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

FORM 10Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

[x] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________________________ to

Commission file number 1-16337

OIL STATES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	76-0476605
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Three Allen Center, 333 Clay Street, Suite 3460, Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 652-0582

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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 [X] NO [ ]

The Registrant had 48,312,757 shares of common stock outstanding as of August 10, 2001.

OIL STATES INTERNATIONAL, INC.

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OIL STATES INTERNATIONAL, INC.

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

The following tables set forth unaudited pro forma consolidated and combined financial information for Oil States International, Inc. (Oil States) giving effect to:

- the combination of Oil States, HWC Energy Services, Inc. (HWC) and PTI Group Inc. (PTI) (collectively, the Controlled Group) as entities under the common control of SCF-III L.P. (SCF-III), based upon reorganization accounting, which yields results similar to pooling of interest accounting, effective from the dates each of these entities became controlled by SCF-III (the Combination);

- the conversion of the common stock held by the minority interests of each

entity in the Controlled Group into shares of our common stock, based on the purchase method of accounting;

- the conversion of all of the outstanding common stock of Sooner Inc. (Sooner) into shares of our common stock, based on the purchase method of accounting; and

- the exchange of 4,275,555 shares of common stock for $36.0 million of debt of Sooner and Oil States (the SCF Exchange); and

- our sale of 10,000,000 shares of common stock (the Offering) and the application of the net proceeds to us.

The unaudited pro forma consolidated and combined statements of operations for the three month and six month periods ended June 30, 2001 and 2000, respectively, were prepared based upon the historical combined financial statements of the Controlled Group, adjusted to conform accounting policies, and give effect to:

- our acquisition of minority interests of the Controlled Group;

- our acquisition of Sooner;

- our exchange of shares of common stock for debt of Sooner and Oil States; and

- our sale of shares in the Offering,

as if these transactions had occurred on January 1, 2000.

The unaudited pro forma consolidated and combined financial statements do not purport to be indicative of the results that would have been obtained had the transactions described above been completed on the indicated dates or that may be obtained in the future. The unaudited pro forma consolidated and combined financial statements should be read in conjunction with the historical combined financial statements and notes thereto included in the Oil States' Annual Report on Form 10-K.

PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED JUNE 30, 2000
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	PRO FORMA					
	COMBINED GROUP	SOONER INC.	SOONER INC. ADJUSTMENTS (NOTE 2)	MINORITY INTEREST ADJUSTMENTS (NOTE 3)	OFFERING ADJUSTMENTS (NOTES 1 AND 4)	COMBINED, ACQUISITIONS AND OFFERING
Revenue	$ 68,160	$ 84,143	$	$	$	$ 152,303
Costs and Expenses:						
Costs of sales	50,624	75,883				126,507
Selling, general and administrative	9,781	2,129			236(B)	12,146
Depreciation and amortization	5,443	364	663	364		6,834
Other expense (income)	16					16
Operating income (loss)	2,296	5,767	(663)	(364)	(236)	6,800
Interest income	21	236				257
Interest expense	(2,893)	(1,000)			1,532(A)	(2,361)
Other income	39					39
Income (loss) before income taxes	(537)	5,003	(663)	(364)	1,296	4,735
Income tax (expense) benefit	(1,207)	(229)			1,950(D)	514
Net Income (loss) before minority interests	(1,744)	4,774	(663)	(364)	3,246	5,249
Minority interests, net of taxes	(96)				93	(3)
Net income (loss) before preferred dividends	(1,840)	4,774	(663)	(364)	3,339	5,246
Preferred dividends	(82)				82(C)	--
Net income (loss) attributable to common shares	$ (1,922)	$ 4,774	$ (663)	$ (364)	$ 3,421	$ 5,246

Net income (loss) per common share		
Basic	$ (.08)	$ 0.11
Diluted	$ (.08)	$ 0.11
Average shares outstanding		
Basic	24,651	48,173
Diluted	24,651	48,421

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2001
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

		PRO FORMA				
	CONSOLIDATED GROUP	SOONER INC. (PERIOD FROM JAN. 1, 2001 TO FEB. 14, 2001)	SOONER INC. ADJUSTMENTS (NOTE 2)	MINORITY INTEREST ADJUSTMENTS (NOTE 3)	OFFERING ADJUSTMENTS (NOTES 1 AND 4)	CONSOLIDATED, ACQUISITIONS AND OFFERING
Revenue	$ 318,310	$ 48,517	$	$	$	$ 366,827
Costs and Expenses:						
Costs of sales	249,802	45,140				294,942
Selling, general and administrative	25,437	1,134				26,571
Depreciation and amortization	13,319	188	331	135		13,973
Other income	(19)					(19)
Operating income (loss)	29,771	2,055	(331)	(135)		31,360
Interest income	372	22				394
Interest expense	(5,685)	(585)			843(A)	(5,427)
Other expense	(274)	(1)				(275)
Income before income taxes	24,184	1,491	(331)	(135)	843	26,052
Income tax (expense) benefit	(508)	(542)			482(D)	(568)
Net income (loss) before minority interests	23,676	949	(331)	(135)	1,325	25,484
Minority interests, net of taxes	(1,600)				1,600	--
Net income (loss) before extraordinary item	22,076	949	(331)	(135)	2,925	25,484
Extraordinary loss on debt restructuring	(784)					(784)
Net income (loss) before preferred dividends	21,292	949	(331)	(135)	2,925	24,700
Preferred dividends	(41)				41(C)	--
Net income (loss) attributable to common shares	$ 21,251	$ 949	$ (331)	$ (135)	$ 2,966	$ 24,700
Net income per common share						
Basic	$ .50					$ 0.51
Diluted	$ .49					$ 0.51
Average shares outstanding						
Basic	42,300					48,169
Diluted	43,539					48,688

PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2000
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

PRO FORMA

	COMBINED GROUP	SOONER INC.	SOONER INC. ADJUSTMENTS (NOTE 2)	MINORITY INTEREST ADJUSTMENTS (NOTE 3)	OFFERING ADJUSTMENTS (NOTES 1 AND 4)	CONSOLIDATED, ACQUISITIONS AND OFFERING
Revenue	$ 156,387	$ 154,569	$	$	$	$ 310,956
Costs and Expenses:						
Costs of sales	110,648	139,605				250,253
Selling, general and administrative	19,287	4,113			473(B)	23,873
Depreciation and amortization	10,632	721	1,326	728		13,407
Other income	(16)					(16)
Operating income (loss)	15,836	10,130	(1,326)	(728)	(473)	23,439
Interest income	37	341				378
Interest expense	(5,685)	(2,109)			3,066(A)	(4,728)
Other income	104	--				104
Income before income taxes	10,292	8,362	(1,326)	(728)	2,593	19,193
Income tax (expense) benefit	(6,433)	(230)			3,900(D)	(2,763)
Net Income (loss) before minority interests	3,859	8,132	(1,326)	(728)	6,493	16,430
Minority interests, net of taxes	(2,672)	--			2,662	(10)
Net income (loss) before preferred dividends	1,187	8,132	(1,326)	(728)	9,155	16,420
Preferred dividends	(164)	--			164(C)	--
Net income (loss) attributable to common shares	$ 1,023	$ 8,132	$ (1,326)	$ (728)	$ 9,319	$ 16,420
Net income per common share						
Basic	$ .04					$ 0.34
Diluted	$ .04					$ 0.34
Average shares outstanding						
Basic	24,278					48,169
Diluted	26,249					48,421

