UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 100845 / August 28, 2024

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4514 / August 28, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22037

In the Matter of **National Energy Services Reunited Corp.,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against National Energy Services Reunited Corp. ("National Energy," or the "Company," or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer"), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

1. This matter involves financial reporting, accounting, and controls failures by National Energy, a former special purpose acquisition company ("SPAC"). National Energy became an operating company in 2018 when it acquired two oilfield-services companies located in the Middle East and North Africa (collectively, the "target companies" or National Energy's wholly owned "subsidiaries"). Several years later, National Energy identified significant deficiencies in the target companies' accounting and controls, which led to a multi-year restatement of the Company's consolidated financial statements concerning, among other things, previously reported accrued liabilities, cost of services, and net income.

2. In March 2022, National Energy identified potentially significant accounting errors in its expense accruals and accounts payable, and unsupported balances in other accounts, after completing a global transition to new accounting software. National Energy's Audit Committee formed an independent committee to investigate the accounting errors and lead the Company's restatement process. On March 14, 2022, National Energy publicly disclosed that its financial statements for 2018 through 2020 should no longer be relied upon. The independent committee's investigation found that National Energy's accounting errors were caused by pervasive, systemic deficiencies in the Company's systems, processes, controls, and resources, including supply chain, finance, and accounting. The deficiencies primarily traced back to the original target companies and their legacy practices before National Energy acquired them in 2018. Their investigation also found that National Energy failed to properly assess these legacy practices before the Company relied upon them for financial reporting. Several factors aggravated these deficiencies after the acquisitions, including National Energy's rapid business growth, high rates of employee turnover, and management pressure to meet internal performance expectations.

3. In March 2023, National Energy started implementing a formal remediation plan while it continued the restatement process. On December 29, 2023, National Energy filed a multi-year restatement that primarily increased the Company's accrued liabilities and cost of services, and significantly decreased net income, for the restated periods. National Energy disclosed that the Company had failed to properly account for its accounts payable and accrued liabilities, failed to properly classify and report certain operating expenses as cost of services, and failed to properly classify and report certain private warrants as liabilities. The Company also disclosed numerous material weaknesses in its internal control over financial reporting (ICFR), and ineffective disclosure controls and procedures (DCP). National Energy has made significant progress in its remediation plan, but the process is not complete, and the Company's material weaknesses have not been fully remediated.

4. As a result of this conduct, National Energy violated Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, and Rules 13a-1, 13a-15(a) – (c), and 13a-16 thereunder.

Respondent

5. National Energy Services Reunited Corp. is a British Virgin Islands corporation headquartered in Houston, Texas. The Company provides products and services to the oil and

natural gas industry in the Middle East and North Africa (MENA) and Asia-Pacific (APAC) regions. National Energy's common stock and warrants are registered with the Commission under Section 12(g) of the Exchange Act. The common stock and warrants were delisted from Nasdaq on April 28, 2023, and currently trade on the OTC PINK Market under the symbols "NESR" and "NESRW."

Company Background

6. National Energy was originally formed as a SPAC in 2017 to pursue investments in global-oilfield services. The Company became an operating entity in June 2018 when it acquired two oilfield-services companies located in the MENA region: (1) NPS Holdings Limited ("NPS"); and (2) Gulf Energy S.A.O.C. ("Gulf Energy"). National Energy prepares its financial statements under U.S. Generally Accepted Accounting Principles (GAAP). The Company's first consolidated annual report, including NPS and Gulf Energy, concerned the fiscal year ended December 31, 2018. As a foreign private issuer, National Energy files annual reports on Form 20-F, and furnishes quarterly and other periodic reports on Form 6-K.

National Energy Identified Significant Accounting Errors in March 2022

7. After National Energy acquired NPS and Gulf Energy in 2018, the Company relied upon its new subsidiaries' legacy accounting practices and systems for operations and financial reporting. National Energy planned to integrate these disparate systems into a single accounting software program, but the process was delayed by pandemic-era restrictions in the Middle East, and the Company did not complete its global integration and implementation of the new software until January 2022.

8. In early February 2022, the Company's auditor raised questions about the completeness and accuracy of accounts payable and accrued expenses in Saudi Arabia as part of its routine audit procedures. During this same period, management identified significant unreconciled balances at its regional headquarters in the United Arab Emirates (UAE), which became evident after the global integration. Given the significant account discrepancies, and related audit questions, management began to question the accuracy of National Energy's historical accounting records.

9. National Energy's management reported these issues to the Company's Audit Committee on February 7, 2022. Over the next six weeks, management examined the scope and breadth of the Company's potential accounting issues, which included testing all account balances at all locations. In March 2022, management identified potentially significant accounting errors in Saudi Arabia and the UAE concerning expense accruals and accounts payable, and potentially unsupported balances in other accounts.

