) to (x) Consolidated Interest Expense for the fiscal quarter then ended, *plus* (y) scheduled principal payments on Consolidated Indebtedness for the fiscal quarter then ended, *plus* (z) cash dividends on Existing Preferred Stock paid during the fiscal quarter then ended, all calculated for the Borrower and its Subsidiaries on a consolidated basis, to be less than the following:

Quarters ending:	Ratio:
December 31, 2001	3.00 to 1.00
March 31, 2002	2.25 to 1.00

---

Quarters ending:	Ratio:
June 30, 2002	2.50 to 1.00
September 30, 2002	1.75 to 1.00
December 31, 2002	2.00 to 1.00
March 31, 2003	2.00 to 1.00
June 30, 2003	2.50 to 1.00
All quarters ending thereafter	3.00 to 1.00

6.24.2. Leverage Ratio. The Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters, of (i) Consolidated Funded Indebtedness to (ii) Consolidated EBITDA at the end of each of its fiscal quarters, annualized, all calculated for the Borrower and its Subsidiaries on a consolidated basis, to be greater than the following:

Quarters ending:	Ratio:
December 31, 2001	3.00 to 1.00
March 31, 2002	4.00 to 1.00
June 30, 2002	5.50 to 1.00
September 30, 2002	5.25 to 1.00
December 31, 2002	4.75 to 1.00
March 31, 2003	4.50 to 1.00
June 30, 2003	4.00 to 1.00
September 30, 2003	3.50 to 1.00
December 31, 2003	3.25 to 1.00
All quarters ending thereafter	3.00 to 1.00

3. The form of the Compliance Certificate attached to the Credit Agreement as Exhibit "B" is hereby amended and restated entirely by the form of Compliance Certificate attached hereto as Exhibit "A".

4. Notwithstanding any other provision of the Credit Agreement to the contrary, the Borrower is authorized to modify the ownership and intercompany debt structure of Newpark Canada, Inc., including making transfers of stock or ownership interests, creating and acquiring interests in one or more additional Canadian entities, creating or dissolving any entities, transferring intercompany investments and intercompany loans, transforming intercompany investments into intercompany loans and advances, and entering into all such other transactions in connection therewith and, in the case of any issuances of stock and other equity proceeds shall not be obligated to apply such proceeds to the Loans; *provided, however*, that (i) the final effect of such restructuring shall be that the Borrower or a wholly owned Subsidiary of the Borrower shall own, directly or indirectly, all stock or other equity interests in all such Canadian entities and Newpark Canada, Inc., (ii) prior to effecting such transaction the Borrower shall provide the Administrative Agent with details outlining the specific structures and steps intended to be effected and the Administrative Agent shall be satisfied with the same, and (iii) the Administrative Agent shall have received all such reports of accountants and advisors of the Borrower and opinions of counsel to the Borrower in connection therewith as it shall require. In connection therewith the Administrative Agent is authorized to release the pledge of stock of

Newpark Canada Inc. *provided, however*, that the Administrative Agent shall be furnished in pledge at least 65% but just less than 66-2/3% of all stock, membership interest, partnership interests, or equity interests in the highest tier Canadian Subsidiary and in such other Canadian Subsidiaries as the Administrative Agent shall require, and, in connection therewith shall be furnished such opinions of counsel as to the creation, perfection, and priority of such pledges as it may require.

5. Section 6.14 (v) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(v) Investments in Newpark Canada Inc. and all other Canadian Subsidiaries not in excess of the aggregate of \$30,000,000.00 outstanding from time to time.

6. Except to the extent its provisions are specifically amended, modified or superseded by this Fifth Amendment, the representations, warranties and affirmative and negative covenants of the Borrower contained in the Credit Agreement are incorporated herein by reference for all purposes as if copied herein in full. The Borrower hereby restates and reaffirms each and every term and provision of the Credit Agreement, as amended, including, without limitation, all representations, warranties and affirmative and negative covenants. Except to the extent its provisions are specifically amended, modified or superseded by this Fifth Amendment, the Credit Agreement, as amended, and all terms and provisions thereof shall remain in full force and effect, and the same in all respects are confirmed and approved by the parties hereto.

7. Each Guarantor hereby consents to the execution of this Fifth Amendment and reaffirms its Guaranty of all of the obligations of the Borrower. Each such Guarantor further acknowledges and consents to any increase in the obligations owed by such Guarantor as the result of this Fifth Amendment. Borrower and Guarantor acknowledge and agree that this Fifth Amendment shall not be considered a novation or a new contract. Borrower and Guarantor acknowledge that all existing rights, titles, powers, Liens, security interests and estates in favor of the Lenders constitute valid and existing obligations and Liens and security interests as against the Collateral in favor of the Administrative Agent for the benefit of the Lenders. Borrower and each Guarantor confirm and agree that (a) neither the execution of this Fifth Amendment nor the consummation of the transactions described herein shall in any way effect, impair or limit the covenants, liabilities, obligations and duties of the Borrower and each Guarantor under the Loan Documents and (b) the obligations evidenced and secured by the Loan Documents continue in full force and effect. Each Guarantor hereby further confirms that it unconditionally guarantees to the extent set forth in the Guaranty the due and punctual payment and performance of any and all amounts and obligations owed the Borrower under the Credit Agreement or the other Loan Documents.

8. This Fifth Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

9. **THIS FIFTH AMENDMENT AND THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW**

**PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS LOUISIANA, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.**

**IN WITNESS WHEREOF**, the parties have caused this Fifth Amendment to Amended and Restated Credit Agreement to be duly executed as of the date first above written.

**[Remainder of Page Intentionally Blank]**

**BORROWER:**

NEWPARK RESOURCES, INC.

By: /s/ John R. Dardenne, Sr.

