

FLOTEK INDUSTRIES INC/CN/  
Form S-3  
April 30, 2010  
Table of Contents

As filed with the Securities and Exchange Commission on April 30, 2010

Registration No. 333-

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

**FORM S-3**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**Flotek Industries, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

90-0023731  
(I.R.S. Employer)

Edgar Filing: FLOTEK INDUSTRIES INC/CN/ - Form S-3

(State or other jurisdiction of  
incorporation or organization)

Identification Number)

**Co-Registrants**

(see next page)

**2930 W. Sam Houston Pkwy. N., Suite 300**

**Houston, Texas 77043**

**(713) 849-9911**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Jesse E. Neyman**

**Executive Vice President, Finance and Strategic Planning**

**2930 W. Sam Houston Pkwy. N., Suite 300**

**Houston, Texas 77043**

**(713) 849-9911**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*With a copy to:*

**W. Mark Young**

**Andrews Kurth LLP**

**600 Travis, Suite 4200**

**Houston, Texas 77002**

**(713) 220-4200**

## Edgar Filing: FLOTEK INDUSTRIES INC/CN/ - Form S-3

**Approximate date of commencement of proposed sale to the public:** At such time or times after the effective date of this Registration Statement as the selling securityholders shall determine.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box:

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)	Proposed maximum aggregate offering price (2)	Amount of registration fee
Common Stock	8,287,326	\$2.05	\$16,989,018	\$1,212
5.25% Convertible Senior Secured Notes due 2028	\$36,004,000	100%	\$36,004,000	\$2,568
Guarantees of 5.25% Convertible Senior Secured Notes due 2028				(3)
<b>Total</b>				<b>\$3,780</b>

- (1) All of the securities offered hereby are for the accounts of the selling securityholders. Amount of shares of common stock to be registered includes additional shares of common stock that may be issued as subsequent installments of the commitment fee under the amended and restated credit agreement, as permitted by the terms of the amended and restated credit agreement.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933. The calculation of the proposed maximum aggregate offering price of the common stock is based on the average of the high and low prices for the common stock on April 27, 2010 as reported by the New York Stock Exchange.
- (3) Pursuant to Rule 457(n) promulgated under the Securities Act of 1933, no separate registration fee is payable with respect to guarantees of the notes.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.**

**Table of Contents****Table of Co-Registrants**

<b>Exact Name of Co-Registrant as Specified in its Charter</b>	<b>State or Other Jurisdiction of Incorporation or Organization</b>	<b>Primary Standard Industrial Classification Code Number</b>	<b>I.R.S. Employer Identification Number</b>
Flotek International, Inc.	Delaware	2890	27-2091474
Petrovalve, Inc.	Delaware	2890	76-0513130
Teledrift Company	Delaware	2890	26-1869123
Flotek Industries FZE	Jebel Ali Free Zone	2890	None
CESI Chemical, Inc.	Oklahoma	2890	73-1591850
CESI Manufacturing, LLC	Oklahoma	2890	98-0372943
Padko International Incorporated	Oklahoma	2890	73-1443489
Sooner Energy Services, LLC	Oklahoma	2890	73-1501526
Flotek Ecuador Investments, LLC	Texas	2890	27-2091569
Flotek Ecuador Management, LLC	Texas	2890	27-2091663
Flotek Paymaster, Inc.	Texas	2890	30-0094158
Material Translogistics, Inc.	Texas	2890	73-1605226
Turbeco, Inc.	Texas	2890	76-0228889
USA Petrovalve, Inc.	Texas	2890	76-0448098

**Table of Contents**

**The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED APRIL 30, 2010**

Prospectus

**FLOTEK INDUSTRIES, INC.**

**8,287,326 Shares of Common Stock**

**\$36,004,000 Convertible Senior Secured Notes due 2028**

This prospectus relates to the resale of 8,287,326 shares of the common stock, par value \$0.0001 per share, and \$36,004,000 aggregate principal amount of 5.25% Convertible Senior Secured Notes due 2028 (the notes) of Flotek Industries, Inc. that may be offered and sold from time to time by the selling securityholders named in this prospectus.

The notes will mature on February 15, 2028. Interest is payable on February 15 and August 15 of each year, beginning August 15, 2010. Contingent interest is also payable during any six-month period from an interest payment date to, but excluding, the following interest payment date, commencing with the six-month period beginning on February 15, 2013, if the trading price of a note is above a specified level during specified periods, as described in this prospectus.

Holder may convert their notes at their option at any time prior to the close of business on the second business day immediately preceding the maturity date under the following circumstances: (1) if the last reported sale price of our common stock reaches a specified threshold over a specified time period; (2) if the trading price of the notes is below a specified threshold for a specified time period; (3) if the notes have been called for redemption; or (4) upon the occurrence of specified corporate transactions described in this prospectus. Holders may also convert their notes at their option at any time beginning on January 15, 2028, and ending at the close of business on the second business day immediately preceding the maturity date. The conversion rate is 43.9560 shares per \$1,000 principal amount of notes (equal to a conversion price of approximately \$22.75 per share), subject to adjustment. Upon conversion, we will deliver, at our option, either (1) a number of shares of our common stock determined as set forth in this prospectus, or (2) a combination of cash and shares of common stock, if any, as described herein.

In addition, following certain corporate transactions that also constitute a fundamental change (as defined in this prospectus), we will increase the conversion rate for a holder who elects to convert its notes in connection with such corporate transactions in certain circumstances.

On or after February 15, 2013, we may redeem for cash all or a portion of the notes at a redemption price of 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest (including contingent interest) to, but not including, the redemption date.

Subject to certain conditions described in this prospectus, holders may require us to purchase all or a portion of their notes on each of February 15, 2013, February 15, 2018 and February 15, 2023. In addition, if we experience specified types of corporate transactions, holders may require us to purchase all or a portion of their notes. Any repurchase of the notes pursuant to these provisions will be for cash at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest (including contingent interest) to, but excluding, the purchase date.

## Edgar Filing: FLOTEK INDUSTRIES INC/CN/ - Form S-3

The notes are our senior obligations and are secured by second-priority liens on all collateral that secures our obligations from time to time under our new secured credit facility. Initially, this collateral includes substantially all of our and our existing and future restricted subsidiaries' assets. The liens securing the notes are contractually subordinated to the first-priority liens securing the new secured credit facility. Our obligations under the notes are jointly and severally, fully and unconditionally guaranteed on a senior secured basis by all of our existing and future restricted subsidiaries that own any collateral or guarantee indebtedness under any of our credit facilities, including our new secured credit facility. The notes are effectively subordinated to all liabilities of our subsidiaries that are not guarantors.

The selling securityholders and their permitted transferees may offer and sell the securities from time to time at market prices, in negotiated transactions or otherwise. The timing and amount of any sale are within the sole discretion of the selling securityholders. The selling securityholders may sell the securities directly or through underwriters, brokers or dealers. The selling securityholders will pay commissions or discounts to underwriters, brokers or dealers in amounts to be negotiated prior to the sale. We will not receive any of the proceeds from the sale of the securities by the selling securityholders. See Plan of Distribution on page 47 for more information on this topic.

Our common stock is listed on the New York Stock Exchange under the symbol FTK. On April 27, 2010, the closing sale price of our common stock on the New York Stock Exchange was \$1.95 per share. The notes are not listed for trading on any national securities exchange.

**Investing in our securities involves risks, including those contained or incorporated by reference herein as described under Risk Factors on page 3 of this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2010

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>About This Prospectus</u>	ii
<u>Where You Can Find More Information</u>	ii
<u>Incorporation By Reference</u>	iii
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	iv
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	3
<u>Use of Proceeds</u>	9
<u>Ratio of Earnings to Fixed Charges and Preferred Stock Dividends</u>	10
<u>Description of the Notes</u>	11
<u>United States Federal Income Tax Considerations</u>	36
<u>Selling Securityholders</u>	43
<u>Plan of Distribution</u>	47
<u>Legal Matters</u>	49
<u>Experts</u>	49



**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. Under this shelf registration process, the selling securityholders may sell the securities described in this prospectus in one or more offerings. This prospectus does not contain all of the information included in the registration statement. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should carefully read this prospectus, the related exhibits filed with the SEC, together with the additional information described below under the headings **Where You Can Find More Information** and **Incorporation by Reference**.

**You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the selling securityholders have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The selling securityholders are not making offers to sell or seeking offers to buy any of the securities covered by this prospectus in any state where the offer is not permitted. You should assume that the information appearing in this prospectus and any other document incorporated by reference is accurate only as of the date on the front cover of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.**

**Under no circumstances should the delivery to you of this prospectus or any offer or sale made pursuant to this prospectus create any implication that the information contained in this prospectus is correct as of any time after the date of this prospectus.**

Unless otherwise indicated or unless the context otherwise requires, all references in this prospectus to **Flotek**, **we**, **us**, and **our** mean Flotek Industries, Inc. and its wholly owned subsidiaries.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed a registration statement with the SEC under the Securities Act of 1933, as amended, which we refer to as the Securities Act, that registers the resale by the selling securityholders of the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this prospectus.

We file annual, quarterly, and other reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. You may read and copy any materials we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public through the SEC's website at <http://www.sec.gov>. General information about us, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website at <http://www.flotekind.com> as soon as reasonably practicable after we file them with, or furnish them to, the SEC. Information on our website is not incorporated into this prospectus or our other securities filings and is not a part of this prospectus.

