

RPC INC
Form 10-Q
April 29, 2014

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2014

Commission File No. 1-8726

RPC, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

58-1550825

(I.R.S. Employer Identification Number)

2801 Buford Highway, Suite 520, Atlanta, Georgia 30329
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code -- (404) 321-2140

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 (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "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

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

As of April 18, 2014, RPC, Inc. had 218,845,039 shares of common stock outstanding.

RPC, INC. AND SUBSIDIARIES
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RPC, INC. AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2014 AND DECEMBER 31, 2013
(In thousands)
(Unaudited)

| | March 31, 2014 | December 31, 2013 (Note 1) |
|---|-------------------|-------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$44,293 | \$8,700 |
| Accounts receivable, net | 467,978 | 437,132 |
| Inventories | 135,727 | 126,604 |
| Deferred income taxes | 12,502 | 14,185 |
| Income taxes receivable | 2,099 | 5,720 |
| Prepaid expenses | 8,538 | 9,143 |
| Other current assets | 1,691 | 3,441 |
| Total current assets | 672,828 | 604,925 |
| Property, plant and equipment, net | 707,774 | 726,307 |
| Goodwill | 32,150 | 31,861 |
| Other assets | 21,543 | 20,767 |
| Total assets | \$1,434,295 | \$1,383,860 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable | \$141,398 | \$119,170 |
| Accrued payroll and related expenses | 30,439 | 36,638 |
| Accrued insurance expenses | 6,374 | 6,072 |
| Accrued state, local and other taxes | 6,505 | 5,002 |
| Income taxes payable | 6,593 | - |
| Other accrued expenses | 1,230 | 1,170 |
| Total current liabilities | 192,539 | 168,052 |
| Long-term accrued insurance expenses | 11,183 | 10,225 |
| Notes payable to banks | 80,800 | 53,300 |
| Long-term pension liabilities | 22,229 | 21,966 |
| Deferred income taxes | 141,330 | 153,176 |
| Other long-term liabilities | 7,902 | 8,439 |
| Total liabilities | 455,983 | 415,158 |
| Common stock | 21,884 | 21,899 |
| Capital in excess of par value | - | - |
| Retained earnings | 966,966 | 956,918 |
| Accumulated other comprehensive loss | (10,538) | (10,115) |
| Total stockholders' equity | 978,312 | 968,702 |

| | | |
|--|-------------|-------------|
| Total liabilities and stockholders' equity | \$1,434,295 | \$1,383,860 |
|--|-------------|-------------|

The accompanying notes are an integral part of these consolidated financial statements.

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(In thousands except per share data)

(Unaudited)

| | Three months ended March 31, | |
|---|---------------------------------|-----------|
| | 2014 | 2013 |
| Revenues | \$501,692 | \$425,821 |
| Cost of revenues (exclusive of items shown below) | 330,015 | 268,227 |
| Selling, general and administrative expenses | 48,708 | 44,914 |
| Depreciation and amortization | 55,505 | 52,821 |
| Loss on disposition of assets, net | 2,232 | 2,640 |
| Operating profit | 65,232 | 57,219 |
| Interest expense | (337) | (340) |
| Interest income | 4 | 5 |
| Other income, net | 80 | 555 |
| Income before income taxes | 64,979 | 57,439 |
| Income tax provision | 25,591 | 22,363 |
| Net income | \$39,388 | \$35,076 |
| | | |
| Earnings per share | | |
| Basic | \$0.18 | \$0.16 |
| Diluted | \$0.18 | \$0.16 |
| | | |
| Dividends per share | \$0.105 | \$0.100 |
| | | |
| Weighted average shares outstanding | | |
| Basic | 215,175 | 216,194 |
| Diluted | 216,214 | 217,525 |

The accompanying notes are an integral part of these consolidated financial statements.

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013
 (In thousands)
 (Unaudited)

| | Three months ended March 31, | |
|--|---------------------------------|----------|
| | 2014 | 2013 |
| Net income | \$39,388 | \$35,076 |
| Other comprehensive income (loss), net of taxes: | | |
| Pension adjustment | 84 | 124 |
| Foreign currency translation | (471) | (244) |
| Unrealized gain (loss) on securities and reclassification adjustments | (36) | (61) |
| Comprehensive income | \$38,965 | \$34,895 |

The accompanying notes are an integral part of these consolidated financial statements.

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2014

(In thousands)

(Unaudited)

| | Common Stock | | Capital in | Retained | Accumulated | | |
|---|--------------|----------|------------|-----------|-------------|-------------|---|
| | Shares | Amount | Excess of | Earnings | Other | Total | |
| | | | Par Value | | Loss | | |
| Balance, December 31, 2013 | 218,986 | \$21,899 | \$— | \$956,918 | (\$ 10,115 |) \$968,702 | |
| Stock issued for stock incentive plans, net | 611 | 61 | 2,259 | — | — | 2,320 | |
| Stock purchased and retired | (753 |) (76 |) (6,714 |) (6,354 |) — | (13,144 |) |
| Net income | — | — | — | 39,388 | — | 39,388 | |
| Pension adjustment, net of taxes | — | — | — | — | 84 | 84 | |
| Foreign currency translation | — | — | — | — | (471 |) (471 |) |
| Unrealized loss on securities, net of taxes | — | — | — | — | (36 |) (36 |) |
| Dividends declared | — | — | — | (22,986 |) — | (22,986 |) |
| Excess tax benefits for share-based payments | — | — | 4,455 | — | — | 4,455 | |
| Balance, March 31, 2014 | 218,844 | \$21,884 | \$— | \$966,966 | (\$ 10,538 |) \$978,312 | |

The accompanying notes are an integral part of these consolidated financial statements.

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(In thousands)

(Unaudited)

| | Three months ended March 31, | |
|---|---------------------------------|------------|
| | 2014 | 2013 |
| OPERATING ACTIVITIES | | |
| Net income | \$39,388 | \$35,076 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and other non-cash charges | 56,280 | 53,572 |
| Stock-based compensation expense | 2,320 | 2,105 |
| Loss on disposition of assets, net | 2,232 | 2,640 |
| Deferred income tax benefit | (10,192) | (5,009) |
| Excess tax benefits for share-based payments | (4,455) | (3,232) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (31,043) | 12,325 |
| Income taxes receivable | 8,076 | (4,530) |
| Inventories | (9,421) | 8,017 |
| Prepaid expenses | 506 | 246 |
| Other current assets | 1,692 | 234 |
| Other non-current assets | (117) | (324) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 19,508 | 4,578 |
| Income taxes payable | 6,593 | (5,651) |
| Accrued payroll and related expenses | (6,181) | (7,077) |
| Accrued insurance expenses | 302 | 252 |
| Accrued state, local and other taxes | 1,503 | (2,300) |
| Other accrued expenses | 60 | (1,296) |
| Pension liabilities | 396 | 1,451 |
| Long-term accrued insurance expenses | 958 | 314 |
| Other long-term liabilities | (537) | (2,082) |
| Net cash provided by operating activities | 77,868 | 89,309 |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (40,295) | (53,040) |
| Proceeds from sale of assets | 2,862 | 2,995 |
| Net cash used for investing activities | (37,433) | (50,045) |
| FINANCING ACTIVITIES | | |
| Payment of dividends | (22,986) | (22,015) |
| Borrowings from notes payable to banks | 216,400 | 227,600 |
| Repayments of notes payable to banks | (188,900) | (247,000) |
| Debt issue costs for notes payable to banks | (667) | - |

