

TETRA TECHNOLOGIES INC
Form 10-K
March 02, 2015

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

FORM 10-K
(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

OR

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

COMMISSION FILE NUMBER 1-13455

TETRA Technologies, Inc.

(EXACT NAME OF THE REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

74-2148293

(STATE OR OTHER JURISDICTION OF

(I.R.S. EMPLOYER

INCORPORATION OR ORGANIZATION)

IDENTIFICATION NO.)

24955 INTERSTATE 45 NORTH

THE WOODLANDS, TEXAS

77380

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (281) 367-1983

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

COMMON STOCK, PAR VALUE \$.01 PER SHARE

NEW YORK STOCK EXCHANGE

(TITLE OF CLASS)

(NAME OF EXCHANGE ON WHICH REGISTERED)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

INDICATE BY CHECK MARK IF THE REGISTRANT IS A WELL-KNOWN SEASONED ISSUER (AS DEFINED IN RULE 405 OF THE SECURITIES ACT).

YES NO

INDICATE BY CHECK MARK IF THE REGISTRANT IS NOT REQUIRED TO FILE REPORTS PURSUANT TO SECTION 13 OR SECTION 15(d) OF THE ACT.

YES NO

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 HAS SUBMITTED ELECTRONICALLY AND POSTED ON ITS CORPORATE WEB SITE, IF ANY, EVERY INTERACTIVE DATA FILE REQUIRED TO BE SUBMITTED AND POSTED PURSUANT TO RULE 405 OF REGULATION S-T DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO SUBMIT AND POST SUCH FILES).

YES NO

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K.

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. (CHECK ONE):

LARGE ACCELERATED FILER <input checked="" type="checkbox"/>	ACCELERATED FILER <input type="checkbox"/>	NON-ACCELERATED FILER <input type="checkbox"/>	SMALLER REPORTING COMPANY <input type="checkbox"/>
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INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12b-2 OF THE EXCHANGE ACT).

YES NO

THE AGGREGATE MARKET VALUE OF COMMON STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT WAS \$911,481,175.36 AS OF JUNE 30, 2014, THE LAST BUSINESS DAY OF THE REGISTRANT'S MOST RECENTLY COMPLETED SECOND FISCAL QUARTER.

NUMBER OF SHARES OUTSTANDING OF THE ISSUER'S COMMON STOCK AS OF FEBRUARY 27, 2015 WAS 79,649,946 SHARES.

DOCUMENTS INCORPORATED BY REFERENCE

PART III INFORMATION IS INCORPORATED BY REFERENCE TO THE REGISTRANT'S PROXY STATEMENT FOR ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 5, 2015 TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WITHIN 120 DAYS OF THE END OF THE REGISTRANT'S FISCAL YEAR.

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Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements in this annual report are identifiable by the use of the following words and other similar words: “anticipates”, “assumes”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “goal”, “intends”, “may”, “predicts”, “projects”, “schedules”, “seeks”, “should”, “targets”, “will” and “would”.

Such forward-looking statements reflect our current views with respect to future events and financial performance and are based on assumptions that we believe to be reasonable but such forward-looking statements are subject to numerous risks, and uncertainties, including, but not limited to:

- economic and operating conditions that are outside of our control, including the supply, demand, and prices of crude oil and natural gas;
- the levels of competition we encounter;
- the activity levels of our customers;
- the availability of adequate sources of capital to us;
- our ability to comply with contractual obligations, including those under our financing arrangements;
- our operational performance;
- risks related to acquisitions and our growth strategy;
- the availability of raw materials and labor at reasonable prices;
- risks related to our foreign operations;
- the effect and results of litigation, regulatory matters, settlements, audits, assessments, and contingencies; and

other risks and uncertainties under “Item 1A. Risk Factors” in this Annual Report and as included in our other filings with the U.S. Securities and Exchange Commission (“SEC”), which are available free of charge on the SEC website at www.sec.gov.

The risks and uncertainties referred to above are generally beyond our ability to control and we cannot predict all the risks and uncertainties that could cause our actual results to differ from those indicated by the forward-looking statements. If any of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may vary from those indicated by the forward-looking statements, and such variances may be material.

All subsequent written and oral forward-looking statements made by or attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to update or revise any forward-looking statements we may make, except as may be required by law.

PART I

Item 1. Business.

The financial statements presented in this annual report are the consolidated financial statements of TETRA Technologies, Inc., a Delaware corporation and its subsidiaries. When the terms “TETRA,” “the Company,” “we,” “us” or “our” are used in this document, those terms refer to TETRA Technologies, Inc. and its consolidated subsidiaries.