National Energy Disclosed Accounting Errors and Future Restatement

10. In response to management's findings, National Energy's Board of Directors and management concluded that the Company must restate its prior financial statements. On March

11, 2022, the Company formed an independent subcommittee of the Audit Committee (the "Committee") to investigate the accounting errors and oversee the restatement process. On March 14, 2022, National Energy furnished a Form 6-K and publicly disclosed that: (1) the Company's 2018, 2019, and 2020 annual financial statements "contain errors primarily related to accounts payable reconciliations and accrued liabilities," and should no longer be relied upon, pending a restatement; (2) "[b]ased on a preliminary analysis," the Company believed the aggregate restatement ". . . will be in the range of $60 to 90 million;" and (3) members of the Company's Audit Committee were leading a process to address these issues.

Committee's Investigation Found Pervasive and Systemic Deficiencies

11. The Committee's investigation found that National Energy's material misstatements were caused by pervasive, systemic deficiencies in the Company's accounting and controls, including its supply-chain, finance, and accounting functions. The issues mostly impacted operations in Saudi Arabia and the UAE, and primarily traced back to the target companies' legacy practices before the acquisitions in 2018. These pre-existing deficiencies included: (1) inadequate legacy accounting systems and processes; (2) inadequate recording and processing of transactional documents; (3) inadequate internal controls; and (4) inadequate staffing and resources in the finance and accounting functions. The systemic problems involved countless employees and affected thousands of transactions and entries, which undermined the reliability of the subsidiaries' accounting records, and in turn, undermined the reliability of National Energy's consolidated financial statements.

12. The investigation also found that National Energy had failed to properly assess these legacy practices before the Company relied upon them for financial reporting. As a result, National Energy did not identify the accounting and controls deficiencies during the Restatement Period.[1] Additionally, the Company was unaware of any material misstatements until March 2022, after the Company completed its global integration, when management identified significant errors in certain accounts.

13. The investigation also found that several factors aggravated the Company's pre-existing deficiencies after the acquisitions: (1) National Energy's rapid business growth; (2) high rates of employee turnover; (3) structural weaknesses within the newly formed Company; and (4) management pressure on employees to meet internal budgets. The investigation did not find evidence of fraud, or any practice of earnings management within the Company.

National Energy's Restatement

14. On December 29, 2023, National Energy filed the restatement and its delayed 2021 and 2022 financial statements in a single Form 20-F filing. The Company disclosed that its prior financial statements had material errors primarily related to the completeness of accounts

[1] The "Restatement Period" generally refers to the time period in which the Company filed: (1) annual, quarterly, and other periodic reports (earnings releases) for 2018 after the de-SPAC transaction; and (2) annual, quarterly, and other periodic reports for 2019 and 2020.

payable and accrued liabilities in Saudi Arabia and the UAE. Additionally, certain operating expenses in its field locations had been incorrectly classified and reported as selling, general, and administrative expenses (SG&A). The restatement reclassified and reported these expenses as cost of services. The Company also disclosed that it failed to properly classify certain private warrants, which had been previously reported as additional paid in capital (equity). The restatement reclassified the private warrants as liabilities, and included related adjustments to net income and retained earnings.

15. The restated financial statements generally increased National Energy's accrued liabilities and cost of services, and significantly decreased net income. As of December 31, 2020, the Company's total current liabilities increased by approximately 21.3%, from a previously reported balance of $359.4 million to a restated balance of $435.9 million. Additionally, the Company's retained earnings, as of December 31, 2020, decreased by approximately 75.6%, from a previously reported balance of $117.7 million to a restated balance of $28.7 million.

National Energy's Controls Deficiencies and Material Weaknesses

16. In the restatement, National Energy also disclosed that the Company's ICFR and DCP were not effective due to numerous material weaknesses:

> The Company did not design and maintain an effective control environment commensurate with our financial reporting requirements. Our senior management failed to set an appropriate tone at the top sufficient to ensure a culture of compliance with the Company's accounting, finance and internal control policies, including through:
>
> • Lack of an effective organizational structure to promote effective internal control;
>
> • Lack of effective communication protocols to ensure timely escalation and resolving of accounting issues; and
>
> • Insufficient technical accounting resources with an appropriate level of accounting knowledge, experience and training commensurate with our structure and financial reporting requirements to appropriately analyze, record and disclose accounting matters timely and accurately in accordance with U.S. GAAP.
>
> . . . The material weakness described above contributed to the following additional material weaknesses:
>
> • The Company's period-end financial reporting controls, specifically those over account reconciliations, were not effectively designed and implemented to detect potential misstatements and correct identified misstatements to period-end financial statements.