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| | | |
|--|-----------|-----------|
| Excess tax benefits for share-based payments | 4,455 | 3,232 |
| Cash paid for common stock purchased and retired | (13,144) | (4,961) |
| Net cash used for financing activities | (4,842) | (43,144) |
| Net increase (decrease) in cash and cash equivalents | 35,593 | (3,880) |
| Cash and cash equivalents at beginning of period | 8,700 | 14,163 |
| Cash and cash equivalents at end of period | \$44,293 | \$10,283 |
| Supplemental cash flows disclosure: | | |
| Interest paid, net of amounts capitalized | \$256 | \$26 |
| Income taxes paid, net | \$19,999 | \$37,591 |
| Supplemental disclosure of noncash investing activities: | | |
| Capital expenditures included in accounts payable | \$22,432 | \$32,812 |

The accompanying notes are an integral part of these consolidated financial statements.

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RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited consolidated financial statements include the accounts of RPC, Inc. and its wholly-owned subsidiaries (“RPC” or the “Company”) and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810, “Consolidation” and Rule 3A-02(a) of Regulation S-X. In accordance with ASC Topic 810 and Rule 3A-02 (a) of Regulation S-X, the Company’s policy is to consolidate all subsidiaries and investees where it has voting control.

In the opinion of management, all adjustments (all of which consisted of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

The balance sheet at December 31, 2013 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2013.

A group that includes the Company’s Chairman of the Board, R. Randall Rollins, and his brother Gary W. Rollins, who is also a director of the Company, and certain companies under their control, controls in excess of fifty percent of the Company’s voting power.

2. REVENUES

RPC’s revenues are generated principally from providing services and the related equipment. Revenues are recognized when the services are rendered and collectability is reasonably assured. Revenues from services and equipment are based on fixed or determinable priced purchase orders or contracts with the customer and do not include the right of return. Rates for services and equipment are priced on a per day, per unit of measure, per man hour or similar basis. Sales tax charged to customers is presented on a net basis within the consolidated statement of operations and excluded from revenues.

3. RECENT ACCOUNTING PRONOUNCEMENTS

During 2013, the Financial Accounting Standards Board (FASB) issued the following applicable Accounting Standards Updates (ASU):

Recently Adopted Accounting Pronouncements:

Accounting Standards Update 2013-05, Foreign Currency Matters (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign

Entity or of an Investment in a Foreign Entity. The amendments in this ASU require that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity, the parent should release the cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. Sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity; and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date. The Company adopted these provisions in the first quarter of 2014 and adoption did not have a material impact on the Company's consolidated financial statements.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Standards Update 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The amendments in this ASU requires an unrecognized tax benefit, or a portion of thereof, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The only exception would be if the deferred taxes related to these items are not available to settle any additional income taxes that would result from the disallowance of a tax position either by statute or at the entity's choosing. In such cases, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The Company adopted these provisions in the first quarter of 2014 and adoption did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted:

Accounting Standards Update 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in the ASU require that only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The amendments in the ASU are effective in the first quarter of 2015 with early adoption permitted. The Company plans to adopt these provisions in the first quarter of 2015 and does not expect the adoption to have a material impact on the Company's consolidated financial statements.

4. EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the respective periods. The basic and diluted calculations differ as a result of the dilutive effect of time lapse restricted shares included in diluted earnings per share, but excluded from basic earnings per share. The Company has periodically issued share-based payment awards that contain non-forfeitable rights to dividends and are therefore considered participating securities.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of weighted average shares outstanding is as follows:

| (In thousands except per share data) | Three months ended March 31, | |
|--|------------------------------|-----------|
| | 2014 | 2013 |
| Net income available for stockholders: | \$ 39,388 | \$ 35,076 |
| Less: Dividends paid | (22,986) | (22,015) |
| Undistributed earnings | \$ 16,402 | \$ 13,061 |
| Basic shares outstanding: | | |
| Common stock | 211,434 | 211,873 |
| Restricted shares of common stock | 3,741 | 4,321 |
| | 215,175 | 216,194 |
| Diluted shares outstanding: | | |
| Common stock | 211,434 | 211,873 |
| Dilutive effect of stock based awards | 1,039 | 1,331 |
| | 212,473 | 213,204 |
| Restricted shares of common stock | 3,741 | 4,321 |
| | 216,214 | 217,525 |

Reported basic earnings per share of the restricted shares of common stock under the two-class method generated the following reductions - \$0.02 for the three months ended March 31, 2014; and \$0.01 for the three months ended March 31, 2013.

5. STOCK-BASED COMPENSATION

The Company reserved 11,390,625 shares of common stock under the 2004 Stock Incentive Plan with a term of 10 years expiring in April 2014. This plan provides for the issuance of various forms of stock incentives, including, among others, incentive and non-qualified stock options and restricted shares. As of March 31, 2014, there were 742,800 shares available for grant. At the annual meeting held on April 22, 2014, stockholders approved the 2014 Stock Incentive Plan authorizing the issuance of 8,000,000 shares. All future equity compensation awards by the Company will be issued under the 2014 Plan.

Stock-based employee compensation expense was as follows for the periods indicated:

| (in thousands) | Three months ended March 31 | |
|-----------------|-----------------------------|----------|
| | 2014 | 2013 |
| Pre-tax expense | \$ 2,320 | \$ 2,105 |
| | \$ 1,473 | \$ 1,337 |

After tax
expense

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RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock

The following is a summary of the changes in non-vested restricted shares for the three months ended March 31, 2014:

| | Shares | Weighted Average Grant-Date Fair Value |
|--|-------------|--|
| Non-vested shares at December 31, 2013 | 4,114,800 | \$ 9.67 |
| Granted | 657,375 | 18.84 |
| Vested | (1,106,250) | 7.19 |
| Forfeited | (46,025) | 10.18 |
| Non-vested shares at March 31, 2014 | 3,619,900 | \$ 12.05 |

The total fair value of shares vested during the three months ended March 31, 2014 was \$20,634,000 and during the three months ended March 31, 2013 was \$15,471,000. Tax benefits for compensation tax deductions in excess of compensation expense for restricted shares totaled \$4,455,000 for the three months ended March 31, 2014 and \$3,232,000 for the three months ended March 31, 2013. These tax benefits were credited to capital in excess of par value and classified as financing cash flows.

As of March 31, 2014, total unrecognized compensation cost related to non-vested restricted shares was \$44,679,000 which is expected to be recognized over a weighted-average period of 3.8 years.