**Table of Contents**

**INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference information into this document. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus. We incorporate by reference the documents listed below, other than any portions of the respective filings that were furnished (pursuant to Item 2.02 or Item 7.01 of current reports on Form 8-K or other applicable SEC rules) rather than filed:

our annual report on Form 10-K for the fiscal year ended December 31, 2009, as filed with the SEC on March 31, 2010, as amended by Amendment No. 1 to such report, as filed with the SEC on April 30, 2010;

our current reports on Form 8-K, as filed with the SEC on January 4, 2010 and April 6, 2010; and

the description of our common stock, par value \$0.0001 per share, contained in our Registration Statement on Form 8-A (File No. 001-13270) filed under Section 12(b) of the Exchange Act.

All documents that we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and until any offerings hereunder are completed, or after the date of the registration statement of which this prospectus forms a part and prior to effectiveness of the registration statement, will be deemed to be incorporated by reference into this prospectus and will be a part of this prospectus from the date of the filing of the document. Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. Any statement that is modified or superseded will not constitute a part of this prospectus, except as modified or superseded.

We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of these filings, other than an exhibit to these filings unless we have specifically incorporated that exhibit by reference into the filing, upon written or oral request and at no cost. Requests should be made by writing or telephoning us at the following address:

Flotek Industries, Inc.

2930 W. Sam Houston Pkwy. N, Suite 300

Houston, Texas 77043

(713) 849-9911

Attn: Investor Relations

**Table of Contents**

**CAUTIONARY STATEMENT**

**REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act regarding our business, financial condition, results of operations and prospects. Words such as expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions or variations of such words are intended to identify forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements. Although forward-looking statements contained in this prospectus reflect our good faith judgment, such statements can only be based on facts and factors currently known to us. Consequently, forward-looking statements are inherently subject to risks and uncertainties, and actual outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Further information about the risks and uncertainties that may impact us are described or incorporated by reference in Risk Factors beginning on page 3. You should read that section carefully. You should not place undue reliance on forward-looking statements, which speak only as of the date of this prospectus. We undertake no obligation to update publicly any forward-looking statements in order to reflect any event or circumstance occurring after the date of this prospectus or currently unknown facts or conditions or the occurrence of unanticipated events.

## **Table of Contents**

### **PROSPECTUS SUMMARY**

*This summary highlights selected information contained elsewhere in this prospectus or in documents incorporated by reference in this prospectus. This summary does not contain all of the information that you should consider before investing in our securities. You should read carefully the entire prospectus, including Risk Factors and the other information contained or incorporated by reference in this prospectus before making an investment decision.*

#### **Our Business**

We are a diversified global supplier of drilling and production related products and services to the oil and gas industry. Our core focus is oilfield specialty chemicals and logistics, downhole drilling tools and downhole production tools. Our business is organized into three strategic business units or segments: Chemicals and Logistics, Drilling Products and Artificial Lift. Each segment offers various products and services and requires different technology and marketing strategies. All three segments market products domestically and internationally.

#### **Chemicals and Logistics**

The chemical business offers a full spectrum of oil field and gas field specialty chemicals used for drilling, cementing, stimulation, and production designed to maximize recovery from both new and mature fields. Our specialty chemicals are key to the success of this business segment. Our specialty chemicals have enhanced performance characteristics and are manufactured to withstand a wide range of downhole pressures, temperatures and other well-specific conditions. We operate two laboratories, a technical services laboratory and a research and development laboratory, which focus on design, development and testing of new chemical formulations and enhancement of existing products, often in cooperation with our customers.

Our CESI branded micro-emulsions are patented (US & foreign) and are therefore unique in the oil and gas market. Micro-emulsions are stable mixtures of oil, water and surface active agents, forming a complex nano-fluid in which the molecules are organized (or assembled) into nanostructures. The combination of solvent, surface active agents and structure provide better well treatment results than the use of solvent and surface active agents alone. CESI's micro-emulsions are composed of renewable plant derived cleaning ingredients and oils and are biodegradable. Some of the micro-emulsions have received approval for use in the North Sea, meeting some of the most stringent oil field environmental standards in the world. CESI's micro-emulsions have documented operational and financial benefit in both low permeability sand and shale reservoirs.

Our logistics business designs, project manages and operates automated bulk material handling and loading facilities for oilfield service companies. These bulk facilities handle oilfield products, including sand and other materials for well-fracturing operations, dry cement and additives for oil and gas well cementing, and supplies and materials used in oilfield operations, which we blend to customer specification.

#### **Drilling Products**

We are a leading provider of downhole drilling tools used in the oilfield, mining, water-well and industrial drilling sectors. We manufacture, sell, rent and inspect specialized equipment for use in drilling, completion, production and workover activities. Through internal growth and acquisitions, we have increased the size and breadth of our rental tool inventory and geographic scope of operations so that we now conduct tool rental operations throughout the United States and in select international markets. Our rental tools include stabilizers, drill collars, reamers, wipers, jars, shock subs, wireless survey, and measurement while drilling, or MWD, tools and mud-motors, while equipment sold includes mining equipment, centralizers and drill bits. We focus our product marketing efforts primarily in the Southeast, Northeast, Mid-Continent and Rocky Mountain regions of the United States, with international sales currently conducted through third party agents and employees.

#### **Artificial Lift**

We provide pumping system components, including electric submersible pumps, or ESPs, gas separators, production valves and services. Our products address the needs of coal bed methane and traditional oil and gas

**Table of Contents**

production to efficiently move gas, oil and other fluids from the producing horizon to the surface. Several of our Artificial Lift products employ unique technologies to improve well performance. Our patented Petrovalve product optimizes pumping efficiency in horizontal completions, heavy oil and wells with high liquid to gas ratios. This unique valve can be placed horizontally, results in increased flow per stroke, and eliminates gas locking by replacing the traditional ball and seat valve that requires more maintenance. Furthermore, our patented gas separation technology is particularly applicable for coal bed methane production as it efficiently separates gas and water downhole, ensuring solution gas is not lost in water production. Because gas is separated downhole, it reduces the environmental impact of escaped gas at the surface. The majority of our products for Artificial Lift are manufactured in China, assembled domestically and distributed globally.

Our principal executive offices are located at 2930 W. Sam Houston Pkwy. N., Houston, Texas 77043, and our telephone number is (713) 849-9911. Our website address is <http://www.flotekind.com>. However, information contained on our website is not incorporated by reference into and does not constitute part of this prospectus.

**Table of Contents**

**RISK FACTORS**

*An investment in our common stock and the notes is subject to numerous risks, including those listed below and the other risks described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009, as amended by Amendment No. 1 to such report, which are incorporated by reference herein. You should carefully consider these risks, along with the information provided elsewhere in this prospectus and the documents we incorporate by reference in this prospectus before investing in the common stock and the notes. You could lose all or part of your investment in the common stock or the notes.*

**Risks Relating to the Notes**

***We may not be able to generate sufficient cash to service all of our indebtedness, including the notes and our indebtedness under our new secured credit facility, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the notes. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements, including our new secured credit facility and the indenture governing the notes. In the absence of such cash flows and capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our new secured credit facility restricts our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and any proceeds may not be adequate to meet any debt service obligations then due. See "Description of the Notes."

***The lien on the collateral securing the notes and the guarantees is junior and subordinate to the lien on the collateral securing our new secured credit facility.***

The notes and the guarantees are secured by second priority liens granted by us and the existing guarantors and any future guarantor on our assets and the assets of the guarantors that secure obligations under our new secured credit facility, subject to certain permitted liens, exceptions and encumbrances described in the indenture governing the notes and the security documents relating to the notes. As set out in more detail under "Description of the Notes," the lenders under our new secured credit facility will be entitled to receive all proceeds from the realization of the collateral under certain circumstances, including upon default in payment on, or the acceleration of, any obligations under our new secured credit facility, or in the event of our, or any of our subsidiary guarantors', bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding, to repay such obligations in full before the holders of the notes will be entitled to any recovery from such collateral. In addition, the indenture governing the notes permits us and the guarantors to create additional liens under specified circumstances. Any obligations secured by such liens may further limit the recovery from the realization of the collateral available to satisfy holders of the notes.

***The notes will be structurally subordinated to all liabilities of any of our non-guarantor subsidiaries.***

The notes will be structurally subordinated to indebtedness and other liabilities of any of our subsidiaries that are not guarantors of the notes. In the event of a bankruptcy, liquidation or reorganization, our non-guarantor subsidiaries will pay the holders of their debts and their trade creditors before they will be able to distribute any of their assets to us. As a result, in the event of a bankruptcy, liquidation or reorganization, there may not be sufficient assets to pay amounts due on the notes.

---

**Table of Contents**

***There may not be sufficient collateral to pay all or any of the notes.***

Our indebtedness and other obligations under our new secured credit facility are secured by a first priority lien on the collateral securing the notes. The liens securing the notes and the guarantees are contractually subordinated to the liens securing the new secured credit facility, so that proceeds of collateral will be applied first to repay obligations under the new secured credit facility before we use any such proceeds to pay any amounts due on the notes. No appraisals of the value of any collateral were prepared in connection with the issuance of the notes. The value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the collateral. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. The value of the assets pledged as collateral for the notes could be impaired in the future as a result of changing economic conditions, competition or other future trends.

In addition, the collateral securing the notes is subject to liens permitted under the terms of the indenture and the intercreditor agreement, whether arising on or after the date the notes were issued. To the extent that third parties hold prior liens, such third parties may have rights and remedies with respect to the property subject to such liens that, if exercised, could adversely affect the value of the collateral securing the notes.

In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, no assurance can be given that the proceeds from any sale or liquidation of the collateral will be sufficient to pay our senior secured debt obligations, including the notes, in full or at all. Accordingly, there may not be sufficient collateral to pay all or any of the amounts due on the notes. Any claim for the difference between the amount, if any, realized by holders of the notes from the sale of the collateral securing the notes and the obligations under the notes will rank equally in right of payment with all of our unsecured senior indebtedness and other obligations.

***The provisions of the intercreditor agreement relating to the collateral securing the notes will limit the rights of holders of the notes with respect to that collateral, even during an event of default.***

Under the intercreditor agreement that was entered into between the trustee, on behalf of the holders of the notes, and the collateral agent for the lenders under our new secured credit facility (the first-priority collateral agent), the lenders under our new secured credit facility will generally be entitled to receive and apply all proceeds of any collateral to the repayment in full of the obligations under our new secured credit facility before any such proceeds will be available to repay obligations under the notes. In addition, the first lien collateral agent will generally be entitled to sole control of all decisions and actions, including foreclosure, with respect to collateral, even if an event of default under the notes has occurred, and neither the holders of notes nor the trustee will generally be entitled to independently exercise remedies with respect to the collateral. In addition, the first-priority collateral agent will be entitled, without the consent of holders of notes or the trustee, to amend the terms of the security documents securing the notes and to release the liens of the secured parties on any part of the collateral at any time in each case, subject to limited exceptions. See Description of the Notes Security Intercreditor Agreement.

***Rights of holders of the notes in the collateral may be adversely affected by the failure to record or perfect security interests in certain collateral.***

The collateral securing the notes and the new secured credit facility covers substantially all of our assets, whether now owned or acquired in the future. Applicable law requires that security interests in certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the trustee or the collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the lien on such after acquired collateral. The collateral agent for the notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interests therein. Such failure may result in the loss of the lien thereon or of the priority of the lien securing the notes.

***A fundamental change may adversely affect us or the notes.***

Holders of the notes may have the right to require us to repurchase the notes upon the occurrence of a fundamental change as described in Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes. Future debt we may incur may limit our ability to repurchase the notes upon a fundamental

## **Table of Contents**

change. Also, if a fundamental change occurs, we cannot assure holders of the notes that we will have enough funds to repurchase all of the notes. Furthermore, the fundamental change provisions, including the provisions requiring us to increase the conversion rate by a number of additional shares of common stock related to conversions in connection with a fundamental change, may in certain circumstances make it more difficult or discourage a takeover of our company and the removal of incumbent management.

***We may not have the ability to raise the funds necessary to settle conversion of the notes or to purchase the notes upon a fundamental change or on other purchase dates, and our new secured credit facility currently contains, and our future debt may contain, limitations on our ability to pay cash upon conversion or repurchase of the notes.***

Upon conversion of the notes, we may pay up to the principal amount of the notes in cash. In addition, on each of February 15, 2013, February 15, 2018 and February 15, 2023, holders of the notes may require us to purchase their notes for cash. See Description of the Notes Purchase of Notes by Us at the Option of the Holder. Holders may also require us to purchase their notes upon a fundamental change as described under Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes. We cannot assure you that we would have sufficient financial resources, or would be able to arrange financing, to pay the settlement amount in cash, or the purchase price or fundamental change purchase price for the notes tendered by the holders in cash.

Our new secured credit facility currently contains limitations on our ability to make any optional or voluntary repurchase, redemption, prepayment, repayment, defeasance or any other acquisition or retirement for value of the notes. Further, our ability to pay the settlement amount in cash, or the purchase price or fundamental change purchase price for the notes in cash may be subject to limitations contained in agreements governing our new secured credit facility or any other indebtedness we may have in the future. If holders of the notes convert the notes or require us to repurchase them, we may seek the consent of our lenders or attempt to refinance our debt, but there can be no assurance that we will be able to do so.

Failure by us to pay the settlement amount upon conversion or purchase the notes when required will result in an event of default with respect to the notes, which may also result in the acceleration of our other indebtedness.

***Future sales of our common stock or the issuance of other equity may adversely affect the market price of our common stock and the value of the notes.***

Sales of our common stock or other equity-related securities could depress the market price of the notes, our common stock, or both, and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock or the value of the notes. The price of our common stock could be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to develop involving our common stock. The hedging or arbitrage could, in turn, affect the market price of the notes.

***The conditional conversion feature of the notes could result in holders of the notes receiving less than the value of the common stock or cash and common stock, as applicable, into which a note would otherwise be convertible.***

Prior to January 15, 2028, the notes are convertible only if specified conditions are met. If the specific conditions for conversion are not met, holders of the notes will not be able to convert the notes, and may not be able to receive the value of the common stock or cash and common stock, as applicable, into which the notes would otherwise be convertible.

***Upon conversion of the notes, we may pay a settlement amount consisting of cash and shares of our common stock, if any, based upon a specified period of 20 trading days.***

If we elect to settle our conversion obligation in cash and common stock, if any, under the net-share settlement method or if we waive our right to satisfy our conversion obligation solely in shares of our common stock, we will be required to satisfy our conversion obligation to holders by paying cash, up to the principal amount of notes to be converted, and by delivering shares of our common stock with respect to the excess conversion value of the notes to be converted determined using the daily conversion value as described herein. Accordingly, upon conversion of a note, holders might not receive any shares of our common stock, or they might receive fewer shares of common stock relative to the conversion value of the note as of the conversion date. In addition, because of the 20 trading-



---

**Table of Contents**

day period relevant to determining the daily conversion values, settlement will be delayed until at least the 23<sup>rd</sup> trading day following the related conversion date (and possibly later). See Description of the Notes Conversion Rights Payment Upon Conversion. Upon conversion of the notes, holders may receive less proceeds than expected because the value of our common stock may decline (or not appreciate as much as you may expect) between the conversion date and the day the settlement amount of the notes is determined.

***The notes contain restrictive covenants that limit our operational flexibility.***

The notes contain covenants that, among other things, restrict our ability to take specific actions, even if we believe them to be in our best interest. These covenants include restrictions on our ability to grant, or permit certain subsidiaries to grant, liens on our assets constituting the collateral for the notes. Our failure to comply with these restrictions could lead to a default under the notes. The actual covenants are contained in the indenture governing the notes. See Description of the Notes Limitation on New Liens.

***The adjustment to the conversion rate for notes converted in connection with specified corporate transactions may not adequately compensate holder for any lost value of the notes as a result of such transaction.***

If a specified corporate transaction that constitutes a fundamental change occurs prior to February 15, 2013 we will, under certain circumstances, increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such specified corporate transaction. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid per share of our common stock in such transaction, as described below under Description of the Notes Conversion Rights Conversion Rate Adjustments Adjustments to Shares Delivered Upon Conversion Upon Certain Fundamental Changes. The adjustment to the conversion rate for notes converted in connection with a specified corporate transaction may not adequately compensate holders for any lost value of the notes as a result of such transaction. In addition, if the effective date for the specified corporate transaction occurs on or after February 15, 2013 or if the price of our common stock in the transaction is greater than \$100 per share or less than \$17.50 (in each case, subject to adjustment), no adjustment will be made to the conversion rate. In addition, in no event will the total number of shares of common stock issuable upon conversion as a result of this adjustment exceed 57.1429 shares per \$1,000 principal amount of notes, subject to adjustments in the same manner as the conversion rate as set forth under Description of the Notes Conversion Rights Conversion Rate Adjustments.

Our obligation to increase the conversion rate in connection with any such specified corporate transaction could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

***The conversion rate of the notes may not be adjusted for all dilutive events.***

The conversion rate of the notes is subject to adjustment only for certain specified events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers as described under Description of the Notes Conversion Rights Conversion Rate Adjustments. However, the conversion rate will not be adjusted for other events, such as a third party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or the common stock.

***Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.***

Upon the occurrence of a fundamental change, holders of the notes have the right to require us to repurchase the notes. See Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us may not constitute a fundamental change requiring us, to repurchase the notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

---

**Table of Contents**

***There is no public trading market for the notes, and the holders' ability to sell such notes will be limited.***

There is no existing public market for the notes. No market for the notes may develop, and any market that develops may not persist. We cannot assure holders of the notes as to the liquidity of any market that may develop for the notes, the ability to sell the notes or the price at which holders would be able to sell the notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities.

We do not intend to apply for listing of the notes on any securities exchange or other market. The liquidity of any trading market and the trading price of such notes may be adversely affected by changes in our financial performance or prospects and by changes in the financial performance of or prospects for companies in our industry generally.

***A court could cancel the notes or the related guarantees of our existing subsidiaries and our future restricted subsidiaries under fraudulent conveyance laws or certain other circumstances.***

Our issuance of the notes and the issuance of the related guarantees by our existing subsidiaries and of our future restricted subsidiaries may be subject to review under federal or state fraudulent transfer or similar laws.

The guarantor subsidiaries described elsewhere herein guarantee the notes. If we or such a subsidiary becomes a debtor in a case under the Bankruptcy Code or encounters other financial difficulty, under federal or state laws governing fraudulent conveyance, renewable transactions or preferential payments, a court in the relevant jurisdiction might avoid or cancel the guarantee. The court might do so if it found that, when the subsidiary entered into its guarantee or, in some states, when payments become due thereunder, (a) it received less than reasonably equivalent value or fair consideration for such guarantee and (b) either (i) was or was rendered insolvent, (ii) was left with inadequate capital to conduct its business, or (iii) believed or should have believed that it would incur debts beyond its ability to pay. The court might also avoid such guarantee, without regard to the above factors, if it found that the subsidiary entered into its guarantee with actual or deemed intent to hinder, delay, or defraud its creditors.