OIL STATES INTERNATIONAL, INC.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The purchase method of accounting has been used to reflect the acquisition of the minority interests of each company in the Controlled Group concurrent with the closing of the Offering. The purchase price is based on the fair value of the shares owned by the minority interests, valued at the initial public offering price of $9.00 per share. Under this accounting method, the excess of the purchase price over the fair value of the assets and liabilities allocable to the minority interests acquired has been reflected as goodwill. Where book value of minority interests exceeded the purchase price, such excess reduced property, plant and equipment. The estimated fair values of assets and liabilities are preliminary and subject to change. For purposes of the pro forma consolidated and combined financial statements, the goodwill recorded in connection with this transaction is being amortized over 20 years using the straight-line method based on management's evaluation of the nature and duration of customer relationships and considering competitive and technological developments in the industry. The unaudited pro forma consolidated and combined statements of operations for the six month period ended June 30, 2001 and the three and six month periods ended June 30, 2000 have been adjusted for the effects of purchase accounting, as described below.

The purchase method of accounting also has been used to reflect the acquisition of the outstanding common stock of Sooner concurrent with the closing of the Offering on February 14, 2001. The purchase price is based on the fair value of the shares of Sooner, valued at the initial public offering price of $9.00 per share. The excess of the purchase price over the fair value of the assets and liabilities of Sooner has been reflected as goodwill. The estimated fair values of assets and liabilities are preliminary and subject to change. For purposes of the pro forma consolidated and combined financial statements, the goodwill recorded in connection with this transaction is being amortized over 15 years using the straight-line method based on management's evaluation of the nature and duration of customer relationships and considering competitive and technological developments in the industry. The unaudited pro forma consolidated and combined statements of operations for the six month period ended June 30, 2001 and the three and six month periods ended June 30, 2000 include

the historical financial statements of Sooner prior to the acquisition, for the entire three and six month periods ended June 30, 2000 and for the period from January 1, 2001 to February 14, 2001. Subsequent to the acquisition, Sooner's results are included with the results of the Consolidated Group.

NOTE 1 -- COMBINING ADJUSTMENTS

Sooner's results from its February 14, 2001 acquisition date are included with the historical results of the Controlled Group. Minority interest in income (loss) and related tax effect of the Controlled Group are presented below (in thousands):

	TOTAL
Three Months Ended June 30, 2000	$ (93)
Six Months Ended June 30, 2000	$ 2,662
Six Months Ended June 30, 2001	$ 1,600

NOTE 2 -- ACQUISITION OF SOONER

Certain reclassifications have been made to conform the presentation of Sooner's financial statements to that of the Controlled Group.

To reflect the acquisition of all outstanding common shares of Sooner in exchange for 7,597,152 shares of Oil States common stock valued at the offering price per share of $9.00 (in millions):

Purchase price	$69.5(1)	
Less: Fair value of net assets acquired	29.7	
Goodwill		$ 39.8
Amortization for the three months ended June 30, 2000		$ .66
Amortization for the six months ended June 30, 2000		$ 1.33
Amortization for the period from January 1, 2001 to February 14, 2001		$ .33

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(1) The purchase price for Sooner includes the estimated fair value of Sooner stock options ($1.1 million) converted into Oil States stock options.

NOTE 3 -- ACQUISITION OF MINORITY INTERESTS

To reflect the acquisition of the minority interests of each company in the Controlled Group in exchange for shares of Oil States common stock and elimination of the historical minority interests amounts reflected for the Controlled Group (in millions):

Amortization of the additional goodwill for the three months ended June 30, 2000	$ .36
Amortization of the additional goodwill for	

the six months ended June 30, 2000..............	$ .73
Amortization of the additional goodwill for the period from January 1, 2001 to February 14, 2001..............................	$ .13

NOTE 4 -- OFFERING

(A) To adjust interest expense for debt repaid with Offering proceeds and as a result of the exchange of shares for subordinated debt.

(B) To adjust for costs associated with the new corporate office, including executives hired in connection with the Offering, which costs are not fully reflected in the historical financial statements. These costs will have a continuing impact on our operations.

(C) To eliminate preferred stock dividends due to the conversion of the preferred stock.

(D) To adjust income tax expense for the reduction in deferred taxes due to the formation of the consolidated group.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Revenues	$ 175,333	$ 68,160	$ 318,310	$ 156,387
Costs and expenses:				
Cost of sales	141,622	50,624	249,802	110,648
Selling, general and administrative expenses	13,134	9,781	25,437	19,287
Depreciation expense	4,976	4,667	9,972	9,085
Amortization expense	1,978	776	3,347	1,547
Other operating expense (income)	117	16	(19)	(16)
	161,827	65,864	288,539	140,551
Operating income	13,506	2,296	29,771	15,836
Interest expense	(2,457)	(2,893)	(5,685)	(5,685)
Interest income	78	21	372	37
Other income (expense)	(538)	39	(274)	104
Income (loss) before income taxes, minority interest, and extraordinary item	10,589	(537)	24,184	10,292
Income tax expense	(328)	(1,207)	(508)	(6,433)
Minority interest in income of combined companies and consolidated subsidiaries	--	(96)	(1,600)	(2,672)
Net income (loss) before extraordinary item and preferred dividends	10,261	(1,840)	22,076	1,187
Extraordinary loss on debt restructuring, net of taxes	--	--	(784)	--
Net income (loss) before preferred dividends	10,261	(1,840)	21,292	1,187
Preferred dividends	--	(82)	(41)	(164)
Net income (loss) attributable to common shares	$ 10,261	$ (1,922)	$ 21,251	$ 1,023
Basic income (loss) per share:				
Income (loss) per share before extraordinary item	$ .21	$ (.08)	$ .52	$ .04
Extraordinary loss on debt restructuring, net of taxes	--	--	(.02)	--
Basic net income (loss) per share	.21	(.08)	.50	.04
Diluted income (loss) per share:				
Income (loss) per share before extraordinary item	$ .21	$ (.08)	$ .51	$ .04
Extraordinary loss on debt restructuring, net of taxes	--	--	(.02)	--
Diluted net income (loss) per share	.21	(.08)	.49	.04
Weighted average number of common shares outstanding (in thousands):				
Basic	48,182	24,651	42,300	24,278
Diluted	48,742	24,651	43,539	26,249

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED BALANCE SHEETS
(IN THOUSANDS)

ASSETS	CONSOLIDATED JUNE 30, 2001 (UNAUDITED)	COMBINED DECEMBER 31, 2000
Current assets:		
Cash and cash equivalents	$ 3,067	$ 4,821
Accounts receivable, net	105,193	64,137
Inventories, net	110,092	30,826
Prepaid expenses and other current assets	4,166	1,715
Total current assets	222,518	101,499
Property, plant, and equipment, net	144,370	143,468
Goodwill, net	174,248	103,391
Other noncurrent assets	6,313	5,160
Total assets	$ 547,449	$ 353,518
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 84,368	$ 57,248
Income taxes	7,324	2,796
Current portion of long-term debt	3,846	37,629
Other current liabilities	6,434	3,433
Total current liabilities	101,972	101,106
Long-term debt	102,318	102,614
Deferred income taxes	8,900	19,977
Postretirement healthcare benefits	5,753	5,899
Other liabilities	4,422	4,519
Total liabilities	223,365	234,115
Minority interest	155	37,561
Redeemable preferred stock	--	25,293
Stockholders' equity:		
Convertible preferred stock	--	1,625
Common stock	483	272
Additional paid-in capital	325,268	83,810
Retained earnings (deficit)	3,013	(25,854)
Accumulated other comprehensive loss	(4,835)	(3,304)
Total stockholders' equity	323,929	56,549
Total liabilities and stockholders' equity	$ 547,449	$ 353,518

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30, 2001	2000
Cash flows from operating activities:		
Net income before extraordinary item	$ 22,076	$ 1,187
Adjustments to reconcile net income from continuing operations to net cash from operating activities:		
Minority interest, net of distributions	1,600	2,572
Depreciation and amortization	13,319	10,632
Deferred income tax provision (benefit)	(11,617)	226
Other, net	655	174
Changes in working capital	(17,889)	12,627
Net cash flows provided by operating activities	8,144	27,418
Cash flows from investing activities:		
Acquisitions of businesses	--	(3,500)
Capital expenditures	(12,537)	(8,757)
Proceeds from sale of equipment	4,925	724
Cash acquired in Sooner acquisition	4,894	--
Payment of earn-out for acquired business	(2,120)	--
Other, net	(339)	200
Net cash flows used in investing activities	(5,177)	(11,333)
Cash flows from financing activities:		
Revolving credit borrowings (repayments)	6,456	(5,317)
Debt repayments	(65,475)	(55,441)
Debt borrowings	--	56,869
Preferred stock dividends	(844)	(502)
Issuance of common stock	84,500	76
Repurchase of preferred stock	(21,775)	--
Payment of offering and financing costs	(4,952)	--
Other, net	(2,530)	(567)
Net cash flows used in financing activities	(4,620)	(4,882)
Effect of exchange rate changes on cash	(230)	(60)
Net increase (decrease) in cash and cash equivalents from continuing operations	(1,883)	11,143
Net cash provided by (used in) discontinued operations	379	(10,156)
Extraordinary item	(250)	--
Cash and cash equivalents, beginning of year	4,821	3,216
Cash and cash equivalents, end of year	$ 3,067	$ 4,203

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

The consolidated and combined financial statements include the activities of Oil States International, Inc. (Oil States), HWC Energy Services, Inc. (HWC) and PTI Group, Inc. (PTI), collectively the Controlled Group or the Company. The reorganization accounting method, which yields results similar to the pooling of

interest method, has been used in the preparation of the consolidated and combined financial statements of the Controlled Group (entities under common control of SCF-III L.P., a private equity fund that focuses on investments in the energy industry). Under this method of accounting, the historical financial statements of HWC and PTI are combined with Oil States for the three-month and six-month periods ended June 30, 2000, and for the period until February 14, 2001 when Oil States, HWC and PTI merged and Oil States acquired Sooner Inc. (Sooner) in exchange for its common stock. After February 14, 2001, the consolidated financial statements of Oil States include the results of all its subsidiaries including HWC, PTI and Sooner. The combined financial statements have been adjusted to reflect minority interests in the Controlled Group. All significant intercompany accounts and transactions between the consolidated entities have been eliminated in the accompanying consolidated and combined financial statements.

The accompanying unaudited consolidated and combined financials statements of the Company and its wholly-owned subsidiaries have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information in footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to these rules and regulations. The unaudited financial statements included in this report reflect all the adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation of the results of operations for the interim periods covered and for the financial condition of the Company at the date of the interim balance sheet. Results for the interim periods are not necessarily indicative of results for the year.

The financial statements included in this report should be read in conjunction with Oil States' audited combined financial statements and accompanying notes included in its 2000 Form 10-K, filed under the Securities Exchange Act of 1934, as amended.

2. INITIAL PUBLIC OFFERING, MERGER TRANSACTIONS AND REFINANCING

On February 9, 2001, the Company began trading its common stock on the New York Stock Exchange under the symbol "OIS" pursuant to completion of its initial public offering (the Offering). On February 14, 2001, the Company closed the business combination and the Offering thereby acquiring the minority interests and the Sooner operations.

Concurrent with the Offering, the Company acquired Sooner for $69.5 million. The Company exchanged 7,597,152 shares of its common stock for all of the outstanding common shares of Sooner. The Company accounted for the acquisition using the purchase method of accounting and recorded approximately $39 million in goodwill that is being amortized over a 15-year period.

Concurrent with the closing of the Offering, the Company issued 4,275,555 shares of common stock to SCF-III and SCF-IV L.P. (SCF-IV) in exchange for approximately $36.0 million of indebtedness of Oil States and Sooner which was held by SCF-III and SCF-IV (the SCF Exchange).

With the proceeds received in the Offering, the Company repaid $43.7 million of outstanding subordinated debt of the Controlled Group and Sooner, redeemed $21.8 million of preferred stock of Oil States, paid accrued interest on subordinated debt and accrued dividends on preferred stock aggregating $7.1 million, and repurchased common stock from non-accredited shareholders and shareholders holding pre-emptive stock purchase rights for $1.6 million. The balance of the proceeds were used to reduce amounts outstanding under bank lines of credit.

On February 14, 2001, the Company entered into a $150 million senior secured revolving credit facility. This new credit facility replaced existing bank credit facilities.

3. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS

Additional information regarding selected balance sheet accounts is presented below (in thousands):

	JUNE 30, 2001	DECEMBER 31, 2000
	(UNAUDITED)	
Accounts receivable, net:		
Trade	$ 100,313	$ 61,809
Unbilled revenue	3,279	--
Other	3,992	4,323
Allowance	(2,391)	(1,995)
	$ 105,193	$ 64,137

	JUNE 30, 2001	DECEMBER 31, 2000
	(UNAUDITED)	
Inventories, net:		
Finished goods and purchased products	$ 93,790	$ 14,813
Work in progress	11,884	12,208
Raw materials	9,767	8,720
Total inventories	115,441	35,741
Inventory reserves	(5,349)	(4,915)
	$ 110,092	$ 30,826

	ESTIMATED USEFUL LIFE	JUNE 30, 2001	DECEMBER 31, 2000
	(UNAUDITED)		
Property, plant and equipment, net:			
Land		$ 4,234	$ 3,660
Buildings and leasehold improvements	2-50 years	27,157	25,501
Machinery and equipment	2-29 years	138,708	134,983
Rental tools	3-5 years	19,954	18,370
Office furniture and equipment	1-10 years	10,411	8,724
Vehicles	2-5 years	5,410	4,853
Construction in progress		766	26
Total property, plant and equipment		206,640	196,117
Less: Accumulated depreciation		(62,270)	(52,649)
		$ 144,370	$ 143,468

	JUNE 30, 2001	DECEMBER 31, 2000
	(UNAUDITED)	
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 54,137	$ 26,215
Accrued compensation	8,298	7,685
Accrued insurance	2,085	2,819
Accrued interest	1,019	6,646
Other	18,829	13,883

	$ 84,368	$ 57,248

4. SEGMENT AND RELATED INFORMATION

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company has identified the following reportable segments: Offshore Products and Wellsite Services and, since the acquisition of Sooner, Tubular Services. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired as a unit, and the management at the time of the acquisition was retained.

Financial information by industry segment for each of the three-month and six-month periods ended June 30, 2001 and 2000 is summarized in the following tables (in thousands):

	OFFSHORE PRODUCTS	WELLSITE SERVICES	TUBULAR SERVICES	CORPORATE AND ELIMINATIONS	TOTAL
THREE MONTHS ENDED JUNE 30, 2001					
Revenues from unaffiliated customers	$ 32,429	$ 56,492	$ 86,412	$ --	$ 175,333
EBITDA	3,960	14,134	3,758	(1,392)	20,460
Depreciation and amortization	1,534	3,980	498	942	6,954
Operating income (loss)	2,426	10,154	3,261	(2,335)	13,506
Capital expenditures	710	6,958	195	14	7,877
Total assets	137,155	213,689	132,657	63,948	547,449
THREE MONTHS ENDED JUNE 30, 2000					
Revenues from unaffiliated customers	$ 27,991	$ 40,169	$ --	$ --	$ 68,160
EBITDA	(868)	8,644	--	(37)	7,739
Depreciation and amortization	1,553	3,890	--	--	5,443
Operating income (loss)	(2,421)	4,755	--	(38)	2,296
Capital expenditures	770	4,573	--	--	5,343
Total assets	142,452	200,831	--	261	343,544

	OFFSHORE PRODUCTS	WELLSITE SERVICES	TUBULAR SERVICES	CORPORATE AND ELIMINATIONS	TOTAL
SIX MONTHS ENDED JUNE 30, 2001					
Revenues from unaffiliated customers	$ 61,930	$125,647	$ 130,733	$ --	$ 318,310
EBITDA	5,747	34,013	5,859	(2,529)	43,090
Depreciation and amortization	3,144	8,056	700	1,419	13,319
Operating income (loss)	2,603	25,957	5,159	(3,948)	29,771
Capital expenditures	1,447	10,677	334	79	12,537
Total assets	137,155	213,689	132,657	63,948	547,449
SIX MONTHS ENDED JUNE 30, 2000					
Revenues from unaffiliated customers	$ 55,911	$100,476	$ --	$ --	$ 156,387
EBITDA	416	26,112	--	(60)	26,468
Depreciation and amortization	3,301	7,331	--	--	10,632

Operating income (loss)..........	(2,885)	18,781	--	(60)	15,836
Capital expenditures............	1,207	7,550	--	--	8,757
Total assets....................	142,452	200,831	--	261	343,544

5. EXTRAORDINARY ITEM

In connection with the debt refinancing in February 2001 (Note 2), the Company incurred prepayment penalties and wrote-off unamortized debt issue costs totaling $0.8 million.

6. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) for the three month and six month periods ended June 30, 2001 and 2000 was as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Comprehensive income:				
Net income (loss)	$ 10,261	$ (1,840)	$ 21,292	$ 1,187
Cumulative translation adjustment	1,542	(1,602)	(1,531)	(2,104)
Total comprehensive income (loss)	$ 11,803	$ 3,442	$ 19,761	$ (917)

7. COMMITMENTS AND CONTINGENCIES

LTV Corporation (LTV), the former owner of Oil States, under the terms of the stock purchase agreement, has indemnified Oil States of all claims and contingencies, threatened or pending, relating to business activities prior to August 1, 1995. Specifically,

claims involving environmental remediation, product warranty, legal actions, workers' compensation issues and various federal, state and sales tax matters related to pre-August 1995 business transactions are the financial responsibility of LTV. The financial responsibilities are initially satisfied through the reserves assumed as part of the acquisition.

Oil States has warranted items related to the sale of two of its subsidiaries, subject to threshold amounts defined in the respective sale agreements. The Company believes all amounts have been properly reflected in the accompanying consolidated financial statements.

The Company is involved in various claims, lawsuits and other proceedings relating to a wide variety of matters. While uncertainties are inherent in the final outcome of such matters, and it is presently impossible to determine the actual costs that ultimately may be incurred, management believes that the resolution of such uncertainties and the incurrence of such costs will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

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

This discussion contains forward-looking statements based on our current expectations, assumptions, estimates and projections about us and our industry. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these forward-looking statements as a result of certain factors as described below in the Overview section and as more fully described under Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995 in the Business section of the Company's Annual Report on Form 10-K. We undertake no obligation to update publicly any forward-looking statements, even if new information becomes available or other events occur in the future.

Overview

We provide a broad range of products and services to the oil and gas industry through our offshore products, tubular services and well site services business segments. Demand for our products and services is cyclical and substantially dependent upon activity levels in the oil and gas industry, particularly our customers' willingness to spend capital on the exploration and development of oil and gas reserves. Demand for our products and services by our customers is highly sensitive to current and expected oil and natural gas prices. Our offshore products segment is a leading provider of highly engineered and technically designed products for offshore oil and gas development and production systems and facilities. Sales of our offshore products and services depend upon repairs and upgrades of existing drilling rigs, construction of new drilling rigs and the development of offshore production systems. We are particularly influenced by deepwater drilling and production activities. Through our tubular services division, we distribute premium tubing and casing. Sales of tubular products and services depend upon the overall level of drilling activity and the mix of wells being drilled. Demand for tubular products is positively impacted by increased drilling of deeper horizontal and offshore wells that generally require premium tubulars and connectors, large diameter pipe and longer and additional tubular and casing strings. In our well site services business segment, we provide hydraulic well control services, pressure control equipment and rental tools and remote site accommodations, catering and logistics services. Demand for our well site services depends upon the level of worldwide drilling and workover activity.

Beginning in late 1996 and continuing though the early part of 1998, stabilization of oil and gas prices led to increases in drilling activity as well as the refurbishment and new construction of drilling rigs. In the second half of 1998, crude oil prices declined substantially and reached levels below $11 per barrel in early 1999. With this decline in pricing, many of our customers substantially reduced their capital spending and related activities. This industry downturn continued through most of 1999. The rig count in the United States and Canada, as measured by Baker Hughes Incorporated, fell from 1,481 rigs in February 1998 to 559 rigs in April 1999. This downturn in activity had a material adverse effect on demand for our products and services, and our operations suffered as a result.

The price of crude oil has increased over 1999 levels due to improved demand for oil and supply reductions by OPEC member countries. This improvement in crude oil pricing has led to increases in the rig count, particularly in Canada and the United States. As of August 3, 2001, the rig count in the United States and Canada, as measured by Baker Hughes, was 1,535. Demand for our well site services and tubular services began to recover with the overall improvement of industry fundamentals. Our offshore products segment has just begun to show some signs of recovery based on the growth of our backlog in this segment and the level of customer inquiries currently being received. We believe that our offshore products segment has lagged the general market recovery because its sales related to offshore construction and production facility development generally occur later in the cycle. Worldwide construction activity continues at a very low level currently, but we expect it to increase substantially as construction activity in the shallow water regions of the Gulf of Mexico resumes and as the industry increasingly pursues deeper water drilling and development projects.

Consolidation among both major and independent oil and gas companies has affected exploration, development and production activities, particularly in international areas. These companies have focused on integration activities and cost control measures over recent periods. As a result, we believe that capital spending within the industry has lagged the improvement in crude oil prices.

Recently, there has been increased uncertainty concerning the stability of oil and natural gas prices due to higher oil and gas inventories and a general economic slowdown in the United States and in other economies. The economic

slowdown coupled with conservation efforts have affected energy supplies and related pricing. The rig count has decreased in recent weeks, but remains well above prior year levels. Management believes this price uncertainty will impact near-term activity levels in the oilfield service business. The Company has taken steps to reduce its tubular inventories and such action could have an adverse impact on profitability if pricing is reduced. Longer term oil and gas supply and demand fundamentals remain positive and we believe any disruption in the positive trends in the Company's operating performance will be brief.

The Combination

Prior to our initial public offering in February 2001, SCF-III owned majority interests in Oil States, HWC and PTI, and SCF-IV owned a majority interest in Sooner. The following chart depicts the summary ownership structure of Oil States, HWC, PTI and Sooner prior to the Combination:

[Chart depicting that SCF-III, L.P. owns 84.6%, 80.6% and 57.7% of Oil States, HWC and PTI, respectively, and minority shareholders own 15.4%, 19.4% and 42.3% of Oil States, HWC and PTI, respectively, in each case prior to the Combination. The chart also depicts that SCF-IV, L.P. owns 81.7% of Sooner and minority stockholders own 18.3% of Sooner, prior to the Combination.]

L.E. Simmons & Associates, Incorporated is the ultimate general partner of SCF-III and SCF-IV. L.E. Simmons, the chairman of our board of directors, is the sole shareholder of L.E. Simmons & Associates, Incorporated. Concurrently with the closing of the Offering, Oil States combined with Sooner, HWC and PTI, a transaction which we refer to as the Combination. As a result HWC, Sooner and PTI became our wholly owned subsidiaries. Concurrently with the closing the Offering we also issued 4,275,555 shares of common stock to SCF-III and SCF-IV in exchange for approximately $36.0 million of indebtedness of Oil States and Sooner which was held by SCF (the SCF Exchange). This exchange was based on the initial public offering price of $9.00 per share less underwriting discounts and commissions. The following chart depicts the summary ownership structure of our company following the Combination, the SCF Exchange and the Offering:

[Chart depicting that purchasers in the offering own 20.7% of our company, existing stockholders (other than SCF) own 16.1%, SCF-III, L.P. owns 45.2% and SCF-IV, L.P. owns 17.9%, in each case following the Combination and the Offering. The chart also depicts that Oil States owns 100% of HWC, 100% (indirectly) of PTI and 100% of Sooner following the Combination and the Offering.]

The financial results of Oil States, HWC and PTI have been combined for the six months ended June 30, 2000 and for the period from January 1, 2001 to February 14, 2001 using reorganization accounting, which yields results similar to the pooling of interests method. The combined results of Oil States, HWC and PTI form the basis for the discussion of our results of operations provided below. The operations of Oil States, HWC and PTI represent two of our business segments, offshore products and well site services. Concurrent with the closing of the Offering, Oil States acquired Sooner, and the acquisition was accounted for using the purchase method of accounting. The pro forma financial statements for the three month and six month periods ended June 30, 2001 and 2000 reflect the acquisition of Sooner as if such acquisition occurred on January 1, 2000. After the acquisition of Sooner, we report under three business segments. The unaudited pro forma financial statements do not reflect any cost savings or other financial synergies that may be realized after the Combination.

PRO FORMA RESULTS OF OPERATIONS

Since the acquisition of Sooner, we have reported under three business segments, offshore products, well site services and tubular services. Pro forma information including these three segments is presented below.

	PRO FORMA THREE MONTHS ENDED JUNE 30,	PRO FORMA SIX MONTHS ENDED JUNE 30,	
	2000(1)	2001	2000

Revenues			
Offshore Products	$ 28.0	$ 61.9	$ 55.9
Well Site Services	40.2	125.6	100.5
Tubular Services	84.1	179.3	154.6
Total	$ 152.3	$ 366.8	$ 311.0
Operating Income (Loss)			
Offshore Products	$ (2.4)	$ 2.6	$ (2.9)
Well Site Services	4.8	26.0	18.8
Tubular Services	5.8	7.2	10.1
Corporate and Eliminations	(1.4)	(4.4)	(2.6)
Total	$ 6.8	$ 31.4	$ 23.4

(1) Comparable results for the three months ended June 30, 2001 are provided in the Combined and Consolidated Results of Operations below.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2000

Revenues. Pro forma revenues increased by 18.0% from $311.0 million during the six months ended June 30, 2000 to $366.8 million for the six months ended June 30, 2001. Revenues from our well site services segment increased $25.2 million, or 25.1%, of which $10.9 million was generated from our remote site accommodations, catering and logistics services and modular building construction services, $4.9 million was generated from our rental tool business, $6.4 million was generated from our land drilling operations and $3.0 million was generated from our hydraulic workover business. Increases in Canadian drilling activity, tar sands development activity and strong Gulf of Mexico accommodations activity drove the increase in revenues in our remote site accommodations, catering and logistics services and modular building construction services. The increases in revenues from our rental tool operations and land drilling services were due to improvements in utilization and pricing from the first half of 2000 to the first half of 2001. Our tubular services revenues increased $24.7 million, or 16.0%, over the period as a direct result of the increased drilling activity over the period. The remaining $6.0 million increase in revenues was generated by our offshore products segment. This year over year increase in revenues was generated by increased demand for our bearings and connector products and certain fabrication work.

Cost of sales. Cost of sales increased $44.7 million, or 17.9%, to $294.9 million for the six months ended June 30, 2001 from $250.3 million for the six months ended June 30, 2000. The cost of sales increase was primarily due to the increase revenues at each of our operating segments. Cost of sales increased in our well site services, tubular services and offshore products segments by $15.4 million, $27.3 million and $1.7 million, respectively. Our gross profit margin for the period increased slightly from 19.5% in 2000 to 19.6% in 2001. Gross margin improvements in our well site services and offshore products segments more than offset margin declines in our tubular services segments.

Selling, General and Administrative Expenses. During the six months ended June 30, 2001, selling, general and administrative expenses increased $2.7 million, or 11.3%, to $26.6 million from $23.9 million for the six months ended June 30, 2000. Selling, general and administrative expenses increased by $2.2 million, or 22.4%, in our well site services segment due to headcount increases in support of increased market activity. This increase was partially offset by a $1.2 million decrease in our offshore products segment as we reduced costs in the second half of 2000 to improve profitability. Corporate headquarter charges were up $1.6 million due to the establishment of a new corporate headquarters office in connection with the Offering.