6. BUSINESS SEGMENT INFORMATION

RPC's service lines have been aggregated into two reportable oil and gas services segments, Technical Services and Support Services, because of the similarities between the financial performance and approach to managing the service lines within each of the segments, as well as the economic and business conditions impacting their business activity levels. Corporate includes selected administrative costs incurred by the Company that are not allocated to business units. Gains or losses on disposition of assets are reviewed by the Company's chief decision maker on a consolidated basis, and accordingly the Company does not report these gains or losses at the segment level.

Technical Services include RPC's oil and gas service lines that utilize people and equipment to perform value-added completion, production and maintenance services directly to a customer's well. These services include pressure pumping services, snubbing, coiled tubing, nitrogen pumping, well control consulting and firefighting, downhole tools, wireline, and fluid pumping services. These Technical Services are primarily used in the completion, production and maintenance of oil and gas wells. The principal markets for this segment include the United States, including the Gulf of Mexico, the mid-continent, southwest, Rocky Mountain and Appalachian regions, and international locations including primarily Africa, Australia, Canada, China and Mexico. Customers include major multi-national and independent oil and gas producers, and selected nationally-owned oil companies.

Support Services include RPC's oil and gas service lines that primarily provide equipment for customer use or services to assist customer operations. The equipment and services include drill pipe and related tools, pipe handling,

inspection and storage services and oilfield training services. The demand for these services tends to be influenced primarily by customer drilling-related activity levels. The principal markets for this segment include the United States, including the Gulf of Mexico and the mid-continent regions, and selected international locations. Customers include domestic operations of major multi-national and independent oil and gas producers, and selected nationally-owned oil companies.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inter-segment revenues are generally recorded in segment operating results at prices that management believes approximate prices for arm's length transactions and are not material to operating results.

Certain information with respect to RPC's business segments is set forth in the following tables:

| (in thousands) | Three months ended March 31 | |
|---------------------------------------|--------------------------------|------------|
| | 2014 | 2013 |
| Revenues: | | |
| Technical Services | \$ 466,970 | \$ 394,011 |
| Support Services | 34,722 | 31,810 |
| Total revenues | \$ 501,692 | \$ 425,821 |
| Operating profit: | | |
| Technical Services | \$ 64,896 | \$ 58,501 |
| Support Services | 7,457 | 6,258 |
| Corporate | (4,889) | (4,900) |
| Loss on disposition of assets, net | (2,232) | (2,640) |
| Total operating profit | \$ 65,232 | \$ 57,219 |
| Interest expense | (337) | (340) |
| Interest income | 4 | 5 |
| Other income, net | 80 | 555 |
| Income before income taxes | \$ 64,979 | \$ 57,439 |

| Three months ended March 31, 2014 (in thousands) | Technical Services | Support Services | Corporate | Total |
|---|-----------------------|---------------------|-----------|-------------|
| Identifiable assets at March 31, 2014 | \$1,180,519 | \$156,836 | \$96,940 | \$1,434,295 |
| Capital expenditures | 30,302 | 9,973 | 20 | 40,295 |
| Depreciation and amortization | \$47,344 | \$7,989 | \$172 | \$55,505 |

| Three months ended March 31, 2013 (in thousands) | Technical Services | Support Services | Corporate | Total |
|---|-----------------------|---------------------|-----------|-------------|
| Identifiable assets at March 31, 2013 | \$1,090,511 | \$194,967 | \$67,098 | \$1,352,576 |
| Capital expenditures | 44,072 | 8,480 | 488 | 53,040 |
| Depreciation and amortization | \$44,781 | \$7,868 | \$172 | \$52,821 |

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVENTORIES

Inventories of \$135,727,000 at March 31, 2014 and \$126,604,000 at December 31, 2013 consist of raw materials, parts and supplies.

8. EMPLOYEE BENEFIT PLAN

The following represents the net periodic benefit cost and related components of the Company's multiple employers Retirement Income Plan:

| (in thousands) | Three months ended | |
|--------------------------------|--------------------|--------|
| | March 31 | |
| | 2014 | 2013 |
| Interest cost | \$ 486 | \$ 435 |
| Expected return on plan assets | (560) | (510) |
| Amortization of net losses | 133 | 196 |
| Net periodic benefit cost | \$ 59 | \$ 121 |

The Company contributions to this plan were \$765,000 during the three months ended March 31, 2014 and \$800,000 during the three months ended March 31, 2013.

The Company permits selected highly compensated employees to defer a portion of their compensation into the non-qualified Supplemental Retirement Plan ("SERP"). The SERP assets are marked to market and totaled \$14,147,000 as of March 31, 2014 and \$13,963,000 as of December 31, 2013. The SERP assets are reported in non-current other assets on the consolidated balance sheet and changes in the fair value of these assets are reported in the consolidated statement of operations as part of other (expense) income, net. Trading gains (losses) related to the SERP assets were approximately as follows:

| (in thousands) | Three months ended | |
|-----------------------------|--------------------|--------|
| | March 31 | |
| | 2014 | 2013 |
| Trading gains (losses), net | \$ 184 | \$ 614 |

The SERP deferrals and the distributions are recorded in pension liabilities with any changes in the fair value recorded as compensation cost.

9. NOTES PAYABLE TO BANKS

The Company has a \$350 million revolving credit facility with Banc of America Securities, LLC, SunTrust Robinson Humphrey, Inc, and Regions Capital Markets as Joint Lead Arrangers and Joint Book Managers, and a syndicate of other lenders. The facility includes a full and unconditional guarantee by the Company's 100% owned domestic subsidiaries whose assets equal substantially all of the consolidated assets of RPC and its subsidiaries. The subsidiaries of the Company that are not guarantors are considered minor.

The facility has a general term of five years and provides for an unsecured line of credit of up to \$350 million, which includes a \$50 million letter of credit subfacility, and a \$25 million swingline subfacility. On January 17, 2014, the Company amended the revolving credit facility which extended the maturity date of all the revolving loans from August 31, 2015 to January 17, 2019. RPC incurred commitment fees and other debt related costs associated with the amendment of approximately \$0.7 million. Interest rates on the amended loans were reduced by 0.125% at all pricing levels under the amended revolving credit facility. The amount of the swing line sub-facility as a result of the amendment was increased from \$25 million to \$35 million.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company incurred loan origination fees and other debt related costs associated with the facility in the aggregate of approximately \$3.0 million. These costs are being amortized to interest expense over the remaining term of the five year loan, and the net amount is classified as non-current other assets.

Revolving loans under the Revolving Credit Agreement bear interest at one of the following two rates, at the Company's election:

the Base Rate, which is the highest of Bank of America's "prime rate" for the day of the borrowing, a fluctuating rate per annum equal to the Federal Funds Rate plus 0.50%, and a rate per annum equal to the one (1) month LIBOR rate plus 1.00%; in each case plus a margin that ranges from 0.125% to 1.125% based on a quarterly debt covenant calculation; or

with respect to any Eurodollar borrowings, Adjusted LIBOR (which equals LIBOR as increased to account for the maximum reserve percentages established by the U.S. Federal Reserve) plus a margin ranging from 1.125% to 2.125%, based upon a quarterly debt covenant calculation.

In addition, the Company pays an annual fee ranging from 0.225% to 0.325%, based on a quarterly debt covenant calculation, of the unused portion of the credit facility.

The facility contains customary terms and conditions, including certain financial covenants and restrictions on indebtedness, dividend payments, business combinations and other related items. Further, the facility contains financial covenants limiting the ratio of the Company's consolidated debt-to-EBITDA to no more than 2.5 to 1, and limiting the ratio of the Company's consolidated EBITDA to interest expense to no less than 2 to 1. The Company was in compliance with these covenants for the three months ended March 31, 2014.

At March 31, 2014, the Company had outstanding borrowings of \$80.8 million under the facility, and letters of credit outstanding relating to self-insurance programs and contract bids totaling \$24.1 million; therefore, a total of \$245.1 million of the facility was available.

Interest incurred on the credit facility, interest capitalized related to facilities and equipment under construction, and the related weighted average interest rates were as follows for the periods indicated:

| | Three months ended March 31 | | | |
|---|--------------------------------|--------|---|---|
| (in thousands except interest rate data) | 2014 | 2013 | | |
| Interest incurred | \$ 414 | \$ 594 | | |
| Capitalized interest | \$ 97 | \$ 241 | | |
| Weighted average interest rate | 3.4 | 3.0 | % | % |

10. INCOME TAXES

The Company determines its periodic income tax benefit or expense based upon the current period income and the annual estimated tax rate for the Company adjusted for any change to prior period estimates. The estimated tax rate is revised, if necessary, as of the end of each successive interim period during the fiscal year to the Company's current annual estimated tax rate.

For the three months ended March 31, 2014, the income tax provision reflects an effective tax rate of 39.4 percent, compared to an effective tax rate of 38.9 percent for the comparable period in the prior year.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. FAIR VALUE DISCLOSURES

The various inputs used to measure assets at fair value establish a hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three broad levels as follows:

1. Level 1 – Quoted market prices in active markets for identical assets or liabilities.
2. Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
3. Level 3 – Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use.

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the balance sheets as of March 31, 2014 and December 31, 2013:

| (in thousands) | Fair value measurements at March 31, 2014 with: | | |
|-------------------------------|---|---|--|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | |
| Trading securities | \$ - | \$ 14,147 | \$ - |
| Available for sale securities | 389 | - | - |
| | | | |
| (in thousands) | Fair value measurements at December 31, 2013 with: | | |
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | |
| Trading securities | \$ - | \$ 13,963 | \$ - |
| Available for sale securities | 445 | - | - |

The Company determines the fair value of the marketable securities that are available-for-sale through quoted market prices. The total fair value is the final closing price, as defined by the exchange in which the asset is actively traded, on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs. Significant observable inputs in addition to quoted market prices were used to value trading securities. As a

result, the Company classified these investments as using level 2 inputs.

The outstanding balance on the Revolving Credit Agreement was \$80.8 million at March 31, 2014 and \$53.3 million at December 31, 2013 which approximates fair value. The fair value of these borrowings was based on quotes from the lender (level 2 inputs). The borrowings under the Company's revolving credit agreement bear interest at the variable rate described in Note 9. The Company is subject to interest rate risk on the variable component of the interest rate.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The carrying amounts of other financial instruments reported in the balance sheet for current assets and current liabilities approximate their fair values because of the short-term nature of these instruments. The Company currently does not use the fair value option to measure any of its existing financial instruments and has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

12. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated other comprehensive (loss) income consists of the following (in thousands):

| | Pension Adjustment | Unrealized Gain (Loss) On Securities | Foreign Currency Translation | Total |
|--|---|--|------------------------------------|--------------|
| Balance at December 31, 2013 | \$ (9,760) | \$ 10 | \$ (365) | \$ (10,115) |
| Change during the period: | | | | |
| Before-tax amount | - | (56) | (471) | (527) |
| Tax benefit (expense) | - | 20 | - | 20 |
| Reclassification adjustment, net of taxes: | | | | |
| Amortization of net loss (1) | 84 | - | - | 84 |
| Total activity for the period | 84 | (36) | (471) | (423) |
| Balance at March 31, 2014 | \$ (9,676) | \$ (26) | \$ (836) | \$ (10,538) |
| (1) | Reported as part of selling, general and administrative expenses. | | | |

| | Pension Adjustment | Unrealized Gain (Loss) On Securities | Foreign Currency Translation | Total |
|--|---|--|------------------------------------|--------------|
| Balance at December 31, 2012 | \$ (14,688) | \$ 29 | \$ 413 | \$ (14,246) |
| Change during the quarter: | | | | |
| Before-tax amount | - | (96) | (244) | (340) |
| Tax benefit (expense) | - | 35 | - | 35 |
| Reclassification adjustment, net of taxes: | | | | |
| Amortization of net loss (1) | 124 | - | - | 124 |
| Total activity for the quarter | 124 | (61) | (244) | (181) |
| Balance at March 31, 2013 | \$ (14,564) | \$ (32) | \$ 169 | \$ (14,427) |
| (1) | Reported as part of selling, general and administrative expenses. | | | |

13. SUBSEQUENT EVENT

On April 22, 2014, the Board of Directors approved a \$0.105 per share cash dividend payable June 10, 2014 to stockholders of record at the close of business May 9, 2014.

RPC, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following discussion should be read in conjunction with the Consolidated Financial Statements included elsewhere in this document. See also "Forward-Looking Statements" on page 23.

RPC, Inc. ("RPC") provides a broad range of specialized oilfield services primarily to independent and major oilfield companies engaged in exploration, production and development of oil and gas properties throughout the United States, including the Gulf of Mexico, mid-continent, southwest, Rocky Mountain and Appalachian regions, and in selected international locations. The Company's revenues and profits are generated by providing equipment and services to customers who operate oil and gas properties and invest capital to drill new wells and enhance production or perform maintenance on existing wells. We continuously monitor factors that impact current and expected customer activity levels, such as the price of oil and natural gas, changes in pricing for our services and equipment, and utilization of our equipment and personnel. Our financial results are affected by geopolitical factors such as political instability in the petroleum-producing regions of the world, overall economic conditions and weather in the United States, the prices of oil and natural gas, and our customers' drilling and production activities.

The discussion of our key business and financial strategies set forth under the Overview section in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2013 is incorporated herein by reference. In 2014, the Company's strategy of utilizing equipment in unconventional basins has continued. During the three months ended March 31, 2014, we made approximately \$40.3 million in capital expenditures primarily for the maintenance of our existing revenue-producing equipment as well as purchases of new equipment, which were lower than our capital expenditures during the first three months of 2013. However, capital expenditures during the remainder of 2014 will increase due to a new pressure pumping expansion plan. We are now focusing on oil and natural gas liquids directed basins where customer activity levels are higher. In addition, the price of natural gas has increased during the first quarter of 2014, and RPC expects to benefit in the future through modest increases in customer activity levels in selected markets.