> • The Company did not design and maintain effective controls over certain accounts payable functions. Specifically, we did not maintain effective controls over the creation of purchase orders, the matching of goods [and] services received against purchase orders, and/or the review of the completeness and accuracy of accounts payable and accrued liabilities.
>
> • The Company did not design and maintain effective information technology general controls over financial reporting as privileged access users were not appropriately provisioned and inadequate monitoring controls were in place to enforce appropriate system access and segregation of duties.
>
> . . . [T]hese material weaknesses contributed to material errors which resulted in the restatement of our previously issued financial statements.

Violations

17. As a result of the conduct described above, National Energy violated Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-16 thereunder, which require every foreign issuer of a security registered under Section 12 of the Exchange Act to file or furnish the Commission with current reports in accordance with all applicable rules and regulations.

18. In addition, as a result of the conduct described above, National Energy violated Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

19. In addition, as a result of the conduct described above, National Energy violated Section 13(b)(2)(B) of the Exchange Act, which requires reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP or any other criteria applicable to such statements.

20. In addition, as a result of the conduct described above, National Energy violated Exchange Act Rules 13a-15(a) – (c), which require reporting companies to maintain and evaluate the effectiveness of: (i) disclosure controls and procedures that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act 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 the issuer's management to allow timely decisions regarding required disclosure; and (ii) internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Under Item 15 of Form 20-F, management must provide an annual report that discloses management's assessment of the effectiveness of ICFR and any material weakness in ICFR, and management is not permitted to conclude that the

registrant's ICFR is effective if there are one or more material weaknesses in the registrant's ICFR.

National Energy's Remedial Efforts

21. In determining to accept National Energy's Offer, the Commission considered remedial acts promptly undertaken by the Company and cooperation afforded the Commission staff. Specifically, National Energy prepared and began implementing a formal remediation plan in March 2023, which includes the following remedial measures: (i) restructuring the Company's financial-reporting organization and processes; (ii) enhancing policies and procedures to strengthen the Company's overall control environment, and develop proper monitoring controls designed to timely evaluate and communicate internal control deficiencies to appropriate personnel; (iii) installing quarterly balance-sheet reconciliations and automated account reconciliations; (iv) enhancing documentation, identifying control attributes, and developing spreadsheet controls checklists to improve the completeness and accuracy of data used to operate controls in the financial-reporting process; (v) hiring new personnel with industry experience to strengthen the Company's finance, accounting, and operations roles, including a new corporate controller, treasurer, financial-systems manager, director of internal audit, finance and reporting manager, tax director, and new country-level controllers; (vi) strengthening the Company's "procurement-to-pay" processes through technology investments, additional procedures, and consultants; (vii) providing company-wide training to ensure that new processes and procedures are properly implemented, including controllers' conferences, compliance workshops and programs, formal monthly training programs, and formal training concerning requirements under The Sarbanes–Oxley Act of 2002; (viii) acquiring new software programs and systems to enhance accounting and controls processes; (ix) revising compensation policies to explicitly link employee bonuses to the successful achievement of compliance initiatives; and (x) seeking additional independent members of the Company's Board of Directors who can provide support to the Audit Committee. National Energy has made significant progress in its remediation plan, but the process is not complete, and the Company's material weaknesses have not been fully remediated.

Undertakings

22. Respondent has undertaken to:

a. Fully remediate its material weaknesses in ICFR, and ineffective DCP, within one year from the date of this Order.

b. Publicly disclose, within one year from the date of this Order, whether in management's opinion, National Energy has fully remediated its material weaknesses in ICFR and ineffective DCP, and has effective ICFR and DCP.

c. Certify, in writing, compliance with the undertakings set forth above. The certification shall be made by National Energy's CEO and identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance.

The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to James E. Etri, Assistant Director, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the agreed sanctions in Respondent's Offer.

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 21C of the Exchange Act, Respondent National Energy cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 13a-1, 13a-16, and 13a-15(a) – (c) thereunder.

B. Respondent shall comply with the undertakings enumerated in Paragraph 22 above.

C. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of $400,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

D. If Respondent fails to comply with the undertakings enumerated in Paragraph 22 above, Respondent shall, within ninety (90) days after one year from the date of this Order, pay an additional civil money penalty in the amount of $1,200,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

E. Payment(s) must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payment(s) by check or money order must be accompanied by a cover letter identifying National Energy as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to B. David Fraser, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, Texas 76102.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of any civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary