BOOTS & COOTS INTERNATIONAL WELL CONTROL INC
Form S-3
March 20, 2006

As filed with the Securities and Exchange Commission on March 20, 2006

Registration No. 333-

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

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

BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.
(Name of Registrant as specified in its charter)

Delaware	**11-2908692**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11615 N. Houston Rosslyn
Houston, Texas 77086
(281) 931-8884
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)
Brian Keith
Corporate Secretary and General Counsel
11615 N. Houston Rosslyn
Houston, Texas 77086
(281) 931-8884
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
William T. Heller IV
Thompson & Knight LLP
333 Clay Street, Suite 3300
Houston, Texas 77002
(713) 654-8111
(713) 654-1871 (Fax)

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class securities to be registered	**Amount to be registered**	**Proposed maximum offering price per share(1)**	**Proposed maximum aggregate offering price(1)**	**Amount of registration fee**
Common Stock, $0.00001	26,462,137	$1.69	$44,721,012	$4,785.15

(1) Estimated solely for purposes of calculating the registration fee, based on the average of the high and low prices for our common stock as quoted on the American Stock Exchange on March 15, 2006, in accordance with Rule 457(c) under the Securities Act of 1933.

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

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

SUBJECT TO COMPLETION, DATED MARCH 20, 2006

PROSPECTUS

[Boots & Coots logo]

26,462,137 Shares

Common Stock

This prospectus relates to the offer and sale from time to time of up to an aggregate of 26,462,137 shares of our common stock for the account of the stockholder named in this prospectus. The selling stockholder may sell none, some or all of the shares offered by this prospectus. We cannot predict when or in what amounts the selling stockholder may sell any of the shares offered by this prospectus. We will not receive any proceeds from sales by the selling stockholder.

On March 3, 2006, we acquired the hydraulic workover business of Oil States International, Inc., a Delaware corporation, from its wholly owned subsidiary, Oil States Energy Services, Inc. (formerly known as HWC Energy Services, Inc.). In connection with the acquisition, we issued 26,462,137 shares of our common stock, par value $0.00001 per share, to Oil States Energy Services, Inc. We also entered into a registration rights agreement with Oil States Energy Services pursuant to which we agreed to file with the U.S. Securities and Exchange Commission on or before March 31, 2006 a registration statement covering resales of the 26,462,137 shares of common stock issued to Oil States Energy Services. This prospectus forms a part of the registration statement filed by us as required by the registration rights agreement.

Our common stock is quoted on the American Stock Exchange under the symbol “WEL.” On March 15, 2006, the last reported sales price for our common stock was $1.67 per share.

Investing in our common stock involves risks. Please read carefully the information under the headings “Risk Factors” beginning on page 3 and “Forward-Looking Statements” on page 18 of this prospectus before you invest in our common stock.

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

March   , 2006

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission utilizing a “shelf” registration process or continuous offering process. Under this shelf registration process, the selling stockholder may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities which may be offered by the selling stockholder. Each time the selling stockholder sells shares of our common stock pursuant to the registration statement of which this prospectus is a part, the selling stockholder is required to provide you with this prospectus and, in certain cases, a prospectus supplement containing specific information about the terms of the offering. That prospectus supplement may include additional risk factors or other special considerations applicable to the offering and may also add, update, or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under “Where You Can Find More Information.”

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PROSPECTUS SUMMARY

The following summary should be read together with the information contained in other parts of this prospectus and the documents we incorporate by reference. It likely does not contain all of the information that is important to you or that you should consider when making an investment decision. In this prospectus, we refer to Boots & Coots International Well Control, Inc., and its subsidiaries as "we," "us," "our" or "Boots & Coots," unless we specifically indicate otherwise or the context clearly indicates otherwise.

THE COMPANY

We provide a suite of integrated oilfield services centered on the prevention, emergency response and restoration of blowouts and well fires around the world. Our proprietary risk management program, WELLSURE®, combines traditional well control insurance with post-event response as well as preventative services, giving oil and gas operators and insurance underwriters a medium for effective management of well control insurance policies. Our SafeGuard program, developed for international producers and operators sponsored by Boots & Coots, provides dedicated emergency response and risk management services including risk assessment, prevention, loss mitigation, contingency planning and continuous training and education in all aspects of critical well management. We also provide the same services on a discrete basis to our customers world-wide.

We were incorporated in Delaware in April 1988. Our principal offices are located at 11615 N. Houston-Rosslyn, Houston, Texas, 77086, and our telephone number is (281) 931-8884.

Recent Developments

We have recently completed several transactions:

Acquisition of Hydraulic Workover Business. On March 3, 2006, we acquired the hydraulic workover business of Oil States International, Inc. (the "Acquisition"). The hydraulic workover business, based in Houma, Louisiana, includes a fleet of 27 owned and operated hydraulic workover units and provides live and dead well workover services throughout the world. The acquired workover operations are currently performed in the U.S., Venezuela, Algeria, West Africa and the Middle East. In connection with the Acquisition, we acquired all of the issued and outstanding capital stock of HWCES International, a Cayman Islands corporation, and HWC Limited, a Louisiana corporation, and all of the issued and outstanding membership interests in Hydraulic Well Control, LLC, a Delaware limited liability company. We paid total consideration consisting of 26,462,137 shares of our common stock, par value $0.00001 per share, and subordinated promissory notes in the aggregate principal amount of $15,000,000, subject to adjustment, based upon the closing date working capital of the acquired companies. The notes are due and payable in full on September 2, 2010 and bear interest at 10% per annum.