During the first quarter of 2014, revenues increased 17.8 percent to \$501.7 million compared to the same period in the prior year. The increase in revenues resulted primarily from higher activity levels in several of our service lines, greater service intensity, and a larger fleet of revenue-producing equipment, partially offset by lower pricing. International revenues for the first quarter of 2014 increased 32.7 percent to \$21.4 million compared to the same period in the prior year. International revenues reflect increases in customer activity levels primarily in Australia, Argentina and Gabon partially offset by decreases in Canada and Mexico. We continue to focus on developing international growth opportunities; however, it is difficult to predict when contracts and projects will be initiated and their ultimate duration.

Cost of revenues as a percentage of revenues increased during the first quarter of 2014 in comparison to the same period of the prior year due primarily to competitive pricing for our services and job mix.

Selling, general and administrative expenses as a percentage of revenues decreased to 9.7 percent in the first quarter of 2014 compared to 10.5 percent in the same period in the prior year. This percentage decrease was primarily due to the leverage of fixed costs over higher revenues.

Income before income taxes was \$65.0 million for the three months ended March 31, 2014 compared to \$57.4 million in the same period of 2013. The effective tax rate for the three months ended March 31, 2014 was 39.4 percent compared to 38.9 percent in the same period of the prior year. Diluted earnings per share were \$0.18 for the three months ended March 31, 2014 compared to \$0.16 in the same period of 2013. Cash flows from operating activities were \$77.9 million for the three months ended March 31, 2014 compared to \$89.3 million in the same period of 2013 due primarily to the impact of deferred taxes and working capital changes partially offset by an increase in net income. The notes payable to banks increased to \$80.8 million as of March 31, 2014 compared to \$53.3 million as of December 31, 2013.

We expect capital expenditures during full year 2014 will be approximately \$375 million, and to be directed towards the purchases of new revenue-producing equipment as well as the capitalized maintenance of our existing fleet of revenue-producing equipment.

RPC, INC. AND SUBSIDIARIES

Outlook

Drilling activity in the U.S. domestic oilfields, as measured by the rotary drilling rig count, reached a cyclical peak of 2,031 during the third quarter of 2008. The global recession that began during the fourth quarter of 2007 precipitated the steepest annualized rig count decline in U.S. domestic oilfield history. From the third quarter of 2008 to the third quarter of 2009, the U.S. domestic rig count dropped almost 57 percent, reaching a trough of 876 in June 2009. Between its cyclical trough in the third quarter of 2009 and its most recent peak of 2,026 during the fourth quarter of 2011, U.S. domestic drilling activity increased by approximately 131 percent. Beginning late in the fourth quarter of 2011, the domestic drilling rig count began to decline and continued to steadily decline throughout 2013. During 2013 and the first quarter of 2014, the rotary drilling rig count has varied on a sequential basis by less than one percent. Horizontal and directional wells drilled as a percentage of total oilfield wells drilled have grown steadily over the past several years and represented approximately 78 percent of total wells drilled during the first quarter of 2014. Natural gas-directed drilling activity remains at very low levels, and early in the second quarter of 2014 had fallen to a level not recorded since the second quarter of 1993.

The current and projected prices of oil, natural gas and natural gas liquids are important catalysts for U.S. domestic drilling activity. The average price of oil has been high during 2013 and early 2014, and at the beginning of the second quarter of 2014 was approximately 18.5 percent higher than at the same time in 2013. The sustained high price of oil is reflected in the current composition of the U.S. domestic rig count, approximately 78 percent of which is directed towards oil early in the second quarter of 2014. The price of oil should continue to have a positive impact on our customers' activity levels and our financial results, since RPC has a significant operational presence in the domestic U.S. basins which produce oil. The price of natural gas rose during 2013 and early 2014, recovering from declines in several previous years, and early in the second quarter of 2014 had reached its highest level since the second quarter of 2011. During the first quarter of 2014 our activity levels improved in selected markets due to the increase in the price of natural gas; however, we remain cautious about continued activity increases because of continued high U.S. natural gas production. As noted above, natural gas-directed drilling activity has fallen to its lowest level in almost 21 years. The price of natural gas liquids has become an increasingly important determinant of our customers' activities, since its sales comprise a large part of our customers' revenues, and it is produced in many of the shale resource plays that also produce oil. During the first quarter of 2014, the average price of benchmark natural gas liquids was 30.6 percent higher than during the 12 months ended December 31, 2013. As with natural gas, we believe that the increase in the price of natural gas liquids during 2014 has led to slightly improved activity levels in selected markets.

The trend in domestic drilling activity indicates very little near-term fluctuation in our customer's overall activity levels or in our revenues, although as noted above, the recent increases in the prices of natural gas and natural gas liquids has had a favorable impact on our customers' activities. Also, the increasing service intensity of customer completion activities has had a favorable impact on our revenues. We believe that the prolonged winter weather in the fourth quarters of 2013 and first quarter of 2014 is partially responsible for the increase in the price of natural gas. For this reason, as well as the fact that U.S. natural gas production continues at record high levels, we do not believe that the recent increase in the price of natural gas will lead to significant increases in customer activity levels over the near term. We do not believe that the overall rig count will increase during the remainder of 2014 unless the price of natural gas continues to rise.

We continue to monitor the market for our services and the competitive environment. We remain cautious about the continued high production of natural gas, and the fact that the price of natural gas is still not sufficiently high to

encourage our customers to conduct increased drilling and completion activities in unconventional gas basins. In addition, we continue to monitor our customers' financial condition, because the high cost and complexity of unconventional drilling and completion may cause financial distress among our less well-capitalized customers, thus jeopardizing timely collection of our accounts receivable. We also monitor the competitive environment because the high historical financial returns and favorable long-term outlook for our industry has attracted new entrants and encouraged existing service companies to purchase additional revenue-producing equipment. Less equipment has been added to the overall U.S. domestic fleet in the past year than in previous years. Also, higher activity levels and increasing completion service intensity are causing the service capacity in the U.S. domestic market to be more highly utilized. Furthermore, we are encouraged by the increase in the prices of natural gas and natural gas liquids during the first and second quarters of 2014, and believe that they will encourage our customers to increase their natural gas - directed drilling and workover activities. We believe that utilization of our equipment and personnel will remain high if these trends continue, and pricing for our services and equipment will improve. For these reasons, RPC decided in the first quarter of 2014 to expand our fleet of pressure pumping equipment. We expect to take delivery of this equipment and place it in service during the third and fourth quarters of 2014 and the first quarter of 2015. We will use our bank credit facility to finance this expansion, but even with the projected additional principal drawn on this facility, we believe that we will still maintain a conservative financial structure by our industry's standards. The lack of availability and increased cost of qualified labor has been a concern and has negatively impacted our revenues and profitability. This will continue to be a concern, especially as we expand our fleet of revenue-producing equipment in 2014 and 2015, and will therefore require more qualified employees to operate this equipment. We are addressing this issue through continued recruitment of new employees, training and retention programs, and more efficient staffing models. Our consistent response to the industry's volatility is to maintain sufficient liquidity and a conservative capital structure and monitor our discretionary spending. We intend to maintain a conservative capital structure during the expansion effort that we are undertaking during 2014.

RPC, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS

| | Three months ended | |
|---|--------------------|------------|
| | March 31 | |
| | 2014 | 2013 |
| Consolidated revenues [in thousands] | \$ 501,692 | \$ 425,821 |
| Revenues by business segment [in thousands]: | | |
| Technical | \$ 466,970 | \$ 394,011 |
| Support | 34,722 | 31,810 |
| Consolidated operating profit [in thousands] | \$ 65,232 | \$ 57,219 |
| Operating profit by business segment [in thousands]: | | |
| Technical | \$ 64,896 | \$ 58,501 |
| Support | 7,457 | 6,258 |
| Corporate | (4,889) | (4,900) |
| Loss on disposition of assets, net | (2,232) | (2,640) |
| Percentage cost of revenues to revenues | 65.8 % | 63.0 % |
| Percentage selling, general & administrative expenses to revenues | 9.7 % | 10.5 % |
| Percentage depreciation and amortization expense to revenues | 11.1 % | 12.4 % |
| Average U.S. domestic rig count | 1,779 | 1,758 |
| Average natural gas price (per thousand cubic feet (mcf)) | \$ 4.86 | \$ 3.50 |
| Average oil price (per barrel) | \$ 98.70 | \$ 94.40 |

THREE MONTHS ENDED MARCH 31, 2014 COMPARED TO THREE MONTHS ENDED MARCH 31, 2013

Revenues. Revenues for the three months ended March 31, 2014 increased 17.8 percent compared to the three months ended March 31, 2013. Domestic revenues of \$480.3 million increased 17.2 percent compared to the same period in the prior year. The increases in revenues are due primarily to higher activity levels in several of our largest service lines, greater service intensity, and a larger fleet of revenue-producing equipment, partially offset by lower pricing in all of our service lines. International revenues of \$21.4 million increased 32.7 percent for the three months ended March 31, 2014 compared to the same period in the prior year. Our international revenues are impacted by the timing of project initiation and their ultimate duration and can be difficult to predict.

The average price of natural gas was 38.9 percent higher and the average price of oil was 4.6 percent higher during the first quarter of 2014 as compared to the same period in the prior year. The average domestic rig count during the current quarter was 1.2 percent higher than the same period in 2013.

The Technical Services segment revenues for the first quarter of 2014 increased 18.5 percent compared to the same period in the prior year. Revenues in this segment increased due primarily to higher activity levels in most of the service lines within this segment, as well as greater service intensity and raw material usage in pressure pumping, the largest service line within this segment, partially offset by lower pricing. The Support Services segment revenues for the first quarter of 2014 increased by 9.2 percent compared to the same period in the prior year. This increase was due principally to higher activity levels within rental tools, the largest service line within this segment. Operating profit in both the Technical and Support Services segments increased due to higher activity levels. In Technical Services, operating profit also increased due to greater service intensity in pressure pumping.

RPC, INC. AND SUBSIDIARIES

Cost of revenues. Cost of revenues increased 23.0 percent to \$330.0 million for the three months ended March 31, 2014 compared to \$268.2 million for the three months ended March 31, 2013. Cost of revenues increased due to higher materials and supplies expense associated with increased activity levels and service intensity, and higher employment costs associated with increased activity levels during the first quarter 2014 compared to the prior year. Cost of revenues, as a percentage of revenues, increased in the first quarter of 2014 compared to the first quarter of 2013 due primarily to competitive pricing for our services and job mix.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$3.8 million or 8.4 percent to \$48.7 million for the three months ended March 31, 2014 compared to the same period in the prior year. As a percentage of revenues, these costs decreased to 9.7 percent during the three months ended March 31, 2014 compared to 10.5 percent during the same period in the prior year. Our selling, general and administrative expenses increased due to higher activity levels but decreased as a percentage of revenues compared to the prior year due to the leverage of fixed costs over higher revenues.

Depreciation and amortization. Depreciation and amortization totaled \$55.5 million for the three months ended March 31, 2014, a 5.1 percent increase, compared to \$52.8 million for the quarter ended March 31, 2013.

Loss on disposition of assets, net. Loss on disposition of assets, net was \$2.2 million for the three months ended March 31, 2014 compared to \$2.6 million for the three months ended March 31, 2013. The loss on disposition of assets, net is comprised of gains or losses related to various property and equipment dispositions including certain equipment components experiencing increased wear and tear which requires early dispositions, or sales to customers of lost or damaged rental equipment.

Other income, net. Other income, net was \$80 thousand for the three months ended March 31, 2014 compared to other income, net of \$0.6 million for the same period in the prior year. Other income, net primarily includes mark to market gains and losses of investments in the non-qualified benefit plan.

Interest expense. Interest expense was \$337 thousand for the three months ended March 31, 2014 compared to \$340 thousand for the three months ended March 31, 2013.

Income tax provision. Income tax provision of \$25.6 million increased during the three months ended March 31, 2014 in comparison to \$22.4 million for the same period in 2013 primarily due to higher income before income taxes. The effective tax rate of 39.4 percent for the three months ended March 31, 2014 was slightly higher than the 38.9 percent for the three months ended March 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The Company's cash and cash equivalents at March 31, 2014 were \$44.3 million which is higher than normal due to the timing of receipts and the timing of payments of principal under our revolving credit facility. The following table sets forth the historical cash flows for the three months ended March 31, 2014 and 2013:

| (In thousands) | Three months ended March 31 | |
|----------------|-----------------------------|------|
| | 2014 | 2013 |

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| | | |
|---|-----------|-----------|
| Net cash provided by operating activities | \$ 77,868 | \$ 89,309 |
| Net cash used for investing activities | (37,433) | (50,045) |
| Net cash used for financing activities | (4,842) | (43,144) |

Cash provided by operating activities for the three months ended March 31, 2014 decreased by \$11.4 million compared to the same period in the prior year. This decrease is due primarily to an unfavorable change in working capital of \$13.2 million and an unfavorable change in deferred taxes of \$5.2 million due to a decrease in tax depreciation benefits resulting from lower capital expenditures, partially offset by an increase in net income of \$4.3 million.

RPC, INC. AND SUBSIDIARIES

The unfavorable change in working capital is primarily due to the following: an unfavorable change of \$43.4 million in accounts receivable due to higher business activity levels and an unfavorable change of \$17.4 million in inventories due to higher business activity levels. These unfavorable changes were partially offset by a favorable change in accounts payable of \$14.9 million consistent with increasing business activity levels; a favorable change of \$24.9 million in net current income taxes receivable/payable; and a favorable change of \$3.8 million in accrued state, local and other taxes due to the timing of payments.