TETRA is a Delaware corporation incorporated in 1981. Our corporate headquarters are located at 24955 Interstate 45 North in The Woodlands, Texas. Our phone number is 281-367-1983 and our website is accessed at www.tetratec.com. Our common stock is traded on the New York Stock Exchange under the symbol “TTI.”

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers, Audit Committee Charter, Compensation Committee Charter, and Nominating and Corporate Governance Committee Charter, as well as our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and all amendments to those reports are all available, free of charge, on our website at www.tetratec.com as soon as practicable after we file the reports with the SEC. Information contained on or connected to our website is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated into any other filings with the SEC. The documents referenced above are available in print at no cost to any stockholder who requests them by writing or telephoning our Corporate Secretary.

About TETRA

TETRA Technologies, Inc., together with its consolidated subsidiaries, is a leading geographically diversified oil and gas services company, focused on completion fluids and associated products and services, water management, frac flowback, production well testing, offshore rig cooling, compression services and equipment, and selected offshore services including well plugging and abandonment, decommissioning and diving. We also have a limited domestic oil and gas production business. We are composed of five reporting segments organized into four divisions - Fluids, Production Testing, Compression, and Offshore.

Our Fluids Division manufactures and markets clear brine fluids, additives, and associated products and services to the oil and gas industry for use in well drilling, completion, and workover operations in the United States and in certain countries in Latin America, Europe, Asia, the Middle East, and Africa. The division also markets liquid and dry calcium chloride products manufactured at its production facilities or purchased from third-party suppliers to a variety of markets outside the energy industry. The Fluids Division also provides North American onshore oil and gas operators with comprehensive water management services.

Our Production Testing Division provides frac flowback, production well testing, offshore rig cooling, and other associated services in many of the major oil and gas producing regions in the United States, Mexico, and Canada, as well as in certain basins in certain regions in South America, Africa, Europe, the Middle East, and Australia.

Our Compression Division is a provider of compression services and equipment for natural gas and oil production, gathering, transportation, processing, and storage. The Compression Division's equipment and parts sales business includes the fabrication and sale of standard compressor packages, custom-designed compressor packages, and oilfield fluid pump systems designed and fabricated at the Compression Division's facilities in Midland, Texas and Oklahoma City, Oklahoma, as well as the sale of compressor package parts and components manufactured by third-party suppliers. The Compression Division's aftermarket services business provides compressor package reconfiguration and maintenance services. The Compression Division provides its services and equipment to a broad base of natural gas and oil exploration and production, midstream, transmission, and storage companies operating throughout many of

the onshore producing regions of the United States as well as in a number of foreign countries, including Mexico, Canada, and Argentina. The August 4, 2014, acquisition of Compressor Systems, Inc., a Delaware corporation (“CSI”) (the “CSI Acquisition”), significantly expanded the size and scope of our Compression Division .

Our Offshore Division consists of two operating segments: Offshore Services and Maritech. The Offshore Services segment provides: (1) downhole and subsea services such as well plugging and abandonment and

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workover services; (2) decommissioning and certain construction services utilizing heavy lift barges and various cutting technologies with regard to offshore oil and gas production platforms and pipelines; and (3) conventional and saturation diving services.

The Maritech segment is a limited oil and gas production operation. During 2011 and the first quarter of 2012, Maritech sold substantially all of its oil and gas producing property interests. Maritech's operations consist primarily of the ongoing abandonment and decommissioning associated with its remaining offshore wells and production platforms. Maritech intends to acquire a significant portion of these services from the Offshore Division's Offshore Services segment.

We continue to pursue a long-term growth strategy that includes expanding our existing core businesses, with the exception of the Maritech segment, through internal growth and acquisitions, domestically and internationally. For financial information for each of our segments, including information regarding revenues and total assets, see "Note P - Industry Segments and Geographic Information" contained in the Notes to Consolidated Financial Statements.

2014 Strategic Growth

We have expanded certain divisions through acquisitions, which are discussed further in Note C to the Consolidated Financial Statements.

Acquisition of Limited Liability Company Interest. On January 16, 2014, we acquired the 50% ownership interest of Ahmad Albinali & TETRA Arabia Company Ltd., a Saudi Arabian limited liability company ("TETRA Arabia") that we did not previously own for a purchase price of \$25.2 million. The closing of this transaction was pursuant to the terms of the Share Sale and Purchase Agreement entered into as of October 1, 2013, with the other shareholder in TETRA Arabia. TETRA Arabia is a provider of production testing services, offshore rig cooling services and clear brine fluids products and related services, to its customer in Saudi Arabia.