---

John R. Dardenne, Sr.

Title: Treasurer

**GUARANTORS:**

EXCALIBAR MINERALS INC.,  
MALLARD & MALLARD OF LA., INC.,  
NEWPARK HOLDINGS, INC.,  
SUPREME CONTRACTORS, L.L.C.,  
NEWPARK DRILLING FLUIDS, LLC,  
NEWPARK ENVIRONMENTAL SERVICES, L.L.C.,  
NEWPARK ENVIRONMENTAL MANAGEMENT COMPANY, L.L.C.,  
NEWPARK TEXAS, L.L.C.,  
EXCALIBAR MINERALS OF LA., L.L.C., and  
SOLOCO, L.L.C.

By: /s/ John R. Dardenne

---

John R. Dardenne, Sr., Treasurer



BATSON MILL, L.P.,  
NEWPARK ENVIRONMENTAL SERVICES OF TEXAS, L.P.,  
NEWPARK SHIPHOLDING TEXAS, L.P.,  
NID, L.P.,  
SOLOCO TEXAS, L.P.,  
NES PERMIAN BASIN, L.P. and  
NEWPARK ENVIRONMENTAL SERVICES MISSISSIPPI, L.P.

By: Newpark Holdings, Inc., the general partner of each

By: /s/ John R. Dardenne

---

John R. Dardenne, Sr., Treasurer

BANK ONE, NA,  
(Main Office, Chicago)  
Individually as a Lender and as Administrative Agent and as LC Issuer

By: /s/ J. Charles Freel, Jr.

Title: Director, Capital Markets

---

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Oliver Audemard

---

Title: Senior Vice President

ROYAL BANK OF CANADA

By: \_\_\_\_\_

Title: **Manager**

HIBERNIA NATIONAL BANK

By: /s/ Cheryl H. Denenes

---

Title: Vice President

COMERICA BANK

By: \_\_\_\_\_

Title: Assistant Vice President

WHITNEY NATIONAL BANK

By: /s/ Michael Jesse Shannon

---

Title: Senior Vice President

AMENDED AND RESTATED PROMISSORY NOTE  
-----

\$8,534,000.00

April 29, 2003  
Houston, Texas

FOR VALUE RECEIVED, the undersigned, NEWPARK SHIPBUILDING-BRADY ISLAND, INC. (f/k/a Newpark Shipbuilding and Repair, Inc.), a Texas corporation ("Borrower"), hereby unconditionally promises to pay to the order of NEWPARK SHIPHOLDING TEXAS, L.P., a Texas limited partnership ("Lender"), at Lender's office at 3850 North Causeway Blvd., Suite 1770, Metairie, Louisiana 70002, or at such other place as the holder of this Amended and Restated Promissory Note (this "Note") may from time to time designate in writing, in lawful money of the United States of America and in immediately available funds, the principal sum of EIGHT MILLION, FIVE HUNDRED THIRTY FOUR THOUSAND AND NO/100 DOLLARS (\$8,534,000.00), together with interest on the unpaid amount hereof from January 1, 1997 until this Note is paid in full, subject to the further provisions of this Note, at the rate of five percent (5%) per annum.

1. This Note is the amendment, restatement, renewal and extension of that certain Promissory Note dated as of August 29, 1996, referred to in and executed and delivered pursuant to that certain Asset Purchase Agreement dated August 29, 1996 (as the same may be amended, modified, supplemented or restated from time to time, the "Asset Purchase Agreement") between Borrower and Lender, and is secured as provided therein.

2. The principal balance of this Note, together with interest accrued thereon, shall be due and payable in full on September 30, 2005. Notwithstanding the preceding sentence, if an Event of Default occurs and is continuing at any time during the term of this Note, the entire amount of unpaid interest and principal hereunder shall immediately become due and payable. In the event that the original principal amount is not paid in full on September 30, 2005, interest shall thereafter accrue at the rate of eight percent (8%) per annum (unless payments due under this Note are converted to an installment payment schedule pursuant to Paragraph 6 hereof).

3. Partial prepayments shall be permitted on this Note prior to the Term Loan Conversion Date, but only if each such partial prepayment pays interest on a current basis on the amount so prepaid, and prepays at least \$3,164,000 in principal amount. Interest shall cease to accrue on any amount so prepaid which is allocated to principal.

4. If a payment hereunder becomes due and payable on a day that is not a Business Day, the payment may be made on the next succeeding Business Day, and such extension of time shall be included in the computation of the amount of interest due on such succeeding Business Day. As used herein, "Business Day" means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of Texas.

5. If payments of principal, interest or any other amount due hereunder or under any of the other Junior Creditor Agreements (as defined in the Intercreditor Agreement) are not timely made and remain overdue for a period of ten (10) days, Borrower, without notice or demand by Lender, promptly shall pay to Lender an amount equal to five percent (5%) of each delinquent payment.



6. Notwithstanding Paragraph 2 hereof, if, on or prior to September 30, 2005, the Term Loan Conditions have been satisfied, then Borrower may elect, effective on the Term Loan Conversion Date, to convert payments due hereunder to an installment repayment schedule, and the following provisions shall apply thereafter:

(a) Commencing with the Term Loan Conversion Date, the unpaid principal balance of this Note shall be the Prepayment Amount on such Term Loan Conversion Date, and interest thereon shall accrue at the sum of the Prime Rate plus five percent (5%). The Prepayment Amount on the Term Loan Conversion Date (calculated as provided in the Prepayment Letter) shall be payable in sixty (60) consecutive monthly installments, the first fifty-nine (59) of which shall each be in the amount of 1/180th of the Prepayment Amount as of the Term Loan Conversion Date and the sixtieth (60th) of which shall be the entire remaining unpaid portion thereof. The first installment shall be due on the first day of the month next following the month in which the Term Loan Conversion Date occurs, and subsequent installments shall be due on the same day of each month thereafter until the Prepayment Amount has been paid. Interest calculated on the Prepayment Amount at the rate specified to apply following the Term Loan Conversion Date as provided in Paragraph 1 of the Prepayment Letter shall be payable at the same time as, but in addition to, each installment of the Prepayment Amount.

(b) Borrower shall make a special prepayment on this Note on March 31 of each year equal to the amount, provided such amount is a positive number, determined according to the following formula:

$$\text{Special Payment} = (\text{Available Cash} \times 0.5) - \text{Debt Service}$$

"Available Cash" for a given period shall be the remainder of (i) Consolidated EBITDA for First Wave and its Subsidiaries for the calendar year or portion thereof (for example, in the case of the March 31 next following the Term Loan Conversion Date, the portion thereof attributable to the period from the Term Loan Conversion Date to the next succeeding December 31 preceding the March 31 in question), minus (ii) interest expense of First Wave and its Subsidiaries paid under the Foothill Credit Agreement for such period, minus (iii) income taxes of First Wave and its Subsidiaries paid in cash for such period, minus (iv) Capital Expenditures of First Wave and its Subsidiaries for such period. "Debt Service" for a given period shall be the aggregate amount of all payments made by Borrower or First Wave on this Note during such calendar year or portion thereof. Such special prepayments shall be applied to the remaining installments in inverse order of maturity.

(c) After the Term Loan Conversion Date and if Borrower elects to pay this Note in installments, this Note may be prepaid in whole or in part. If this Note is prepaid in part, any such partial prepayment shall be applied to the remaining installments in inverse order of maturity.

7. As used in this Note, the following terms have the meanings specified:

"CAPITAL EXPENDITURES" means expenditures by a Person for assets which will be used in the ordinary course of its business in a year or years subsequent to

the year in which the expenditures are made and which are properly classifiable in the financial statements of such Person as property, equipment, improvements, fixed assets, or a similar type of capitalized asset in accordance with GAAP, provided that such term shall include, whether or not such inclusion is in conformity with GAAP, (A) the capitalized portion of each capital lease and (B) expenditures for equipment purchased simultaneously with the trade-in of existing equipment owned by each Person to the extent of the excess of the purchase price of the equipment so purchased over the book value of the equipment hereby traded in.

"CONSOLIDATED EBITDA" of a Person means, with respect to any period, an amount equal to: (a) the consolidated net income for such period determined in accordance with GAAP, plus (b) depreciation and amortization for such period (to the extent deducted in the computation of consolidated net income), all in accordance with GAAP, plus (c) interest expense for such period (to the extent deducted in the computation of consolidated net income), plus (d) charges for federal, state, local and foreign income taxes, plus (e) goodwill write-off (to the extent deducted in the computation of consolidated net income), plus (f) any other non-cash charges (to the extent deducted in the computation of consolidated net income); provided, however, that any gain or loss attributable to the sale of assets shall not be included in the calculation of Consolidated EBITDA.

"EVENT OF DEFAULT" means any of the following shall occur and be continuing: (a) Borrower shall fail to pay any principal, interest or other amount on the Note, or Borrower shall fail to pay any other amount due under any of the Transaction Documents, within ten (10) days after the same becomes due and payable; (b) Borrower shall fail to perform or observe any term, condition or agreement contained in any of the Transaction Documents to be performed on its part, and such failure is not cured within Ten (10) Business Days after such performance or observation became due; or (c) an "Event of Default" under the Foothill Credit Agreement, so long as Foothill has given written notice of such Event of Default.

"FIRST WAVE" means First Wave Marine, Inc., a Delaware corporation.

"FIRWAV CREDIT AGREEMENT" means that certain Credit Agreement dated as of January 24, 2003, between First Wave, Newport Shipbuilding-Pelican Island, Inc. and FirWav Finance, LLC, or if assigned by FirWav Finance, LLC, its assigns, as amended from time to time.

"FOOTHILL CREDIT AGREEMENT" means that certain Second Amended and Restated Loan and Security Agreement dated as of February 7, 2002, among First Wave, Borrower, certain other subsidiaries of First Wave that are parties thereto and Foothill Capital Corporation, or, if assigned by Foothill Capital Corporation, its assigns, among others, as amended from time to time.

"GAAP" means those accounting principles applied on a consistent basis generally accepted from time to time in the certified public accounting profession

(including those set forth in the Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants or statements of the Financial Accounting Standards Board which may be applicable at the time in question); and "applied on a consistent basis" means that the accounting principles observed in the period covered by any report required under the terms of this Agreement are compatible in all material respects with those applied in any preceding period and report.

"INTERCREDITOR AGREEMENT" means that certain Intercreditor Agreement dated as of February 7, 2002, between Foothill Capital Corporation and Lender, as supplemented by that certain letter agreement between Foothill Capital Corporation and Lender dated as of April 29, 2003.

"PERSON" means a corporation, an association, a joint venture, an organization, a business, an individual or a government or political subdivision thereof or any governmental agency.

"PREPAYMENT AMOUNT" shall have the meaning given such term in the Prepayment Letter.

"PREPAYMENT LETTER" shall mean that certain Amended and Restated Prepayment Letter dated as of April 29, 2003, between Borrower and Lender, as amended from time to time.

"PRIME RATE" means the prime rate of interest quoted in The Wall Street Journal.

"SECURITY AGREEMENT" means that certain Security Agreement dated as of August 29, 1996, between Borrower, as debtor, and Lender, as secured party, as amended from time to time.

"SUBSIDIARY" means, with respect to any Person, any corporation, association or other business entity in which more than fifty percent (50%) of the total voting power or shares of stock entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"TERM LOAN CONDITIONS" means on or before September 30, 2005, (i) Borrower has paid its obligations with respect to the Term Loan (as such term is defined in the Foothill Credit Agreement) under the Foothill Credit Agreement and all of its Credit Obligations (as such term is defined in the FirWav Credit Agreement) under the FirWav Credit Agreement and (ii) the Intercreditor Agreement remains in effect, as supplemented by the letter agreement dated as of April 29, 2003.

"TERM LOAN CONVERSION DATE" means the first day of the second month following the month in which the last to be satisfied of the Term Loan Conditions

was satisfied, provided the Term Loan Conversion Date may not be later than September 30, 2005.

"TRANSACTION DOCUMENTS" means this Note, the Prepayment Letter, the Security Agreement, the Asset Purchase Agreement, any Senior Creditor Agreements (as defined in the Intercreditor Agreement), and all other instruments, documents and agreements executed by Borrower or any affiliate of Borrower in connection with the transactions contemplated by any of the foregoing documents, as any of the foregoing documents have previously been or hereafter may be amended, supplemented or otherwise modified from time to time.

8. In no contingency or event whatsoever shall interest charged hereunder, however such interest may be characterized or computed, exceed the highest amount permissible under any law which a court of competent jurisdiction determines is applicable hereto. In furtherance of the foregoing, if this Note is paid prior to any of its alternative maturity dates because of the acceleration of maturity by Lender, in no event shall the amount contracted to be paid, charged, or paid hereunder exceed the sum of \$6,328,000 plus interest thereon at the rate of eighteen percent (18%) per annum from August 29, 1996 until the date of payment.

9. If any suit or action is instituted or attorneys are employed to collect this Note or any part thereof, Borrower hereby promises and agrees to pay all costs of collection, including attorneys' fees and court costs.

10. Borrower and each endorser, guarantor and surety of this Note hereby waives presentment for payment, protest and demand, and notice of demand, protest, dishonor and nonpayment of this Note. Borrower also waives all rights to notice and hearing of any kind. Upon the occurrence of an Event of Default and prior to the exercise by Lender of its rights to repossess all assets securing this Note without judicial process or to replevy, attach or levy upon the assets without notice or hearing.

11. THIS NOTE HAS BEEN DELIVERED AT AND SHALL BE DEEMED TO HAVE BEEN MADE AT HOUSTON, TEXAS AND SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO SHALL BE DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICTS OF LAW PROVISIONS. Whenever possible each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note. Whenever in this Note reference is made to Lender or Borrower, such reference shall be deemed to include, as applicable, a reference to their respective successors and assigns. The provisions of this Note shall be binding upon and shall inure to the benefit of such successors and assigns. Borrower's successors and assigns shall include, without limitation, a receiver, trustee or debtor in possession of or for Borrower.

IN WITNESS WHEREOF, Borrower has executed this Note as of the day and year first written above.

NEWPARK SHIPBUILDING-BRADY ISLAND, INC.

By: /s/ Frank R. Pierce

-----  
Name: Frank R. Pierce

-----  
Title: Authorized Signatory  
-----

AGREEMENT AND RESTATING AMENDMENT TO SECURITY AGREEMENT  
-----

This AGREEMENT AND RESTATING AMENDMENT TO SECURITY AGREEMENT (this "Agreement") is entered into as of this 29th day of April, 2003, by and between Newpark Shipholding Texas, L.P., a Texas limited partnership ("Lender"), and Newpark Shipbuilding - Brady Island, Inc., a Texas corporation formerly known as Newpark Shipbuilding and Repair, Inc. ("Borrower"), with reference to the following facts:

A. Borrower purchased certain assets from Lender pursuant to that certain Agreement for Purchase and Sale of Assets dated as of August 29, 1996 (the "Purchase Agreement"), and a portion of the purchase price for the assets purchased thereunder is represented by that certain Promissory Note dated as of August 29, 1996, made by Borrower payable to the order of Lender, in the original amount of \$8,534,000 (the "Promissory Note"). In connection therewith, the parties hereto entered into that certain Prepayment Letter dated as of August 29, 1996, with respect to prepayment of the Promissory Note (the "Prepayment Letter").

B. The obligations of Borrower under the Promissory Note, and certain other obligations, are secured pursuant to (i) that certain Security Agreement, dated as of August 29, 1996, between Borrower, as debtor, and Lender, as secured party (the "Security Agreement"), (ii) that certain Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of August 29, 1996, executed by Borrower to James A. Johnson, as Trustee, for the benefit of Lender (the "Deed of Trust"), and (iii) that Certain Second Preferred Fleet Mortgage dated as of August 29, 1996, executed by Borrower for the benefit of Lender (the "Ship Mortgage").

C. Lender and Borrower have amended certain of the terms of the Promissory Note, the Security Agreement and the Prepayment Letter (collectively, as amended, the "Original Documents") pursuant to a certain First Amendment to Promissory Note, Security Agreement and Prepayment Letter dated as of February 20, 2001 (the "First Amendment"), and a certain Second Amendment to Promissory Note, Security Agreement and Prepayment Letter dated as of February 7, 2002 (the "Second Amendment").

D. The amounts owed under the Promissory Note are guaranteed pursuant to that certain Guaranty dated as of August 29, 1996, made by First Wave Marine, Inc., a Delaware corporation ("First Wave"), for the benefit of Lender (the "First Wave Guaranty").

E. Foothill Capital Corporation, a California corporation ("Foothill"), has extended a credit facility to First Wave and certain affiliates of First Wave, including Borrower, pursuant to the terms of that certain Second Amended and Restated Loan and Security Agreement dated as of February 7, 2002 (as amended from time to time, the "Foothill Credit Agreement").

F. In connection with the Foothill Credit Agreement, Lender agreed to subordinate its lien in certain collateral, which it holds as security for obligations under the Promissory Note and otherwise, to the lien of Foothill in said collateral, all as more particularly set forth in that certain Intercreditor Agreement dated as of February 7, 2002, between Foothill and Lender, as supplemented by that certain letter agreement dated of even date herewith (collectively, the "Intercreditor Agreement").

G. First Wave has obtained an additional credit facility from FirWav Finance, LLC, a Delaware limited liability company, pursuant to a Credit Agreement dated as of January 24, 2003.

H. Borrower and Lender have agreed to amend the Promissory Note pursuant to that certain Amended and Restated Promissory Note dated of even date herewith (the "Restated Promissory Note") in order to, among other things, extend the maturity date.

I. In connection with the Restated Promissory Note, Borrower and Lender have further agreed to (i) amend and restate the Prepayment Letter pursuant to that certain Amended and Restated Prepayment Letter dated of even date herewith (the "Restated Prepayment Letter"), (ii) amend the Deed of Trust, the Ship Mortgage and the Security Agreement to provide that each secures the Restated Promissory Note, and (iii) amend the Security Agreement in order to restate the amendments made to the Security Agreement pursuant to the First Amendment and the Second Amendment, all as further described herein.

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. In connection with the transactions contemplated by this Agreement, Borrower and Lender, as applicable, shall execute the following documents:

(a) the Restated Promissory Note;

(b) the Restated Prepayment Letter;

(c) a First Amendment to the Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing, which shall amend the Deed of Trust to provide that it secures the Restated Promissory Note;

(d) an Amendment and Supplement No. 1 to Second Preferred Fleet Mortgage, which shall amend the Ship Mortgage to provide that it secures the Restated Promissory Note; and

(e) a letter agreement regarding the Intercreditor Agreement.

2. If (i) the Restated Promissory Note shall have converted to an installment payment schedule after the Term Loan Conversion Date (as defined in the Restated Promissory Note), (ii) the Restated Promissory Note is outstanding immediately prior to a Disposition of Brady Island, and (iii) a Disposition of Brady Island occurs, Borrower shall pay Lender an amount equal to one-third (1/3) of the Excess Net Proceeds, if such amount is a positive number. For the purposes of this paragraph, the following terms shall have the meanings set forth below:

"BRADY ISLAND SHIPYARD" means that certain shipyard facility and wastewater treatment plant located at 8502 Cypress Street, Houston, Texas 77012.

"DISPOSITION OF BRADY ISLAND" means the sale by Borrower of all of the tangible assets of the Brady Island Shipyard or the sale by First Wave of all of its ownership interest in Borrower.

"EXCESS NET PROCEEDS" means an amount equal to the cash proceeds resulting from the Disposition of Brady Island, minus all expenses incurred in connection therewith, minus all amounts required to be paid to Foothill Capital Corporation under the terms of the Intercreditor Agreement, as amended from time to time, but only to the extent such amounts are attributable to Senior Creditor Priority Collateral (as defined in the Intercreditor Agreement), and minus the remaining unpaid principal amount of and accrued but unpaid interest on the Restated Promissory Note on the date of such disposition.

3. The terms and provisions of the First Amendment and the Second Amendment are hereby superseded by the terms and provisions of this Agreement in all respects.

4. The Security Agreement is hereby amended as follows:

(a) All references in the Security Agreement to the Promissory Note are hereby amended to refer to the Restated Promissory Note.

(b) Except as hereinafter provided, all references in the Security Agreement to Heller and/or its Credit Agreement with certain affiliates of Borrower are hereby deleted and shall be of no further force and effect; provided, however, that the references in the Security Agreement to said Heller Credit Agreement for the definitions therein shall survive for the limited purpose of such definitions. Furthermore, all references in the Security Agreement to the subordination to Heller and its Credit Agreement are hereby deleted and shall be of no further force and effect.

(c) Section 1.1 of the Security Agreement is hereby amended to insert the following definitions in alphabetical order:

(i) "Foothill Credit Agreement" means that certain Second Amended and Restated Loan and Security Agreement dated as of February 7, 2002, among First Wave Marine, Inc., Borrower and Foothill Capital Corporation, among others, as amended from time to time.

(ii) "Intercreditor Agreement" means that certain Intercreditor Agreement dated as of February 7, 2002, between Foothill Capital Corporation and Lender, as supplemented by that certain letter agreement between Foothill Capital Corporation and Lender dated as of April 29, 2003, and as further amended from time to time.

(d) The last phrase of the definition of "Event of Default" in Section 1.1 is hereby amended in full read as follows: "or any item which is an "Event of Default" under the Foothill Credit Agreement, including without limitation, the Senior Creditor Agreements (as defined in the Intercreditor Agreement)."

(e) The definition of "Transaction Documents" is hereby amended in full to read as follows:



''TRANSACTION DOCUMENTS' shall mean the Restated Promissory Note, the Restated Prepayment Letter, this Agreement, the Purchase Agreement, the Foothill Credit Agreement, any Senior Creditor Agreements (as defined in the Intercreditor Agreement), and all other instruments, documents and agreements executed by Borrower or any Affiliate of Borrower in connection with the transactions contemplated by any of the foregoing documents, as any of the foregoing documents have previously been or hereafter may be amended, supplemented or otherwise modified from time to time."

(f) Section 3 of the Security Agreement is hereby amended in full to read as follows:

"This Agreement secures the prompt and complete payment and performance of the obligations of Borrower under all Transaction Documents (other than the Foothill Credit Agreement and the Senior Creditor Agreements), all obligations of Borrower now or hereafter existing under this Agreement, and all renewals, extension, restructurings and refinancings of any of the above (all such debts, obligations and liabilities of Borrower being collectively referred to herein as the 'Secured Obligations')."

(g) Section 17 of the Security Agreement is hereby amended in full to read as follows:

"Any notice or other thing required or desired to be served, given or delivered hereunder shall be deemed validly served, given or delivered upon the deposit thereof in the United States registered or certified mail, postage prepaid, addressed to the party to be notified as follows:

If to Lender:                   NEWPARK SHIPHOLDING TEXAS, L.P.  
                                  c/o Newpark Resources, Inc.  
                                  3850 N. Causeway Blvd.  
                                  Suite 1770  
                                  Metairie, Louisiana 70002-1752  
                                  Attention: Vice President - Finance

With a copy to:                ERVIN, COHEN & JESSUP LLP  
                                  9401 Wilshire Boulevard  
                                  Ninth Floor  
                                  Beverly Hills, California 90212  
                                  Attention: Bertram K. Massing, Esq.

If to Borrower:                NEWPARK SHIPBUILDING - BRADY ISLAND, INC.  
                                  8502 Cypress Street  
                                  Houston, Texas 77012  
                                  Attention: President

With a copy to:                   FIRST WAVE MARINE, INC.  
  2102 Broadway  
  Houston, Texas 77012  
  Attention: General Counsel"

(h) Section 21 of the Security Agreement is hereby amended in full to read as follows:

"THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES."

(i) Section 25 of the Security Agreement is hereby amended in full to read as follows:

"THIS AGREEMENT AND THE INDEBTEDNESS SECURED HEREBY ARE SUBJECT TO THE TERMS AND PROVISIONS OF THE INTERCREDITOR AGREEMENT."

(j) Section 26 of the Security Agreement is hereby deleted in its entirety.

5. Borrower shall give telephonic, fax and written notice to Lender as soon as practicable upon the occurrence of an "Event of Default" under the Foothill Credit Agreement, including under any Senior Creditor Agreements (as defined in the Intercreditor Agreement), or any event which, with notice or lapse of time or both, would become an Event of Default thereunder. Such notice shall be given as follows:

To Lender:

NEWPARK SHIPHOLDING TEXAS, L.P.  
c/o Newpark Resources, Inc.  
3850 North Causeway Boulevard  
Suite 1770  
Metairie, Louisiana 70002-1752  
Attention: Vice President-Finance  
Fax No.: 504 833-9506

With a mandatory copy to:

ERVIN, COHEN & JESSUP LLP  
9401 Wilshire Boulevard  
Ninth Floor  
Beverly Hills, California 90212  
Attention: Bertram K. Massing, Esq.  
Fax No.: 301 8592325

6. Borrower hereby waives all claims, if any, that it may have against Lender for the contracting, charging or receipt of any interest at a rate in excess of the maximum rate permitted by applicable law.

7. Borrower hereby represents and warrants to Lender that (a) the execution, delivery and performance of this Agreement and all other documents executed and delivered in connection herewith have been duly authorized by all requisite corporate action on the part of Borrower and do not and will not violate the Articles of Incorporation of Borrower; (b) the representations and warranties contained in the Security Agreement, as amended hereby, are true and correct on and as of the date hereof as though made on this date; (c) no Event of Default under the Security Agreement, as amended hereby, has occurred and is continuing; and (d) Borrower is full compliance with all covenants and agreements contained in the Security Agreement, as amended hereby.

8. The terms and provisions of this Agreement shall modify and supersede all inconsistent terms and provisions set forth in the Security Agreement. Except as expressly modified and superseded by this Agreement, the Security Agreement is hereby ratified and confirmed and shall continue in full force and effect. Borrower and Lender agree that the Security Agreement, as amended hereby, shall continue to be the legal, valid, binding and enforceable obligation of Borrower, enforceable against it in accordance with its terms.

9. By its execution hereof, First Wave hereby agrees to cause Borrower to either (i) pay the Restated Promissory Note in full in accordance with its terms, (ii) prepay the Restated Promissory Note as provided in the Prepayment Letter, or (iii) elect to convert the payments due under the Restated Promissory Note as provided therein, and further acknowledges and agrees as follows:

(a) All references in the First Wave Guaranty to the Security Agreement are hereby amended to refer to the Security Agreement, as amended by this Agreement, and all references to the Promissory Note are hereby amended to refer to the Restated Promissory Note;

(b) The First Wave Guaranty, as amended hereby, remains in full force and effect in accordance with its terms and is hereby ratified and confirmed in all respects;

(c) First Wave has no defenses, offsets or claims whatsoever in respect thereof; and

(d) First Wave shall not transfer or sell any of its equity interests in Borrower (other than to a wholly-owned subsidiary of First Wave) without selling all of its interests in Borrower.

10. This Amendment shall be governed by and construed in accordance with the internal laws of the State of Texas without regard to conflict of laws principles.

11. Borrower hereby represents to lender that as of the date hereof, the unpaid principal amount of the Promissory Note is \$8,534,000. Borrower hereby reaffirms its obligations to pay said amount in accordance with the terms of the Restated Promissory Note. BORROWER HEREBY ACKNOWLEDGES THAT IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY THE PROMISSORY NOTE OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDER OTHER THAN PURSUANT TO THE AMENDED PREPAYMENT LETTER. BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDER, ITS PREDECESSORS, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDER, ITS PREDECESSORS, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE.

12. Borrower shall, concurrently herewith and from time to time hereafter at the request of Lender, execute and deliver to Lender such documents and instruments as Lender may request, and shall take such other steps as Lender may request, in order to evidence and implement the purpose of this Agreement.

13. This Amendment may be executed in counterparts, which together shall constitute one and the same document.

(Remainder of Page Intentionally Left Blank - Signature Page Follows)

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

NEWPARK SHIPHOLDING TEXAS, L.P.,  
a Texas limited partnership  
by its General Partner  
NEWPARK HOLDINGS, INC.  
a Louisiana corporation

By: /s/ Matthew W. Hardey

-----  
Matthew W. Hardey  
Vice President

NEWPARK SHIPBUILDING - BRADY ISLAND, INC.,  
a Texas corporation

By: /s/ Frank R. Pierce

-----  
Name: Frank R. Pierce

-----  
Title: Authorized Signatory  
-----

AGREED TO AND ACCEPTED as of this 29th day of April, 2003, for the limited purposes of the acknowledgements and agreements set forth in Section 9 of this Agreement.

FIRST WAVE MARINE, INC.,  
a Delaware corporation

By: /s/ Frank R. Pierce

-----  
Name: Frank R. Pierce

-----  
Title: Sr. V.P. and CFO  
-----

AMENDED AND RESTATED PREPAYMENT LETTER  
-----

April 29, 2003

Newpark Shipbuilding - Brady Island, Inc.  
(f/k/a Newpark Shipbuilding and Repair, Inc.)  
8502 Cypress Street  
Houston, Texas 77012

Gentlemen:

This letter constitutes our understanding and agreement that if you wish to voluntarily prepay prior to maturity any amounts of principal or interest under that certain Amended and Restated Promissory Note in the amount of \$8,534,000 dated as of the date hereof (the "Note"), we shall accept such prepayment amounts on a discounted basis in accordance with the following terms:

1. If at any time prior to October 1, 2005, you pay the remainder of (i) the sum (the "Prepayment Amount") of the principal amount of \$6,328,000, plus an amount equal to interest on such amount from January 1, 1997 through March 31, 2003 accrued at the rate of five percent (5%) per annum and from April 1, 2003 to the date of prepayment accrued at the rate of ten percent (10%) per annum, minus (ii) all payments made hereon by you from August 29, 1996 to the date of prepayment, then no further principal or interest payments shall be due on the Note.

2. The foregoing time periods and deadlines for prepayment discounts shall be strictly construed, it being acknowledged by both parties that you have no right to the prepayment discounts provided for herein unless you strictly comply with the terms hereof.

3. The foregoing prepayment discounts are applicable only to voluntary prepayment of the Note and shall not apply to any prepayment or payment following default or upon or following maturity of the note, whether by acceleration or upon the originally scheduled maturity date. Furthermore, in the event that we are required or we, in our reasonable business judgment, determine to comply with any demand that we return the amount of any such prepayment to you or any third party, by reason of any subsequent bankruptcy, receivership, reorganization or legal proceedings, whether as or based upon the assertion that such prepayment constituted a preferential transfer, fraudulent transfer, or otherwise, or for any other reason, the full principal amount of the Note and all accrued but unpaid interest due thereon shall thereupon be restored and shall continue to be due and owing in accordance with the terms of the Note in the same manner and to the same extent as if such prepayment had never occurred, and any cancellation or reduction of the Note in the meantime shall be ineffective.

4. If the Note is not paid in full or converted to an installment payment schedule, as provided therein, before September 30, 2005, or if an "Event of Default" (as defined in the Note) shall occur, no further prepayment or other discount provided hereunder shall be applicable, and the full stated principal amount of the Note shall be due and payable in full with all accrued but unpaid interest as provided in the Note (subject to the effect of any prior partial prepayments

which may have been made as provided in the following paragraph), and this letter agreement shall otherwise be void and of no further force and effect.

5. If any of the following events shall occur (each a "Change in Control"), you shall pay to us the unpaid Prepayment Amount plus accrued interest thereon at the applicable time stated below:

(a) If there is a change in fifty percent (50%) or more of the Senior Management of First Wave, other than as a result of one or more acts of God, such amount shall be paid to us within five (5) Business Days after our written demand, provided, however, that, if you have given us written notice of such change in Senior Management, our written demand must be made no later than twenty (20) Business Days after our receipt of such written notice.

(b) If you enter into a merger or consolidation or there is a sale or transfer of a majority or more of your capital stock or substantially all of your assets, such amount shall be paid to us, without the necessity of any demand from us, no later than the date on which such merger, consolidation, sale or transfer is consummated.

(c) If FWM Holding, L.L.C., ceases to beneficially own at least fifty percent (50%) of the outstanding voting capital stock of First Wave, such amount shall be paid to us, without the necessity of any demand from us, no later than the date on which such cessation occurs.

(d) If First Wave enters into a merger or consolidation or there is a sale or transfer of a majority of the capital stock or substantially all of the assets of First Wave (other than any merger or consolidation which involves only wholly-owned subsidiaries of First Wave and has been consented to by us in writing, which consent will not be withheld unreasonably), such amount shall be paid to us, without the necessity of any demand from us, no later than the date on which such merger, consolidation, sale or transfer is consummated.

You shall provide us with written notice of any of the above described events prior to its occurrence, if reasonably practicable, and, in any event, within five (5) days of your learning that such event is reasonably likely to occur. For purposes of this Section, "Senior Management" shall mean Grady Walker, Frank Pierce and Sue Kean.

6. This letter is the amendment and restatement of that certain Prepayment Letter between us dated as of August 29, 1996 (the "Original Letter"). The terms and provisions of the Original Letter are superseded by the terms and provisions of this letter in all respects.

7. This letter agreement is the entire agreement among the parties hereto with respect to the subject matter hereof, and supersedes all prior discussions, agreements and understandings with respect thereto, whether oral or written. The terms of this agreement may not be waived, modified or amended except by a written instrument signed by all parties hereto, specifically referring to this letter agreement and stating their intent to so waive, modify or amend the terms hereof. Time is of the essence to this agreement.

Please indicate your acceptance of and agreement to the foregoing  
prepayment terms by executing and returning a copy of this letter agreement.

NEWPARK SHIPHOLDING TEXAS, L.P.  
by its General Partner  
NEWPARK HOLDINGS, INC.

By: /s/ Matthew W. Hardey  
-----  
Matthew W. Hardey  
Vice President

Accepted and Agreed:

NEWPARK SHIPBUILDING - BRADY  
ISLAND, INC.

By: /s/ Frank R. Pierce  
-----  
Name: Frank R. Pierce  
-----  
Title: Authorized Signatory  
-----  
Date: April 29, 2003  
-----



(EXECUTION FINAL)

NEWPARK SHIPHOLDING TEXAS, L.P.  
3850 North Causeway Boulevard  
Suite 1770  
Metairie, Louisiana 70002-1752

April 29, 2003

FOOTHILL CAPITAL CORPORATION  
1000 Abernathy Road  
Suite 1450  
Atlanta, Georgia 30328  
Attention: Mr. Gregg Gentry

Re: Intercreditor Agreement  
-----

Ladies and Gentlemen:

Foothill Capital Corporation, a California corporation ("Foothill") and Newport Shipholding Texas, L.P., a Texas limited partnership ("Newport Shipholding") have previously entered into and executed an Intercreditor Agreement, dated as of February 7, 2002 ("the Intercreditor Agreement"), which provides for, among other things, agreement as to the priority of their respective security interests and liens in and to the assets and properties of Newport Shipbuilding-Brady Island, Inc., a Texas corporation ("Debtor"), on and subject to the terms and conditions set forth in the Intercreditor Agreement. Capitalized terms used in this letter agreement shall have the meaning assigned thereto in the Intercreditor Agreement, unless otherwise defined herein.

Debtor and Newport Shipholding have entered into and executed, or are about to enter into and execute, various amendatory documents with respect to the Junior Creditor Agreements, including, without limitation, an Amended and Restated Promissory Note in the principal amount of \$8,534,000 issued by Debtor in favor of Newport Shipholding, an Amended and Restated Pre-Payment Letter executed between Newport Shipholding and Debtor, an Agreement and Restating Amendment to Security Agreement executed between Newport Shipholding and Debtor, a First Amendment to the Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing between Newport Shipholding and Debtor and Amendment and Supplement No. 1 to Second Preferred Fleet Mortgage between Newport Shipholding and Debtor (collectively, the "Newport Restructuring Amendments").

Pursuant to the Newport Restructuring Amendments, Newport Shipholding and Debtor have agreed, among other things, to extend the maturity date of the Junior Creditor Agreements to September 30, 2005, on and subject to the terms and conditions set forth in the Newport Restructuring Amendments.

Foothill, Debtor and various affiliates of Debtor that are, together with Debtor, party to the Senior Creditor Agreements as "Borrowers" thereunder, have entered into and executed, or are about to enter into and execute, a certain Fourth Amendment to Second Amended and Restated Loan and Security Agreement and Consent (the "Foothill Fourth Amendment"). Pursuant to the Foothill Fourth Amendment subject to the occurrence of the Fourth Amendment Effective Date thereunder (and as defined therein), among other things, Foothill has consented to Debtor entering into and executing the Newport Restructuring Amendments, including, without limitation, the extension of the maturity date thereof to September 30, 2005.

This letter will confirm that, effective upon Debtor and Newport Shipholding entering into and executing the Junior Creditor Restructuring Amendments, then Section 3.2(a)(i) of the Intercreditor Agreement shall be deemed amended in its entirety to read as follows:

"(i) except as otherwise provided in the Junior Creditor Agreements, as amended on or about April 29, 2003, the total unpaid principal amount of the Junior Debt is \$8,534,000, and, except as provided for in the Junior Creditor Agreements, as amended on or about April 29, 2003 (and subject to the limitations set forth in the Senior Creditor Loan Agreement), none of the principal amount of the Junior Debt or interest accrued and accruing thereon is due and owing to Junior Creditor until the maturity date for the Junior Debt, i.e., September 30, 2005, or earlier, in the case of acceleration of the Junior Debt (in accordance with the terms of the Junior Creditor Agreements) following the occurrence of an "Event of Default" or a "Change in Control" thereunder and as such quoted terms are defined therein;"

The parties hereto confirm that, in all other respects, the Intercreditor Agreement remains in full force and effect in accordance with its existing terms and conditions.

This letter agreement may be executed in any number of counterparts, each of which, when executed, shall constitute one and the same agreement.

(SIGNATURE PAGE FOLLOWS)

NEWPARK SHIPHOLDING TEXAS, L.P.

By: NEWPARK HOLDINGS, INC.,  
a Louisiana corporation  
Its General Partner,  
Duly Authorized

By: /s/ Matthew W. Hardey

-----  
Title: Vice President  
-----

AGREED TO:

FOOTHILL CAPITAL CORPORATION

By:

-----  
Title:  
-----

ACKNOWLEDGED AND AGREED TO:

NEWPARK SHIPHOLDING-BRADY ISLAND, INC.

By: /s/ Frank R. Pierce

-----  
Title: Authorized Signatory  
-----

**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 of NEWPARK RESOURCES, INC., a Delaware corporation ("Newpark"), for the period ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James D. Cole, Chairman of the Board and Chief Executive Officer of Newpark, hereby 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Newpark.

/s/ James D. Cole

---

James D. Cole  
Chairman of the Board and  
Chief Executive Officer

May 7, 2003

**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 of NEWPARK RESOURCES, INC., a Delaware corporation ("Newpark"), for the period ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew W. Hardey, Vice President-Finance and Chief Financial Officer of Newpark, hereby 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Newpark.

/s/ Matthew W. Hardey

---

Matthew W. Hardey  
Vice President-Finance and  
Chief Financial Officer

May 7, 2003