Cash used for investing activities for the three months ended March 31, 2014 decreased by \$12.6 million, compared to the three months ended March 31, 2013, primarily as a result of lower capital expenditures in response to highly competitive pricing.

Cash used for financing activities for the three months ended March 31, 2014 decreased by \$38.3 million primarily as a result of higher net loan borrowings partially offset by higher open market share repurchases during the three months ended March 31, 2014 compared to the same period in the prior year.

Financial Condition and Liquidity

The Company's financial condition as of March 31, 2014 remains strong. We believe the liquidity provided by our existing cash and cash equivalents, our overall strong capitalization and cash expected to be generated from operations will provide sufficient liquidity to meet our requirements for at least the next twelve months. The Company currently has a \$350 million revolving credit facility (the "Revolving Credit Agreement") that matures in January 2019. The Revolving Credit Agreement contains customary terms and conditions, including certain financial covenants including covenants restricting RPC's ability to incur liens or merge or consolidate with another entity. Our outstanding borrowings were \$80.8 million at March 31, 2014 and approximately \$24.1 million of the credit facility supports outstanding letters of credit relating to self-insurance programs or contract bids. Accordingly, a total of \$245.1 million was available under our facility as of March 31, 2014. Additional information regarding our Revolving Credit Agreement is included in Note 9 to our Consolidated Financial Statements included in this report.

The Company's decisions about the amount of cash to be used for investing and financing purposes are influenced by its capital position, including access to borrowings under our credit facility, and the expected amount of cash to be provided by operations. We believe our liquidity will continue to provide the opportunity to grow our asset base and revenues during periods with positive business conditions and strong customer activity levels. In addition, the Company's decisions about the amount of cash to be used for investing and financing activities may also be influenced by the financial covenants in our credit facility.

Cash Requirements

The Company currently expects that capital expenditures will be approximately \$375 million during 2014, of which \$40.3 million has been spent as of March 31, 2014. We expect capital expenditures for the remainder of 2014 to be primarily directed towards expansion of our pressure pumping fleet and capitalized equipment maintenance. The actual amount of 2014 capital expenditures will depend upon equipment maintenance requirements, expansion opportunities, and equipment delivery schedules and can be modified based on market conditions and other factors.

The Company has ongoing sales and use tax audits in various jurisdictions subject to varying interpretations of statutes. The Company has recorded the exposure from these audits to the extent issues are resolved or are reasonably

estimable. There are issues that could result in unfavorable outcomes that cannot be currently estimated.

The Company's Retirement Income Plan, a multiple employer trusteed defined benefit pension plan, provides monthly benefits upon retirement at age 65 to eligible employees. The Company contributed approximately \$0.8 million to this plan in the first quarter of 2014 and does not expect to make any additional contributions during the remainder of 2014.

As of March 31, 2014, the Company's 1998 stock buyback program authorizes the repurchase of up to 31,578,125 shares. There were 399,611 shares purchased on the open market during the first quarter of 2014, and 4,312,623 shares remain available to be repurchased under the current authorization as of March 31, 2014. The Company may repurchase outstanding common shares periodically based on market conditions and our capital allocation strategies considering restrictions under our credit facility. The stock buyback program does not have a predetermined expiration date.

RPC, INC. AND SUBSIDIARIES

On April 22, 2014, the Board of Directors approved a \$0.105 per share cash dividend payable June 10, 2014 to stockholders of record at the close of business May 9, 2014. The Company expects to continue to pay cash dividends to common stockholders, subject to the earnings and financial condition of the Company and other relevant factors.

INFLATION

The Company purchases its equipment and materials from suppliers who provide competitive prices, and employs skilled workers from competitive labor markets. If inflation in the general economy increases, the Company's costs for equipment, materials and labor could increase as well. Also, increases in activity in the domestic oilfield can cause upward wage pressures in the labor markets from which it hires employees as well as increases in the costs of certain materials and key equipment components used to provide services to the Company's customers. During 2012 and 2013, the Company incurred higher employment costs due to a continued shortage of skilled labor in many of its markets. During the first quarter of 2014, we began to experience additional cost pressures due to competition for available skilled employees, and the Company expects that labor costs will continue to remain high during 2014. During 2012, the prices of certain raw materials used to provide the Company's services fluctuated significantly. The Company mitigated some of the cost increases for raw materials by securing materials through additional sources, and the Company continued to source raw materials from these additional sources in 2013 and the first quarter of 2014. Increased availability of many of these raw materials in response to high market prices has caused prices of some of these raw materials to decline, although we are beginning to experience upward price pressures on the prices of certain raw materials due to high activity levels and service intensity. Finally, the price of equipment used to provide services to the Company's customers has remained relatively constant in spite of declining demand.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any material off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Marine Products Corporation

Effective February 28, 2001, the Company spun-off the business conducted through Chaparral Boats, Inc, RPC's former powerboat manufacturing segment. In conjunction with the spin-off, RPC and Marine Products Corporation entered into various agreements that define the companies' relationship. During the three months ended March 31, 2014, RPC charged Marine Products Corporation for its allocable share of administrative costs incurred for services rendered on behalf of Marine Products Corporation totaling \$175,000 for the three months ended March 31, 2014 compared to \$112,000 for the comparable period in 2013.

Other

The Company periodically purchases in the ordinary course of business products or services from suppliers who are owned by officers or significant stockholders of, or affiliated with the directors of RPC. The total amounts paid to these affiliated parties were \$367,000 for the three months ended March 31, 2014 and \$405,000 for the three months ended March 31, 2013.

RPC receives certain administrative services and rents office space from Rollins, Inc. (a company of which Mr. R. Randall Rollins is also Chairman, and which is controlled by Mr. Rollins and his affiliates). The service agreements between Rollins, Inc. and the Company provide for the provision of services on a cost reimbursement basis and are terminable on three months' notice. The services covered by these agreements include office space, selected administration services for certain employee benefit programs, and other administrative services. Charges to the Company (or to corporations which are subsidiaries of the Company) for such services and rent aggregated \$21,000 for the three months ended March 31, 2014 and 2013.

RPC, INC. AND SUBSIDIARIES

CRITICAL ACCOUNTING POLICIES

The discussion of Critical Accounting Policies is incorporated herein by reference from the Company's annual report on Form 10-K for the fiscal year ended December 31, 2013. There have been no significant changes in the critical accounting policies since year-end.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 of the Notes to Consolidated Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition.

SEASONALITY

Oil and natural gas prices affect demand throughout the oil and natural gas industry, including the demand for the Company's products and services. The Company's business depends in large part on the economic conditions of the oil and gas industry, and specifically on the capital expenditures of its customers related to the exploration and production of oil and natural gas. There is a positive correlation between these expenditures and customers' demand for the Company's services. As such, when these expenditures fluctuate, customers' demand for the Company's services fluctuates as well. These fluctuations depend on the current and projected prices of oil and natural gas and resulting drilling activity, and are not seasonal to any material degree.