Depreciation and Amortization. Depreciation and amortization increased $0.6 million to a total of $14.0 million for the six months ended June 30, 2001. The 4.5% increase was primarily due to acquisitions and capital expenditures in our

well site services segment during 2000.

Operating Income. Our operating income represents revenues less (i) cost of sales, (ii) selling, general and administrative expenses and (iii) depreciation and amortization plus other operating income. Our operating income increased $7.9 million, or 33.8%, to $31.4 million for the six months ended June 30, 2001 from $23.4 million for the six months ended June 30, 2000. Operating income from our well site services segment increased $7.2 million from $18.8 million for the six months ended June 30, 2000 to $26.0 million during the six months ended June 30, 2001. Operating income for our tubular services segment decreased $2.9 million to $7.2 million for the six months ended June 30, 2001 from $10.1 million during the six months ended June 30, 2000. Operating income in our offshore products segment increased $5.5 million to $2.6 million for the six months ended June 30, 2001 from an operating loss of $2.9 million for the six months ended June 30, 2000.

Net Interest Expense. Net interest expense totaled $5.0 million for the six months ended June 30, 2001 compared to $4.4 million for the six months ended June 30, 2000. The $0.6 million increase in net interest expense was primarily related to an increase in average debt balances outstanding.

Income Tax Expense. Income tax expense totaled $0.6 million during the six months ended June 30, 2001 compared to $2.8 million during the same period in 2000. The decrease of $2.2 million, and the corresponding low effective tax rate, was primarily due to a reduction in the allowance applied against tax assets, primarily net operating losses (NOL's), due to expected tax benefits resulting from the Combination. We adjusted such tax assets because we determined that it was more likely than not that the deferred tax assets would be realized in the period. Net income for the first six months of 2001 reflects a low estimated annual effective rate due to the partial utilization of net operating losses that benefit the consolidated group after the merger.

Minority Interest. Minority interest expense was immaterial during the six months ended June 30, 2001 and 2000. Substantially all of the minority interests were acquired, and therefore reduced, in connection with the Combination.

COMBINED AND CONSOLIDATED RESULTS OF OPERATIONS.

Prior to the Sooner acquisition, which was effective February 14, 2001, we reported under two business segments, offshore products and well site services. With the Sooner acquisition, we added the tubular services segment. Information for these segments, which represent the combined results of Oil States, HWC and PTI using reorganization accounting through the Sooner acquisition date and consolidated results of Oil States, HWC, PTI and Sooner after February 14, 2001 is presented below.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Revenues				
Offshore Products	$ 32.4	$ 28.0	$ 61.9	$ 55.9
Well Site Services	56.5	40.2	125.6	100.5
Tubular Services	86.4	--	130.7	--
Total	$ 175.3	$ 68.2	$ 318.3	$ 156.4
Operating Income (Loss)				
Offshore Products	$ 2.4	$ (2.4)	$ 2.6	$ (2.9)
Well Site Services	10.2	4.8	26.0	18.8
Tubular Services	3.3	--	5.2	--
Corporate and Eliminations	(2.4)	(.1)	(4.0)	(.1)
Total	$ 13.5	$ 2.3	$ 29.8	$ 15.8

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THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2000

Revenues. Revenues increased $107.2 million, or 157.2%, during the three months ended June 30, 2001 compared to the three months ended June 30, 2000. This revenue increase was primarily attributable to the acquisition of Sooner in February 2001 which contributed $86.4 million revenues. Well site services revenues increased by $16.3 million, or 40.5%, and offshore products revenues increased $4.4 million, or 15.7%, during the same period. Of the $16.3 million increase in well site services, $7.2 million was generated by our remote site accommodations, catering and logistics services and modular building construction services, $3.7 million was from our drilling operations, $2.9 million was generated from our hydraulic workover units and $2.5 million was generated from our rental tool operations. The improvement in revenues from our remote site accommodations, catering and logistics services and modular building construction services as primarily due to an increase in headcount served due to increased activity in the tar sands developments in Northern Alberta, Canada. The increase in revenues of drilling rigs was attributable to increased utilization and footage rates charged in both Texas and Ohio. The hydraulic workover units' increased revenues in the three months ended June 30, 2001 compared to the same period in the prior year was attributable to higher utilization (958 revenue days vs. 758 revenue days) and higher revenues per day worked. Increased activity for our hydraulic workover units was noted in all geographic areas, but it was most significant in West Africa and the Middle East regions. Our rental tool operations benefited from increased activity and additional tools purchased for rent since the second quarter of 2000. Offshore products revenues increased in the quarter ended June 30, 2001 compared to the same period in the prior year because of increased volumes in its bearing and connector products and higher activity in fabrication and repair operations.

Cost of Sales. Cost of sales increased $91.0 million, or 179.8%, to $141.6 million in the three months ended June 30, 2001 compared to $50.6 million in the three months ended June 30, 2000. The acquisition of Sooner's tubular services business accounted for $80.6 million of this increase. Well site services cost of sales increased $9.8 million in the three months ended June 30, 2001 compared to the same period in 2000. The increase in cost of sales for the well site services segment was attributable to higher activity. Our gross margins decreased to 19.2% in the three months ended June 30, 2001 from 25.8% during the same period in 2000 because of the addition of our tubular services segment beginning February 2001, whose business is characterized by lower gross margins than are realized in our offshore services and well site services business.

Selling, General and Administrative Expenses. During the three months ended June 30, 2001, selling general and administrative expenses increased $3.3 million to $13.1 million compared to $9.8 million for the three months ended June 30, 2000. The newly acquired tubular services division added $2.0 million of the increase. Selling, general and administrative expenses in our well site services segment increased $1.0 million, or 20.3%, due to headcount increases in support of increased market activity. This increase was partially offset by a $0.8 million decrease in our offshore products segment. We reduced costs in our offshore products segment in response to the market downturn in offshore construction activity. Additionally, there was an increase in selling, general and administrative expenses of $1.1 million attributable to the establishment of our corporate headquarters office after the second quarter of 2000.

Depreciation and Amortization. Depreciation and amortization totaled $7.0 million for the three months ended June 30, 2001 compared to $5.4 million for the three months ended June 30, 2000. The addition of our tubular services segment caused an increase

of $0.5 million. The remaining increase was primarily related to asset acquisitions capital expenditures made in our well site services segment during 2000.

Operating Income. Our operating income equals revenues less cost of sales, selling, general and administrative expense, depreciation and amortization and other operating income (expense). Our operating income increased by $11.2 million to $13.5 million for the three months ended June 30, 2001 from $2.3 million for the same period in 2000. Operating income from our well site services segment increased $5.4 million from $4.8 million for the three months ended June 30, 2000 to $10.2 million for the same period in 2001. Operating income in our offshore products segment increased $4.8 million from a loss of $2.4 million in 2000 to income of $2.4 million in 2001. The tubular services segment contributed operating income of $3.3 million during the three months ended June 30, 2001.

Income Tax (Expense) Benefit. Income tax expense totaled $0.3 million during the three months ended June 30, 2001 compared to $1.2 million during the three months ended June 30, 2000. The decrease of $.9 million, and the correspondingly low effective tax rate, was primarily due to a reduction in the allowance applied against tax assets, primarily net operating losses (NOL's), due to expected tax benefits resulting from the Combination. Net income for the second quarter of 2001 reflects a low estimated annual effective rate due to the partial utilization of net operating losses that benefit the consolidated group after the merger.

Minority Interest. Minority interests decreased in 2001 to zero from $.1 million during the three months ended June 30, 2000. Substantially all of the minority interests were acquired, and therefore reduced, in connection with the Offering.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2000

Revenues. Revenues increased $161.9 million, or 103.5%, during the six months ended June 30, 2001 compared to the six months ended June 30, 2000. This revenue increase was primarily due to the acquisition of Sooner in February 2001, which contributed $130.7 million in revenues. Revenues from our well site services segment increased $25.2 million, or 25.1%, of which $10.9 million was generated from our remote site accommodations, catering and logistics services and modular building construction services, $4.9 million was generated from our rental tool business, $6.4 million was generated from our land drilling operations and $3.0 million was generated from our hydraulic workover business. Increases in Canadian drilling activity, tar sands development and strong Gulf of Mexico accommodations activity drove the increase in revenues in our remote site accommodations, catering and logistics services and modular building construction services. The increases in revenues from our rental tool operations and land drilling services were due to improvements in utilization and pricing from the first half of 2000 to the first half of 2001. The remaining $6.0 million increase in revenues was generated by our offshore products segment. This year over year increase in revenues was generated by increased demand for our bearings and connector products and certain fabrication work.

Cost of sales. Cost of sales increased $139.2 million, or 125.8%, to $249.8 million for the six months ended June 30, 2001 from $110.6 million for the six months ended June 30, 2000. The acquisition of Sooner accounted for $121.8 million of this increase. The remaining increase in cost of sales was primarily due to the increase revenues at each of our operating segments. Cost of sales increased in our well site services and offshore products segments by $15.4 million and $1.7 million, respectively. Our gross profit margin decreased to 21.5% in the six months ended June 30, 2001 from 29.2% during the same period in 2000 primarily due to the addition of the tubular services segment, whose business is characterized by lower margins than are realized in our other two operating segments.

Selling, General and Administrative Expenses. During the six months ended June 30, 2001, selling, general and administrative expenses increased $6.1 million to $25.4 million from $19.3 million during the six months ended June 30, 2000. The acquisition of our tubular services segment contributed $3.1 million of this increase. Selling, general and administrative expenses increased by $2.2 million, or 22.4%, in our well site services segment due to headcount increases in support of increased market activity. This increase was partially offset by a $1.2 million decrease in our offshore products segment as we reduced costs in the second half of 2000 to improve profitability. Corporate headquarter charges were up $2.1 million due to the establishment of a new corporate headquarters office in connection with the Offering.

Depreciation and Amortization. Depreciation and amortization increased $2.8 million to a total of $13.3 million for the six months ended June 30, 2001. The 25.3% increase was primarily due to the acquisition of our tubular services

segment in February 2001 and asset acquisitions and capital expenditures in our well site services segment during 2000.

Operating Income. Our operating income represents revenues less (i) cost of sales, (ii) selling, general and administrative expenses and (iii) depreciation and amortization plus other operating income. Our operating income increased $14.0 million, or 88.0%, to $29.8

million during the six months ended June 30, 2001 from $15.8 million during the six months ended June 30, 2000. Operating income from our well site services segment increased $7.2 million from $18.8 million for the six months ended June 30, 2000 to $26.0 million for the six months ended June 30, 2001. Our tubular services segment contributed operating income of $5.2 million during the period from acquisition in February 2001 to June 30, 2001. Operating income in our offshore products segment increased $5.5 million to $2.6 million for the six months ended June 30, 2001 from a operating loss of $2.9 million for the six months ended June 30, 2000.

Income Tax Expense. Income tax expense totaled $0.5 million during the six months ended June 30, 2001 compared to $6.4 million during the same period in 2000. The decrease of $5.9 million, and the corresponding low effective tax rate, was primarily due to a reduction in the allowance applied against tax assets, primarily net operating losses (NOL's), due to expected tax benefits resulting from the Combination. We adjusted such tax assets because we determined that it was more likely than not that the deferred tax assets would be realized in the period. Net income for the first six months of 2001 reflects a low estimated annual effective rate due to the partial utilization of net operating losses that benefit the consolidated group after the merger.

Minority Interest. Minority interests decreased by $1.1 million during the six months ended June 30, 2001 to $1.6 million from $2.7 million during the six months ended June 30, 2000. Substantially all of the minority interests were acquired, and therefore reduced, in connection with the Combination.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund capital expenditures, such as expanding and upgrading our manufacturing facilities and equipment, increasing our rental tool and workover assets, increasing our accommodation units, funding new product development, and to repay current maturities of long-term debt and to fund general working capital needs. In addition, capital is needed to fund strategic business acquisitions. Our primary sources of funds have been cash flow from operations, proceeds from borrowings under our bank facilities and private and public capital investments.

Cash was provided by operations during the six months ended June 30, 2001 and 2000 in the amounts of $8.1 million and $27.4 million, respectively. Cash was provided by operations in 2000 as a result of decreased seasonal working capital needs, primarily in Canada. Lower cash provided by operations in 2001 reflects the increased investment in working capital resulting primarily from the acquisition of our tubular services operations, partially offset by higher operating cash flow.

Capital expenditures were $12.5 million and $8.8 million during the six months ended June 30, 2001 and 2000, respectively. Capital expenditures during both these periods consisted principally of purchases of assets for our well site services businesses. We expect to spend a total of approximately $27 million during 2001 to upgrade our equipment and facilities and expand our product and service offerings. These capital expenditures are expected to be funded with operating cash flow and with borrowings available under our $150 million credit facility.

Net cash was used in investing activities in the amount of $11.3 million during the six months ended June 30, 2000, primarily to fund capital expenditures and acquisitions. Cash was used by investing activities in the amount of $5.2 million during the six months ended June 30, 2001 primarily as a result of capital expenditures, partially offset by cash acquired in connection with the Sooner acquisition and proceeds from asset sales.

Net cash of $4.6 million and $4.9 million was used in financing activities during the six months ended June 30, 2001 and June 30, 2000, respectively. Net cash was used in financing activities in 2001 primarily as a result of debt and preferred stock repayments offset by net proceeds of the Offering. Net cash was used in financing activities during the six months ended June 30, 2000 as a result of debt repayments.

With the proceeds received in the Offering, the Company repaid $43.7 million of outstanding subordinated debt of the Controlled Group and Sooner, redeemed $21.8 million of preferred stock of Oil States, paid accrued interest on subordinated debt and accrued dividends on preferred stock aggregating $7.1 million, and repurchased common stock from non-accredited shareholders and shareholders holding pre-emptive stock purchase rights for $1.6 million. The balance of the proceeds were used to reduce amounts outstanding under bank lines of credit. Concurrently with the closing of our initial public offering, we issued 4,275,555 shares of common stock in the SCF Exchange.