Senior Credit Facility. On March 3, 2006, we and our wholly owned subsidiary, IWC Services, LLC, a Texas limited liability company, entered into a credit agreement with Wells Fargo Bank, National Association, acting through its Wells Fargo Business Credit operating division, which established a revolving credit facility of $10,300,000, subject to a borrowing base of $5,993,189, and a term credit facility of $9,700,000. The term credit facility is due and payable in full on March 3, 2010, subject to extension to March 3, 2011. The revolving credit facility is due and payable in full on March 3, 2010, subject to year-to-year renewals thereafter. The credit agreement is secured by all of our assets and all of the assets of IWC Services, including equity interests in our subsidiaries. Unused commitment fees are due monthly on the revolving credit facility and range from 0.25% to 0.50% per annum, based on the ratio of the outstanding principal amount under the credit agreement to our consolidated EBITDA. At our option, borrowings under the credit agreement bear interest at either Wells Fargo's prime commercial lending rate, or the Inter-Bank Market Offered Rate plus a margin ranging, as to the revolving credit facility, from 0.50% to 1.50% per annum, and, as to the term credit facility, from 3.00% to 3.50%, which margin increases or decreases based on the ratio of the outstanding principal amount under the credit agreement to our consolidated EBITDA. The interest rate at March 3, 2006 was 7.5%, and we had $9.7 million outstanding under the term credit facility and $2.2 million outstanding under the revolving credit facility.

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THE OFFERING

Securities offered	Up to 26,462,137 shares of our common stock.
Use of proceeds	We will not receive any proceeds from the sale by the selling stockholder of its shares of our common stock.
Listing	Our common stock is listed on the American Stock Exchange under the symbol "WEL."

RISK FACTORS

You should carefully consider all of the information set forth or incorporated by reference in this prospectus and, in particular, the specific factors in the section of this prospectus entitled "Risk Factors."

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RISK FACTORS

In addition to the other information set forth elsewhere or incorporated by reference in this prospectus, the following factors relating to us and our common stock should be considered carefully before making an investment decision. See "Where You Can Find More Information" for a description of the information we have included or incorporated by reference in this prospectus. This prospectus and the documents we incorporate by reference also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described in the documents we incorporate by reference. See "Forward-Looking Statements" for a discussion of forward-looking statements included or incorporated by reference in this prospectus.

Risks Relating to Our Business

Decreased oil and gas industry expenditure levels will adversely affect our results of operations.

Our business depends upon the oil and gas industry and its ability and willingness to make expenditures to explore for, develop and produce oil and gas. If these expenditures decline, our business will suffer. The industry's willingness to explore, develop and produce depends largely upon the availability of attractive drilling and workover prospects and the prevailing view of future product prices. Many factors affect the supply and demand for oil and gas and therefore influence product prices, including:

- the level of production;
- the levels of oil and gas inventories;
- the expected cost of developing new reserves;
- the actual cost of finding and producing oil and gas;
- the availability of attractive oil and gas field prospects which may be affected by governmental actions or environmental activists which may restrict drilling;
- the availability of transportation infrastructure and refining capacity;
- depletion rates;
- the level of drilling activity;
- worldwide economic activity including growth in underdeveloped countries;
- national government political requirements, including the ability of the Organization of Petroleum Exporting Companies (OPEC) to set and maintain production levels and prices for oil;
- the impact of armed hostilities involving one or more oil producing nations;
- the cost of developing alternate energy sources;
- environmental regulation; and

· tax policies.

If demand for drilling services, cash flows of drilling contractors or drilling rig utilization rates decrease significantly then demand for our services will decrease, which will adversely affect our results of operations.

We may not successfully integrate the businesses we acquire or achieve the benefits we are seeking from acquisitions.

On March 3, 2006, we completed the acquisition of the hydraulic workover business of Oil States International, Inc., or HWC. Our success will partially depend upon the integration of the operations of this business and any other businesses we may acquire and our ability to retain and timely employ personnel necessary to augment our staff in a competitive environment. Our management team does not have experience with the combined activities of us and HWC. We may not be able to integrate these operations without loss of revenues, increases in operating or other costs, or other difficulties. In addition, we may not be able to realize the operating efficiencies and other benefits sought from the acquisition or from other acquisitions we may pursue in the future.

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Disruptions in the political and economic conditions of the foreign countries in which we operate expose us to risks that may have a material adverse effect on our business.

A significant portion of our revenue is derived from our operations outside of the United States, which exposes us to risks inherent in doing business in each of the countries in which we transact business. Our operations in countries other than the United States accounted for approximately 55% of our consolidated revenues for 2005. Further, we anticipate that our revenues from foreign operations will increase significantly during 2006 as a consequence of our recently completed acquisition of HWC. Operations in countries other than the United States are subject to various risks peculiar to each country. With respect to any particular country, these risks may include:

- expropriation and nationalization of our assets in that country;
- political and economic instability;
- civil unrest, acts of terrorism, force majeure, war, or other armed conflict;
- natural disasters, including those related to earthquakes and flooding;
- inflation;
- currency fluctuations, devaluations, and conversion restrictions;
- confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments, or limit the movement of funds;
- governmental activities that may result in the deprivation of contract rights; and
- trade restrictions and economic embargoes imposed by the United States and other countries.

Due to the unsettled political conditions in many oil-producing countries, our revenue and profits are subject to the adverse consequences of war, the effects of terrorism, civil unrest, strikes, currency controls, and governmental actions. International areas where we operate that have significant amounts of political risk include parts of Africa, South America and the Middle East. Operations in these areas increase our exposure to the foregoing risks, the occurrence of any of which may:

- disrupt our operations;
- restrict the movement of funds or limit repatriation of profits;
- lead to U.S. government or international sanctions; and
- limit access to markets for periods of time.

In addition, military action or continued unrest in the Middle East could impact the supply and pricing for oil and gas, disrupt our operations in the region and elsewhere, and increase our costs for security worldwide.

We are subject to foreign exchange and currency risks, particularly with respect to Venezuela.

A significant portion of our consolidated revenue and consolidated operating expenses are in foreign currencies, primarily Venezuelan *Bolivars*. As a result, we are subject to significant risks, including:

- foreign exchange risks resulting from changes in foreign exchange rates and our exchange controls; and
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries.

On September 30, 2005, we had $951,000 cash and $1,847,000 accounts receivable attributable to our Venezuelan SafeGuard operations, and HWC had $3,320,000 cash and $3,971,000 accounts receivable attributable to its Venezuelan operations. Of HWC’s cash attributable to its Venezuelan operations, $1,962,000 was denominated in U.S. dollars. Effective February 5, 2004, the exchange rate changed from 1,600 to 1,920 Bolivars to the U.S. dollar, and effective March 1, 2005, the exchange rate changed again from 1,920 to 2,150 Bolivars to the U.S. dollar. As a consequence, we and HWC were required to take a charge to equity for foreign currency translation losses of approximately $361,000 and $15,000, respectively, during the nine months ended September 30, 2005, to reflect the devaluation of the Bolivar. Venezuela is also on the U.S. government’s “watch list” for highly inflationary economies and the Venezuelan government has made it very difficult for U.S. dollars to be repatriated.

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***Demand for our services and products depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices*.**

Demand for our products and services is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of other factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the immediate levels of exploration, development, and production activity, often reflected as changes in rig counts. Perceptions of longer-term lower oil and natural gas prices by oil and gas companies can similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our services that could have a material adverse effect on our revenue and profitability. Factors affecting the prices of oil and natural gas include:

- governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;
- global weather conditions and natural disasters;
- worldwide political, military, and economic conditions;
- the level of oil production by non-OPEC countries and the available excess production capacity within OPEC;
- economic growth in China and India;
- oil refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- the cost of producing and delivering oil and gas;
- potential acceleration of development of alternative fuels; and
- the level of demand for oil and natural gas, especially demand for natural gas in the United States.

Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future. This volatility causes oil and gas companies and drilling contractors to change their strategies and expenditure levels. We have experienced in the past, and may experience in the future, significant fluctuations in operating results based on these changes.

We must successfully compete for the services of highly trained technical personnel.

Many of the services that we provide are complex and highly engineered and often must perform or be performed in harsh conditions. We believe that our success depends upon our ability to employ and retain technical personnel with the ability to provide and enhance these services. In addition, our ability to expand our operations depends in part on our ability to increase our skilled labor force. The demand for skilled workers is high and the supply is limited. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the wage rates that we must pay, or both. If either of these events were to occur, our cost structure could increase, our margins could decrease, and our growth potential could be impaired.

Our hydraulic workover business is susceptible to seasonal earnings volatility and may be adversely affected by severe weather.

Our hydraulic well control operations are directly affected by seasonal differences in weather in the areas in which the business operates, most notably in the Gulf of Mexico and the Gulf Coast region. Weather conditions in the Gulf of Mexico and the Gulf Coast region generally result in higher activity in the spring, summer and fall months, with the lowest activity in the winter months. In addition, summer and fall drilling activity and, therefore, the demand for our hydraulic well control services can be restricted due to hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast. Repercussions of severe weather conditions may include:

- evacuation of personnel and curtailment of services;

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- weather-related damage to offshore equipment resulting in suspension of operations;
- weather-related damage to our facilities;
- inability to deliver men or materials to jobsites; and
- loss of productivity.

During 2005, HWC suffered the loss of one workover unit as a consequence of severe weather in the Gulf of Mexico. As a result, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

Our bank lenders can limit our borrowing capabilities, which may materially impact our operations.

As of March 3, 2006, our bank debt was $11.9 million, and we had approximately $6.0 million of cash and additional available borrowing capacity under our bank revolving credit facility. The borrowing base limitation under our revolving credit fac