A court would likely find that a subsidiary did not receive reasonably equivalent value or fair consideration for its guarantee unless it benefited directly or indirectly from the issuance of the related notes. If a court avoided such guarantee, you would no longer have a claim against such subsidiary or the collateral granted by such subsidiary to secure its guarantee. In addition, the court might direct you to repay any amounts already received from such subsidiary. If the court were to avoid any guarantee, we cannot assure you that funds would be available to pay the related notes from another subsidiary or from any other source.

The indenture governing the notes provides that the liability of each subsidiary on its guarantee is limited to the maximum amount that the subsidiary can incur without risk that the guarantee will be subject to avoidance as a fraudulent conveyance. This limitation may not protect the guarantees from a fraudulent conveyance attack or, if it does, we cannot assure you that the guarantees and the collateral granted by such subsidiary to secure its guarantee will be in amounts sufficient, if necessary, to pay obligations under the notes, as applicable, when due.

Similarly, if we become a debtor in a case under the Bankruptcy Code or encounter other financial difficulty, a court might cancel our obligations under the notes, if it found that when we issued the such notes (or in some jurisdictions, when payments become due under such notes), factors (a) and (b) above applied to us, or if it found that we issued such notes with actual intent to hinder, delay or defraud our creditors.

***Holders of the notes may be deemed to have received a taxable distribution without the receipt of any cash.***

The conversion rate of the notes will be adjusted in certain circumstances. Under Section 305(c) of the Internal Revenue Code of 1986 (the Code), adjustments (or failures to make adjustments) that have the effect of increasing a holder's proportionate interest in our assets or earnings may in some circumstances result in a deemed distribution to such holder. Certain of the conversion rate adjustments with respect to the notes (including, without limitation, adjustments in respect of taxable dividends to holders of our common stock) will result in deemed distributions to the holders of notes even though they have not received any cash or property as a result of such adjustments. Any deemed distributions will be taxable as a dividend, return of capital, or capital gain in accordance with the earnings

## **Table of Contents**

and profits rules under the Code. In addition, holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding taxes (including backup withholding taxes or withholding taxes for payments to foreign persons). If we pay withholding taxes on behalf of a holder, we may, at our option, set off such payments against payments of cash and common stock on the notes.

*The notes were issued with original issue discount, and therefore you generally will be required to accrue income before you receive cash attributable to the original issue discount on the notes.*

The notes were issued with original issue discount, or OID, for U.S. federal income tax purposes. If you are a U.S. holder, you generally will be required to accrue OID on a current basis as ordinary income and pay tax accordingly, even before you receive cash attributable to that income and regardless of your method of tax accounting. For further discussion of the computation and reporting of OID, see United States Federal Income Considerations Tax Consequences to U.S. Holders Stated Interest and OID on the Notes.

*As a holder of the notes, holders are not entitled to any rights with respect to our common stock, but are subject to all changes made with respect to our common stock.*

A holder of the notes is not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but is subject to all changes affecting the common stock. Holders will only be entitled to rights on the common stock if and when we deliver shares of common stock to holders upon conversion of the notes and in limited cases under the anti-dilution adjustments of the notes. For example, in the event that an amendment is proposed to our certificate of incorporation or by-laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of the common stock, holders will not be entitled to vote on the amendment, although they will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

*The fundamental change purchase feature of the notes may delay or prevent an otherwise beneficial takeover attempt of our company.*

The terms of the notes require us to offer to purchase the notes for cash in the event of a fundamental change. A takeover of our company would trigger the requirement that we offer to purchase the notes. This may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to investors.

*Conversion of the notes may dilute the ownership interest of existing stockholders, including holders who have previously converted their notes.*

The conversion of the notes may dilute the ownership interests of existing stockholders, including holders who have previously converted their notes. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock.

### **Additional Risks Associated With an Investment in Our Common Stock**

*Substantial sales of our common stock could adversely affect our stock price.*

Sales of a substantial number of shares of common stock after the date of this prospectus, or the perception that such sales could occur, could adversely affect the market price of our common stock by introducing a large number of sellers to the market. Such sales could cause the market price of our common stock to decline.

By causing a large number of shares of common stock to be sold in the public market, the selling securityholders named herein and other holders of our common stock could cause the market price of our common stock to decline. We cannot predict whether future sales of our common stock, or the availability of our common stock for sale, will adversely affect the market price for our common stock or our ability to raise capital by offering equity securities.

**Table of Contents**

**USE OF PROCEEDS**

The securities to be offered and sold pursuant to this prospectus will be offered and sold by the selling securityholders. We will not receive any proceeds from the sale of the securities by the selling securityholders.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following table sets forth the ratio of earnings to fixed charges and preferred stock dividends for Flotek and its subsidiaries on a consolidated basis for each of the periods indicated. We calculated the ratio of earnings to fixed charges and preferred stock dividends by dividing earnings by total fixed charges and preferred stock dividends. Earnings consist of income (loss) from continuing operations before income taxes and fixed charges. Fixed charges include (i) interest expense (no capitalized interest) and (ii) the estimate of interest within rental expense.