Acquisition of TD Water Transfer. On January 29, 2014, we acquired the assets and business of WIT Water Transfer, LLC (doing business as TD Water Transfer) for a cash purchase price of \$15.0 million. In addition, contingent consideration of up to \$8.0 million in cash may be paid, depending on a defined measure of earnings over each of the two twelve month periods subsequent to closing. TD Water Transfer is a provider of water management services to oil and gas operators in the South Texas and North Dakota regions.

Acquisition of Compressor Systems, Inc. On August 4, 2014, pursuant to a stock purchase agreement dated July 20, 2014, our CSI Compressco LP subsidiary ("CCLP", formerly named Compressco Partners, L.P.) acquired all of the outstanding capital stock of Compressor Systems, Inc. ("CSI"), a Delaware corporation, for \$825.0 million cash (the "CSI Acquisition"). CSI owns one of the largest fleets of natural gas compressor packages in the United States. Headquartered in Midland, Texas, CSI fabricates, sells, and maintains natural gas compressor packages and provides a full-range of compression products and services that covers compression needs throughout the entire natural gas production and transmission cycle to natural gas and oil clients. CSI derives revenues through three primary business lines: service operations; equipment sales; and aftermarket services. Strategically, the acquisition is expected to afford our Compression Division the opportunity to capture significant synergies associated with its product and service offerings and its fabrication operations, to further penetrate new and existing markets, and to achieve administrative efficiencies and other strategic benefits.

Products and Services

Fluids Division

Liquid calcium chloride, calcium bromide, zinc bromide, zinc calcium bromide, sodium bromide, and blends of such products manufactured by our Fluids Division are referred to as clear brine fluids ("CBFs") in the oil and gas industry. CBFs are salt solutions that have variable densities and are used to control bottomhole pressures during oil and gas completion and workover operations. Although they are used in many types of wells, demand for CBFs is greater in offshore well operations. The Fluids Division sells CBFs and various CBF additives to U.S. and foreign oil and gas exploration and production companies and distributes them to other companies that service customers in the oil and gas industry.

The Fluids Division provides both stock and custom-blended CBFs based on our customers' specific needs and the proposed application. We also provide a broad range of associated services, including onsite fluids filtration, handling and recycling; wellbore cleanup; fluid engineering consultation; fluid management services; and high-volume water management services for fracturing operations. We offer to repurchase (buyback) certain used CBFs from customers, which we are able to recondition and recycle. Selling used CBFs back to us reduces the net cost of the CBFs to our customers and minimizes our customers' need to dispose of used fluids. We recondition used CBFs through filtration, blending, and the use of proprietary chemical processes, and then market the reconditioned CBFs.

By blending different stock CBFs and using various additives, we are able to modify the specific density, crystallization temperature, and chemical composition of the CBFs as necessary. The division's fluid engineering personnel determine the optimal CBF blend for a customer's particular application to maximize its effectiveness and lifespan. Our filtration services use a variety of techniques and equipment to remove particulates from CBFs at the customer's site so that the CBFs can be reused. Filtration also enables recovery of a greater percentage of used CBFs for reconditioning.

The Fluids Division provides domestic onshore oil and gas operators with comprehensive frac water management services, including selection, analysis, treatment, storage, transfer, recycling, and environmental risk mitigation. These services include the division's BioRid® and other above-ground frac water treatment technologies, some of which are patented, and its proprietary TETRA STEEL™ 1200 rapid deployment water transfer system. The Fluids Division's water management personnel seek to design environmentally friendly solutions for the unique needs of each customer's wellsite in order to maximize operational performance and efficiency.

The Fluids Division manufactures liquid and dry calcium chloride, liquid calcium bromide, zinc bromide, zinc calcium bromide, and sodium bromide for distribution primarily into energy markets. Liquid and dry calcium chloride are also sold into the water treatment, industrial, cement, food processing, road maintenance, ice melt, agricultural and consumer products markets. Liquid sodium bromide is also sold into the industrial water treatment markets, where it is used as a biocide in recirculated cooling tower waters and in other applications.

Our liquid and dry calcium chloride manufacturing facilities are located in the United States and Finland. We also acquire liquid and dry calcium chloride inventory from other producers. In the United States, we manufacture calcium chloride at five manufacturing plant facilities, the largest of which is our plant near El Dorado, Arkansas, which produces liquid and flake calcium chloride products. Liquid and flake calcium chloride are also produced at our Kokkola, Finland, plant. We operate our European calcium chloride operations under the name TETRA Chemicals Europe. We also manufacture liquid calcium chloride at our facilities in Parkersburg, West Virginia and Lake Charles, Louisiana, and we have two solar evaporation plants located in San Bernardino County, California, that produce liquid calcium chloride from underground brine reserves. All of our calcium chloride production facilities have a combined production capacity of more than 1.5 million equivalent liquid tons per year.

Our Fluids Division manufactures liquid calcium bromide, zinc bromide, zinc calcium bromide, and sodium bromide at our West Memphis, Arkansas facility. A patented and proprietary process utilized at this facility uses bromine and zinc to manufacture zinc bromide. This facility also uses proprietary processes to manufacture calcium bromide and sodium bromide and to recondition and upgrade used CBFs that we have repurchased from our customers.

See "Note P - Industry Segments and Geographic Information" in the Notes to Consolidated Financial Statements for financial information about the Fluids Division.

Production Testing Division

Our Production Testing Division provides frac flowback services, early production facilities and services, production well testing services, offshore rig cooling, and other associated services. The Production Testing Division provides well flow management and evaluation services and data that enables operators to quantify reserves, optimize production, and minimize oil and gas reservoir damage. Early production services typically include sophisticated evaluation techniques for reservoir management, including unconventional shale reservoir exploitation and optimization of well workover programs. Frac flowback and production well testing services may include well control, well cleanup and laboratory analysis. These services are utilized in the completion process after fracking and in the production phase of oil and gas wells.

Our Production Testing Division maintains one of the largest fleets of high-pressure production testing equipment in the United States, including equipment designed to work in environments where high levels of hydrogen sulfide gas are present. The division has domestic operating locations in Colorado, Louisiana, North Dakota, Oklahoma, Pennsylvania, Texas, West Virginia, and Wyoming. Internationally, the division has locations in Argentina, Brazil, Canada, Kurdistan, Mexico, Saudi Arabia, and certain countries in Europe, Africa, and the Middle East. Production Testing operations in Canada are provided through Greywolf Production Systems and GPS Ltd. (together, "Greywolf").

Through our Optima Solutions Holdings Limited subsidiary ("OPTIMA"), the Production Testing Division is a provider of offshore oil and gas rig cooling services and associated products that suppress heat generated by high rate flaring of hydrocarbons during offshore oil and gas well test operations.

See "Note P - Industry Segments and Geographic Information" in the Notes to Consolidated Financial Statements for financial information about the Production Testing Division.

Compression Division

Our Compression Division is a provider of compression services and equipment for natural gas and oil production, gathering, transportation, processing, and storage. The Compression Division fabricates and sells standard and custom designed compressor packages as well as oilfield fluid pump systems, and provides aftermarket services and compressor package parts and components manufactured by third-party suppliers. The Compression Division provides its compression services and equipment to a broad base of natural gas and oil exploration and production, midstream, transmission, and storage companies operating throughout many of the onshore producing regions of the United States as well as in a number of foreign countries, including Mexico, Canada, and Argentina.

As a result of the CSI Acquisition, the Compression Division is one of the largest providers of natural gas compression services in the United States. The compression and related services business includes a service fleet of over 6,000 compressor packages providing in excess of 1.0 million in aggregate horsepower, utilizing a full spectrum of low-, medium-, and high-horsepower engines. Low-horsepower compressor packages enhance production for dry gas wells and liquid-loaded gas wells by deliquifying wells, lowering wellhead pressure, and increasing gas velocity. Our low-horsepower compressor packages are also utilized in connection with oil and liquids production and in vapor recovery and casing gas system applications. Low- to medium-horsepower compressor packages are typically utilized in wellhead, gathering, and other applications primarily in connection with oil and liquids production. Our high-horsepower compressor package offerings are typically utilized in midstream application of central and regional gathering facilities.

The horsepower of our compression services fleet on December 31, 2014 is summarized in the following table:

Range of Horsepower Per Package	Number of Packages	Aggregate Horsepower	% of Aggregate Horsepower	
0 - 100	4,411	207,869	19.0	%
101 - 800	1,685	473,354	43.5	%
801 and over	306	407,928	37.5	%
Total	6,402	1,089,151	100	%

Our Compression Division's equipment and parts sales business includes the fabrication and sale of standard compressor packages, custom-designed compressor packages, and oilfield fluid pump systems that are designed and fabricated primarily at its facilities in Midland, Texas and Oklahoma City, Oklahoma. Our compressor packages are

typically sold to natural gas and oil exploration and production, mid-stream, transmission, and storage companies for use in various applications including gas gathering, gas lift, carbon dioxide injection, wellhead compression, gas storage, refrigeration plant, gas processing, pressure maintenance, pipeline, vapor recovery, gas transmission, fuel gas booster, and coal bed methane systems. We design and fabricate natural gas reciprocating and rotary compressor packages up to 8,000 horsepower for use in our service fleet and for sale to our broadened

customer base. Our pump systems can be utilized in numerous applications including oil production, transfer, and pipelines as well as water injection and disposal.

The Compression Division's aftermarket services business provides a full-range of services to customers who own compression equipment. The services include: (i) the sale of parts and components and (ii) operation, maintenance, overhaul, and reconfiguration services, some of which are provided under turnkey engineering, procurement, and construction contracts. This business employs factory trained sales and support personnel in most of the major oil and natural gas producing basins in the United States to perform these services.

Virtually all of our Compression Division's operations are conducted through CCLP. As a result of the transactions by which we financed the CSI Acquisition, our ownership of CCLP was reduced from approximately 82% to approximately 44%. Through our wholly owned subsidiary, CSI Compressco GP Inc., we continue to manage and control CCLP, and accordingly, will continue to consolidate CCLP results of operation in our consolidated results of operation, despite the decreased ownership percentage in CCLP. As of December 31, 2014, common units held by the public represent approximately a 56% ownership interest in CCLP.

See "Note P - Industry Segments and Geographic Information" in the Notes to Consolidated Financial Statements for financial information about the Compression Division.

Offshore Division

Our Offshore Division consists of two operating segments: Offshore Services and Maritech.

Offshore Services Segment. The Offshore Services segment provides: (1) downhole and subsea services such as well plugging and abandonment, and workover services; (2) decommissioning and certain construction services utilizing heavy lift barges and various cutting technologies with regard to offshore oil and gas production platforms and pipelines; and (3) conventional and saturation diving services. We provide these services to offshore oil and gas operators, primarily in the U.S. Gulf of Mexico. We offer comprehensive, integrated services, including individualized engineering consultation and project management services.

In providing services, our Offshore Services segment utilizes rigless offshore plugging and abandonment equipment packages, two heavy lift barges, several dive support vessels and other dive support assets that we own. In addition, we lease other assets from third parties and engage third-party contractors whenever necessary. The Offshore Services segment provides a wide variety of conventional and saturation diving services to its customers through its Epic Diving & Marine Services subsidiary ("Epic"). Well abandonment, decommissioning, diving, and certain construction services are performed primarily in the U.S. Gulf of Mexico. The Offshore Services segment provides offshore cutting services and tool rentals through its EOT Cutting Services ("EOT") subsidiary. The Offshore Services segment also utilizes specialized equipment and engineering expertise to address a variety of specific platform construction and decommissioning issues, including those associated with platforms that have been toppled or severely damaged by hurricanes and other windstorms. The Offshore Services segment provides services to major oil and gas companies and independent operators, including Maritech, through its facilities located in Broussard, Belle Chasse, Fourchon, and Houma, Louisiana.

Our Offshore Services segment's fleet of service vessels has expanded and contracted in size in recent years in response to changing demands for its services. With the TETRA Hedron, a 1,600-metric-ton heavy lift derrick barge, and the TETRA Arapaho, a 725-metric-ton heavy lift derrick barge, we perform heavy lift decommissioning and construction projects and integrated operations on oil and gas production platforms. The Offshore Services segment also performs contract diving operations, utilizing its owned dive service vessels, as well as vessels obtained under long- and short- term leases as needed. Diving services include saturation diving for up to 1,000 foot dive depths as

well as mixed gas and surface diving for shallower dives.

Among other factors, demand for our Offshore Service segment's operations in the U.S. Gulf of Mexico is affected by federal regulations governing the abandonment and decommissioning of offshore wells, production platforms and pipelines, particularly following the April 2010 Macondo well oil spill. These regulations include Notice To Lessees 2010-G05: "Decommissioning Guidance for Wells and Platforms" (NTL 2010-G05, known as the "Idle Iron Guidance"). The Bureau of Safety and Environmental Enforcement ("BSEE") issues offshore permits, regulates offshore contractors, and oversees the provisions of the Idle Iron Guidance. The Idle Iron Guidance became effective October 15, 2010, and requires that operators perform and report decommissioning and abandonment plans and activities in accordance with BSEE requirements. The Idle Iron Guidance provides specific guidelines for

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when an operator has to permanently plug and abandon wells and decommission platforms and related facilities after the occurrence of certain events, including the end of useful operations, cessation of commercial production and expiration of the lease.

Maritech Segment. The Maritech segment is a limited oil and gas production operation in the offshore U.S. Gulf of Mexico. During 2011 and the first quarter of 2012, Maritech sold substantially all of its proved reserves. Maritech's remaining operations consist primarily of the ongoing abandonment and decommissioning of its remaining offshore wells, facilities and production platforms. Maritech intends to acquire a significant portion of these services with regard to such assets that it operates from the Offshore Division's Offshore Services segment.

The sales of substantially all of Maritech's oil and gas producing properties during 2011 and 2012 have essentially removed us from the oil and gas exploration and production business, and significantly all of Maritech's oil and gas acquisition, development, and exploitation activities have ceased. Following these sales, Maritech's remaining oil and gas reserves and production are negligible. Maritech's operations consist primarily of the well abandonment and decommissioning of its remaining offshore oil and gas platforms and facilities. During the three year period ended December 31, 2014, Maritech spent approximately \$271.8 million on such efforts. Approximately \$54.3 million of Maritech decommissioning liabilities remain as of December 31, 2014, and approximately \$12.8 million of this amount is planned to be performed during 2015, with the timing of a portion of this work being discretionary.

Maritech's decommissioning liabilities are established based on what it estimates a third party would charge to plug and abandon the wells, decommission the pipelines and platforms, and clear the sites associated with its properties. We review the adequacy of Maritech's decommissioning liabilities whenever indicators suggest that the estimated cash flows underlying the liabilities have changed materially. The timing and amounts of these cash flows are subject to changes in the energy industry environment and may result in additional liabilities being recorded. For a further discussion of Maritech's adjustments to its decommissioning liabilities, see "Note H - Decommissioning and Other Asset Retirement Obligations" in the Notes to Consolidated Financial Statements.

See "Note P - Industry Segments and Geographic Information" in the Notes to Consolidated Financial Statements for financial information about the Offshore Division.

Sources of Raw Materials

Our Fluids Division manufactures calcium chloride, calcium bromide, zinc bromide, zinc calcium bromide, and sodium bromide for sale to its customers. The Fluids Division also recycles used calcium bromide and zinc bromide CBFs repurchased from its oil and gas customers.

The Fluids Division manufactures liquid calcium chloride, either from underground brine reserves or by reacting hydrochloric acid with limestone. The Fluids Division also purchases liquid and dry calcium chloride from a number of U.S. and foreign chemical manufacturers. Our El Dorado, Arkansas, plant produces liquid and flake calcium chloride, utilizing underground brine (tail brine) obtained from Chemtura Corporation ("Chemtura") that contains calcium chloride. We also produce calcium chloride at our two plants in San Bernardino County, California, by solar evaporation of pumped underground brine reserves that contain calcium chloride. The underground reserves of this brine are deemed adequate to supply our foreseeable need for calcium chloride at those plants.

The Fluids Division's primary sources of hydrochloric acid are co-product streams obtained from chemical manufacturers. Substantial quantities of limestone are also consumed when converting hydrochloric acid into calcium chloride. Currently, hydrochloric acid and limestone are generally available from multiple sources.

To produce calcium bromide, zinc bromide, zinc calcium bromide, and sodium bromide at our West Memphis, Arkansas, facility, we use bromine, hydrobromic acid, zinc, and lime as raw materials. There are multiple sources of zinc that we can use in the production of zinc bromide and zinc calcium bromide. We have a long-term supply agreement with Chemtura, under which the Fluids Division purchases its requirements of raw material bromine from Chemtura's Arkansas bromine facilities. In addition, we have a long-term agreement with Chemtura under which Chemtura supplies the Fluids' El Dorado, Arkansas, calcium chloride plant with raw material tail brine from its Arkansas bromine production facilities.

We also own a calcium bromide manufacturing plant near Magnolia, Arkansas that was constructed in 1985. This plant was acquired in 1988 and is not operable. We currently lease approximately 33,000 gross acres of

bromine-containing brine reserves in the vicinity of this plant. While this plant is designed to produce calcium bromide, it could be modified to produce elemental bromine or select bromine compounds. Development of the brine field, construction of necessary pipelines, and reconfiguration of the plant would require a substantial capital investment. The long-term Chemtura bromine supply agreement discussed above provides us with a secure supply of bromine to support the division's current operations. We do, however, continue to evaluate our strategy related to the Magnolia, Arkansas, assets and their future development. Chemtura holds certain rights to participate in future development of the Magnolia, Arkansas assets.

The Fluids and Production Testing Divisions purchase their water management, production testing, and rig cooling equipment and components from third-party manufacturers. CCLP designs and fabricates its reciprocating and rotary screw compressor packages and pumps with components obtained from third party suppliers. These components represent a significant portion of the cost of the compressor packages and pump systems. Some of the components used in the assembly of compressor packages, well monitoring, sand separation, production testing, and rig cooling equipment are obtained from a single supplier or a limited group of suppliers. We do not have long-term contracts with these suppliers or manufacturers. Should we experience unavailability of the components we use to assemble our equipment, we believe that there are adequate alternative suppliers and that any impact to us would not be severe. CCLP occasionally experiences long-lead times for components from suppliers and, therefore, may at times make purchases in anticipation of future orders.

Market Overview and Competition

Fluids Division

Our Fluids Division provides its products and services to oil and gas exploration and production companies in the United States and certain foreign markets. Current areas of market presence include the onshore U.S., the U.S. Gulf of Mexico, the North Sea, Mexico, and certain countries in South America, Europe, Asia, the Middle East, and Africa. Customers with deepwater operations frequently utilize high volumes of CBFs, which can be subject to harsh downhole conditions, such as high pressure and high temperatures. Demand for CBF products offshore is generally driven by completion activity.

During the past three years, a portion of the growth of the Fluids Division's U.S. operations has been due to increased industry demand for onshore water management services in unconventional shale gas and oil reservoirs. The Fluids Division provides water management services to a wide range of onshore oil and gas operators located in the most significant domestic shale gas and oil reservoirs, including the Barnett, Cana Woodford, Eagle Ford, Fayetteville, Granite Wash, Haynesville, Marcellus, and Utica. The January 2014 acquisition of TD Water Transfer expanded the Fluids Division's water management operations into the South Texas and North Dakota markets.

Our Fluids Division's principal competitors in the sale of CBFs to the oil and gas industry are Baker Hughes, Baroid, a subsidiary of Halliburton, and M-I Swaco, a subsidiary of Schlumberger. This market is highly competitive, and competition is based primarily on service, availability, and price. Major customers of the Fluids Division include Anadarko, BHP Billiton, Chesapeake, Devon, ENI Petroleum, Saudi ARAMCO, Shell, Southwestern Energy, Tullow, and TOTAL. The Fluids Division also sells its CBF products through various distributors. Competitors for the division's water management services include large multinational providers as well as small, privately owned operators.

Our liquid and dry calcium chloride products have a wide range of uses outside the energy industry. Non-energy market segments where these products are used include water treatment, industrial, food processing, road maintenance, ice melt, agricultural, and consumer products. We also sell sodium bromide into industrial water treatment markets as a biocide under the BioRid® tradename. Most of these markets are highly competitive. The

Fluids Division's European calcium chloride operations market our calcium chloride products to certain European markets. Our principal competitors in the non-energy related calcium chloride markets include Occidental Chemical Corporation and Vitro in North America, and Brunner Mond, Solvay, and NedMag in Europe.

Production Testing Division

In certain gas producing basins, water, sand, and other abrasive materials commonly accompany the initial production of natural gas, often under high pressure and high temperature conditions and, in some cases, from reservoirs containing high levels of hydrogen sulfide gas. The division provides the specialized equipment and qualified personnel to address these impediments to production. The Production Testing Division also provides

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certain services designed to accommodate the unique frac flowback and testing demands of shale gas reservoirs. During 2012, the Production Testing Division expanded its frac flowback and production testing equipment fleet, acquiring operations in new geographic markets to serve the rapidly growing demand for these services. Through Greywolf, the division serves the western Canada market. In addition, the Production Testing Division continues to serve the continuing demand for services associated with many of the domestic shale gas reservoirs, including the Bakken, Barnett, Cana Woodford, Eagle Ford, Fayetteville, Haynesville, Marcellus, and Niobrara. In addition, through our OPTIMA subsidiary, the Production Testing Division offers offshore oil and gas rig cooling services and associated products that suppress heat generated by high-rate flaring of hydrocarbons during offshore well test operations. OPTIMA primarily serves markets in the North Sea, Australia, and Asia-Pacific, the Middle East, and South America.