FORWARD-LOOKING STATEMENTS

Certain statements made in this report that are not historical facts are "forward-looking statements" under Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, statements regarding the effect of recent accounting pronouncements on the Company's consolidated financial statements; our plan to continue to focus on international growth opportunities; our expectation for the amount and focus of our capital expenditures during 2014; our belief that the high price of oil should continue to have a positive impact on our customers' activity levels and our financial results; our cautious outlook about continued activity level increases because of continued high U.S. natural gas production; our belief that the trend in domestic drilling activity indicates very little near-term fluctuation in our customer's overall activity levels; our belief that the recent increase in the price of natural gas will not lead to increases in customer activity levels over the near-term; our belief that the overall rig count will not increase during the remainder of 2014 unless the price of natural gas continues to rise; our statement that the high cost and complexity of unconventional drilling and completion may cause financial distress among our less well-capitalized customers, jeopardizing timely collection of our accounts receivable; our belief that there is an excess of service capacity in the U.S. domestic market; our plan to maintain sufficient liquidity and a conservative capital structure and monitor our discretionary spending; our business strategy, plans and objectives; market risk exposure; adequacy of capital resources and funds; opportunity for growth and expansion; anticipated pension funding payments and capital expenditures; our expectation that we will continue to pay cash dividends; the possible unfavorable outcome of sales and use tax audits; the impact of inflation and related trends on the Company's financial position and operating results; our expectation that the cost of labor will remain high during 2014; our belief that changes in foreign exchange rates is not expected to have a material effect on our consolidated results of operations or financial condition; our belief that the outcome of litigation will not have a material adverse effect upon our financial position or results of operations; and our beliefs and expectations regarding future demand for our products and services, and other events and conditions that may influence the oilfield services

market and our performance in the future. The Company does not undertake to update its forward-looking statements.

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The words “may,” “will,” “expect,” “believe,” “anticipate,” “project,” “estimate,” “focus,” “plan,” and similar expressions identify forward-looking statements. Such statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of RPC to be materially different from any future results, performance or achievements expressed or implied in such forward-looking statements. Risk factors that could cause such future events not to occur as expected include those described in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, its other SEC filings and the following: the declines in the price of oil and natural gas, which tend to result in a decrease in drilling activity and therefore a decline in the demand for our services, the actions of the OPEC cartel, the ultimate impact of current and potential political unrest and armed conflict in the oil producing regions of the world, which could impact drilling activity, adverse weather conditions in oil or gas producing regions, including the Gulf of Mexico, competition in the oil and gas industry, the Company’s ability to implement price increases, the potential impact of possible future regulations on hydraulic fracturing on our business, risks of international operations, and reliance on large customers.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to interest rate risk exposure through borrowings on its credit facility. As of March 31, 2014, there are outstanding interest-bearing advances of \$80.8 million on our credit facility which bear interest at a floating rate. A change in the interest rate of one percent on the outstanding balance of the credit facility at March 31, 2014 would cause a change of \$0.8 million in total annual interest costs.

Additionally, the Company is exposed to market risk resulting from changes in foreign exchange rates. However, since the majority of the Company’s transactions occur in U.S. currency, this risk is not expected to have a material effect on its consolidated results of operations or financial condition.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures – The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms, and that such information is accumulated and communicated to its management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, March 31, 2014 (the “Evaluation Date”), the Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective at a reasonable assurance level as of the Evaluation Date.

Changes in internal control over financial reporting – Management’s evaluation of changes in internal control did not identify any changes in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s

internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

RPC is involved in litigation from time to time in the ordinary course of its business. RPC does not believe that the outcome of such litigation will have a material adverse effect on the financial position or results of operations of RPC.

ITEM 1A. RISK FACTORS

See risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Shares repurchased by the Company and affiliated purchases in the first quarter of 2014 are outlined below.

| Period Month #1 | Total Number of Shares (or Units) Purchased | Average Price Paid Per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|--|---|---|
| January 1, 2014 to January 31, 2014 | 353,801 (2) | \$ 18.65 | - | 4,712,234 |
| Month #2 February 1, 2014 to February 28, 2014 | 399,611 (1) | 16.38 | 399,611 | 4,312,623 |
| Month #3 March 1, 2014 to March 31, 2014 | - | - | - | 4,312,623 |
| Totals | 753,412 | \$ 17.45 | 399,611 | 4,312,623 |

(1) The Company has a stock buyback program initially adopted March 1998 that authorized the repurchase of up to 26,578,125 shares. On June 5, 2013, the Board of Directors authorized an additional 5,000,000 shares for repurchase under this program for a cumulative authorization of 31,578,125 shares. There were 399,611 shares purchased on the open market during the first quarter of 2014, and 4,312,623 shares remain available to be repurchased under the current authorization as of March 31, 2014. Currently the program does not have a predetermined expiration date.

- (2) Consists of shares repurchased by the Company in connection with taxes related to vesting of restricted shares.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

The information required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this Form 10-Q.

ITEM 5. OTHER INFORMATION

None

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ITEM 6. Exhibits

| Exhibit Number | Description |
|----------------|--|
| 3.1(a) | Restated certificate of incorporation of RPC, Inc. (incorporated herein by reference to Exhibit 3.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 1999). |
| 3.1(b) | Certificate of amendment of the certificate of incorporation of RPC, Inc. (incorporated by reference to Exhibit 3.1(b) to Registrant's Quarterly Report on Form 10-Q filed on May 8, 2006). |
| 3.1(c) | Certificate of amendment of the certificate of incorporation of RPC, Inc. (incorporated by reference to Exhibit 3.1(c) to the Registrant's Quarterly Report on Form 10-Q filed on August 2, 2011). |
| 3.2 | Amended and Restated Bylaws of RPC, Inc. (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 25, 2007). |
| 4 | Form of Stock Certificate (incorporated herein by reference to Exhibit 4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998). |
| 10.1 | Amendment No. 2 to Credit Agreement and Amendment No. 1 to Subsidiary Guaranty Agreement, dated as of January 17, 2014 between the Company, Bank of America, N.A., certain other capital Lenders party thereto, and the Subsidiary Loan Parties thereto (incorporated herein by reference to Exhibit 99.1 to the Company's Form 8-K dated January 17, 2014). |
| 31.1 | Section 302 certification for Chief Executive Officer. |
| 31.2 | Section 302 certification for Chief Financial Officer. |
| 32.1 | Section 906 certifications for Chief Executive Officer and Chief Financial Officer. |
| 95.1 | Mine Safety Disclosures |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

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SIGNATURES

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

RPC, INC.

Date: April 29, 2014

/s/ Richard A.
Hubbell
Richard A. Hubbell
President and Chief Executive Officer
(Principal Executive
Officer)

Date: April 29, 2014

/s/ Ben M. Palmer
Ben M. Palmer
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)