	Years Ended December 31,				
	2005	2006	2007	2008	2009
<b>Ratio of earnings to fixed charges and preferred stock dividends</b>	11.64	17.00	8.02	N/A(1)	N/A(1)

- (1) Ratio is inapplicable since we incurred losses in each of these years. Earnings were inadequate to cover combined fixed charges and preferred stock dividends by \$44,660,000 and \$50,920,000 for the years ended December 31, 2008 and 2009, respectively.

---

**Table of Contents**

**DESCRIPTION OF THE NOTES**

The Company issued the notes under an indenture among the Company, the subsidiary guarantors and U.S. Bank National Association, as trustee (the trustee), dated March 31, 2010, as supplemented by a supplemental indenture between the Company, the subsidiary guarantors and the trustee dated as of the date of issuance of the notes (as supplemented, the indenture). The terms of the notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act).

The following description is a summary of the material terms and provisions of the notes and does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the notes and the indenture, including the definitions of certain terms used in these documents. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the notes.

For purposes of this description, references to the Company, we, our and us refer only to Flotek Industries, Inc. and not to its subsidiaries. As used in this description, the term interest includes any contingent interest and any additional interest described under Events of Default below.

**General**

The notes:

are limited to an aggregate principal amount of \$36,004,000;

will mature on February 15, 2028, unless earlier converted, redeemed or repurchased;

were issued in denominations of \$1,000 and multiples of \$1,000; and

are represented by certificates.

The notes are fully and unconditionally guaranteed by Flotek International, Inc., Petrovalve, Inc., Teledrift Company, Flotek Industries FZE, CESI Chemical, Inc., CESI Manufacturing, LLC, Padko International Incorporated, Sooner Energy Services, LLC, Flotek Ecuador Investments, LLC, Flotek Ecuador Management, LLC, Flotek Paymaster, Inc., Material Translogistics, Inc., Turbeco, Inc. and USA Petrovalve, Inc., referred to as the subsidiary guarantors as described under Subsidiary Guarantees. Future subsidiaries that guarantee our other indebtedness will also guarantee the notes.

The notes are the senior obligations of the Company, secured by liens on the Collateral described below under Security. The notes guarantees are senior obligations of the relevant subsidiary guarantor and are secured by liens on the Collateral held by such subsidiary guarantor. The liens securing the notes and the note guarantees are second-priority liens, subject to certain permitted liens, and contractually subordinated to the liens of the lenders under the new secured credit facility, on the Collateral pursuant to the terms of the intercreditor agreement described below under Security Intercreditor Agreement. The notes are effectively subordinated to all existing and future obligations, including indebtedness, of the Company's subsidiaries that do not guarantee the notes or grant liens to secure the notes. Claims of the creditors of these subsidiaries will generally have priority as to the assets of these subsidiaries over the claims of the Company's indebtedness, including the notes.

The indenture does not limit the amount of debt which may be issued by the Company or its subsidiaries. Other than restrictions described under Fundamental Change Permits Holders to Require Us to Purchase Notes and except for the provisions set forth under Conversion Rights Conversion Rate Adjustments Adjustment to Shares Delivered Upon Conversion Upon Certain Fundamental Changes, the indenture does not contain any covenants or other provisions designed to afford holders of the notes protection in the event of a highly leveraged transaction involving the Company or in the event of a decline in the credit of the Company as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving the Company that could adversely affect such holders.

**Table of Contents**

**Payments on the Notes; Paying Agent and Registrar; Transfer and Exchange**

We will pay principal of, and any premium on, certificated notes at the office or agency designated by the Company for that purpose. We have initially designated the trustee as our paying agent and registrar. We may, however, change the paying agent or registrar without prior notice to the holders of the notes, and the Company may act as paying agent or registrar. Interest (including contingent interest, if any), on certificated notes is payable (i) to holders having an aggregate principal amount of \$5.0 million or less, by check mailed to the holders of these notes and (ii) to holders having an aggregate principal amount of more than \$5.0 million either by check mailed to each holder or, upon application by a holder to the registrar not later than the relevant record date, by wire transfer in immediately available funds to that holder's account within the United States, which application shall remain in effect until the holder notifies the registrar in writing to the contrary.

A holder of notes may transfer or exchange notes at the office of the registrar in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Company, the trustee or the registrar for any registration of transfer or exchange of notes, but the Company may require a holder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law or permitted by the indenture. The Company is not required to register any transfer or exchange of any note selected for redemption or surrendered for conversion. Also, the Company is not required to register any transfer or exchange of any note in certificated form for a period of 15 days before the mailing of a notice of redemption.

The registered holder of a note will be treated as the owner of it for all purposes, and references to holders or you in this description are to registered holders unless the context otherwise indicates.

**Int**