The U.S. and Canadian production testing markets are highly competitive, and competition is based on availability of appropriate equipment and qualified personnel, as well as price, quality of service, and safety record. We believe that our skilled personnel, operating procedures, and safety record give us a competitive advantage in the marketplace. The Production Testing Division plans to continue growing its foreign operations in order to serve major oil and gas markets worldwide, both organically and through additional strategic acquisitions. Competition in onshore U.S. production testing markets is primarily dominated by numerous small, privately owned operators. Expro International, Halliburton, Schlumberger, and Weatherford are major competitors in the foreign markets we serve. The major customers for this division include BHP Billiton, Cabot, Carrizo Oil & Gas, Chesapeake, ConocoPhillips, Consol Energy, Encana, EP Energy, Halliburton, Noble Energy, Pioneer Natural Resources, Range Resources, Schlumberger, Shell Oil, Saudi ARAMCO, and other national oil companies in foreign countries.

Compression Division

The Compression Division provides its products and services to a broad base of natural gas and oil exploration and production companies, as well as midstream, pipeline transmission, and storage companies, operating throughout many of the onshore producing regions of the United States. The Compression Division also has operations in Latin America and other foreign regions. While most of the Compression Division's services are performed throughout Texas, the San Juan Basin, the Rocky Mountain region, and the Mid-Continent region of the United States, we also have a presence in other U.S. producing regions. The Compression Division continues to seek opportunities to further expand its operations into other regions in the Western Hemisphere and elsewhere in the world.

The Division's strategy is to compete on the basis of superior services at a competitive price. The Compression Division believes that it is competitive because of the significant increases in the value of natural gas wells that result from the use of its services, its superior customer service, its highly trained field personnel, and the quality of the compressor packages we use to provide our services. The Compression Division's major customers include Anadarko, BP, Cimarex Energy, ConocoPhillips, and DCP Midstream.

The compression services and fabrication business is highly competitive. The Compression Division experiences competition from companies that may be able to more quickly adapt to changes within our industry and changes in economic conditions as a whole, more readily take advantage of available opportunities and adopt more aggressive pricing policies. Primary competition for our low-horsepower compression services business comes from various local and regional companies that utilize packages consisting of a screw compressor with a separate engine driver or a reciprocating compressor with a separate engine driver. These local and regional competitors tend to compete with us on the basis of price rather than equipment specifications. Competition for our mid- and high-horsepower compression services business comes primarily from large national and multinational companies who may have greater financial resources than ours. Such competitors include Exterran, USA Compression, CDM Resource Management, J-W Power, and AXIP Energy Services. Our competition in the standard equipment market includes several large companies and a large number of small, regional fabricators, including some of those who we compete with for

compression services, as well as AG Equipment Company, SEC Energy Products & Services, Enerflex, and others. The Compression Division's competition in the custom-designed market usually consists of larger companies with the ability to provide integrated projects and product support after the sale, including some of the competitors noted above. The ability to fabricate these large custom-designed packages at the Compression Division's facilities near the point of end-use of many customers is often a competitive advantage.

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Offshore Division

Offshore Services Segment. Demand for the Offshore Services segment's offshore well abandonment and decommissioning services in the Gulf of Mexico is primarily driven by the maturity and decline of producing fields, aging offshore platform infrastructure, damage to platforms and pipelines from hurricanes and other windstorms, and government regulations, among other factors. Demand for the Offshore Services segment's construction and other services is driven by the general level of offshore activity of its customers, which is affected by oil and natural gas prices and government regulation. We believe that the enforcement of government regulations, including the Idle Iron Guidance, may accelerate the pace at which offshore Gulf of Mexico abandonment and decommissioning will be done in the future. The increased government focus on removing aging offshore platform infrastructure in the Gulf of Mexico has resulted in an increase in the number of wells to be plugged and abandoned, and platforms and pipelines to be decommissioned.

Offshore activities in the Gulf of Mexico are seasonal, with the majority of work occurring during the months of April through October when weather conditions are most favorable. Critical factors required to compete in this market include, among other factors: (i) the proper equipment, including vessels and heavy lift barges; (ii) qualified, experienced personnel; (iii) technical expertise to address varying downhole, surface, and subsea conditions, particularly those related to damaged wells and platforms; and (iv) a comprehensive health, safety, and environmental program. Our Offshore Services segment's fleet of owned equipment includes two heavy lift derrick barges, the TETRA Hedron, which has a 1,600-metric-ton lift capacity, fully revolving crane, and the TETRA Arapaho, which has a 725-metric-ton lift capacity. We believe that the integrated services that we offer and our vessel and equipment fleets satisfy current market requirements in the Gulf of Mexico and allow us to successfully compete in that market.

The Offshore Services segment markets its services primarily to major oil