Also concurrent with the Offering, we entered into a $150 million senior secured revolving credit facility in February 2001. Credit Suisse First Boston, New York branch, an affiliate of Credit Suisse First Boston Corporation, is the administrative agent, collateral

agent, book manager and lead arranger. Credit Suisse First Boston Canada, an affiliate of Credit Suisse First Boston Corporation, is the Canadian administrative agent, collateral agent, book manager and lead arranger. Up to $45.0 million of the new credit facility is available in the form of loans denominated in Canadian dollars and may be made to our principal Canadian operating subsidiaries. This new credit facility replaced our existing credit facilities. The facility matures on February 14, 2004, unless extended for up to two additional one year periods with the consent of the lenders. Amounts borrowed under this new facility bear interest, at our election, at either:

- a variable rate equal to LIBOR (or, in the case of Canadian dollar denominated loans, the Bankers' Acceptance discount rate) plus a margin ranging from 1.5% to 2.5%; or

- an alternate base rate equal to the higher of Credit Suisse First Boston's prime rate and the federal funds effective rate plus 0.5% (or, in the case of Canadian dollar denominated loans, the Canadian Prime Rate) plus a margin ranging from 0.5% to 1.5%, depending upon the ratio of total debt to EBITDA (as defined in the new credit facility).

We pay commitment fees ranging from 0.25% to 0.5% per year on the undrawn portion of the facility, also depending upon the ratio of total debt to EBITDA.

Subject to exceptions, commitments under our new credit facility will be permanently reduced, and loans prepaid, by an amount equal to 100% of the net cash proceeds of all non-ordinary course asset sales and the issuance of additional debt and by 50% of the issuance of equity securities. Mandatory commitment reductions will be allocated pro rata based on amounts outstanding under the U.S. dollar denominated facility and the Canadian dollar denominated facility. In addition, voluntary reductions in commitments will be permitted.

Our new credit facility is guaranteed by all of our active domestic subsidiaries and, in some cases, our Canadian and other foreign subsidiaries. Our credit facility is secured by a first priority lien on all our inventory, accounts receivable and other material tangible and intangible assets, as well as those of our active subsidiaries. However, no more than 65% of the voting stock of any foreign subsidiary is required to be pledged if the pledge of any greater percentage would result in adverse tax consequences.

Our new credit facility contains negative covenants that will restrict our ability to:

- incur additional indebtedness;

- prepay, redeem and repurchase outstanding indebtedness, other than loans under the new credit facility;

- pay dividends;
- repurchase and redeem capital stock;
- sell assets other than in the ordinary course of business;
- make liens;
- engage in sale-leaseback transactions;
- make specified loans and investments;
- make acquisitions;
- enter into mergers, consolidations and similar transactions;
- enter into hedging arrangements;
- enter into transactions with affiliates;
- change the businesses we and our subsidiaries conduct; and

- amend debt and other material agreements.

In addition, our new credit facility will require us to maintain:

- a ratio of EBITDA to interest expense of not less than 3.0 to 1.0;
- a level of consolidated net tangible assets of not less than $120 million plus 50% of each quarter's consolidated net income (but not loss);
- a maximum ratio of total debt to EBITDA of not greater than 3.5 to 1.0; and
- a maximum ratio of total senior debt to EBITDA of not greater than 3.0 to 1.0.

Under our new credit facility, the occurrence of specified change of control events involving our company would constitute an event of default that would permit Credit Suisse First Boston to, among other things, accelerate the maturity of the facility and cause it to become immediately due and payable in full.

As of June 30, 2001, we had $91.4 million outstanding under this facility and an additional $6.2 million of outstanding letters of credit leaving $52.4 million available to be drawn under the facility.

We had an aggregate of approximately $9.5 million of subordinated debt outstanding at June 30, 2001. This subordinated debt will become due and payable at various times over the period from July 2001 to November 2005.

We believe that cash from operations and available borrowings under our new credit facility will be sufficient to meet our liquidity needs for the foreseeable future. If our plans or assumptions change or are inaccurate, or we make any acquisitions, we may need to raise additional capital. We may not be able to raise additional funds or may not be able to raise such funds on favorable terms.

Tax Matters

For the year ended December 31, 2000, we had deferred tax assets, net of deferred tax liabilities, of approximately $35 million for federal income tax purposes before application of valuation allowances. Our primary deferred tax assets are net operating loss carry forwards, or NOLs, which total approximately $136.1 million. A valuation allowance is currently provided against the majority of our NOLs. The NOLs expire over a period through 2020. Our NOLs are currently limited under Section 382 of the Internal Revenue Code due to a change of

control that occurred during 1995. However, approximately $85 million of NOLs are available for use currently if sufficient income is generated.

Recent Accounting Pronouncements

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. A company may also implement the statement as of the beginning of any fiscal quarter after issuance; however, SFAS No. 133 cannot be applied retroactively. We adopted SFAS No. 133 effective January 1, 2001, and the adoption did not have a material impact on our results of operations.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statement is expected to result in an increase in net income of approximately $8.0 million ($.16 per diluted share) per year. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. We have long-term debt and revolving lines of credit subject to the risk of loss associated with movements in interest rates.

Currently, we have floating rate obligations totaling approximately $96.2 million for amounts borrowed under our revolving lines of credit. These floating-rate obligations expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If the floating interest rate were to increase by 1% from June 30, 2001 levels, our combined interest expense would increase by a total of approximately $80,000 per month.

Foreign Currency Exchange Rate Risk. Our operations are conducted in various countries around the world in a number of different currencies. As such, our earnings are subject to change due to movements in foreign currency exchange rates when transactions are denominated in currencies other than the U.S. dollar, which is our functional currency. In order to mitigate the effects of exchange rate risks, we generally pay a portion of our expenses in local currencies and a substantial portion of our contracts provide for collections from customers in U.S. dollars. As of June 30, 2001, we had Canadian dollar-denominated debt totaling approximately $12 million.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) INDEX OF EXHIBITS

EXHIBIT NO.		DESCRIPTION
3.1	--	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
3.2	--	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
3.3	--	Certificate of Designations of Special Preferred Voting Stock of Oil States International, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
4.1	--	Form of common stock certificate (incorporated by reference to Exhibit 4.1 of Oil States' Registration Statement No. 333-43400 on Form S-1).
4.2	--	Amended and Restated Registration Rights Agreement (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
10.1	--	Combination Agreement dated as of July 31, 2000 by and among Oil States International, Inc., HWC Energy Services, Inc., Merger Sub-HWC, Inc., Sooner Inc., Merger Sub-Sooner, Inc. and PTI Group Inc. (incorporated by reference to Exhibit 10.1 of Oil States' Registration Statement No. 333-43400 on Form S-1).
10.2	--	Plan of Arrangement of PTI Group Inc. (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
10.3	--	Support Agreement between Oil States International, Inc. and PTI Holdco (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
10.4	--	Voting and Exchange Trust Agreement by and among Oil States International, Inc., PTI Holdco and Montreal Trust Company of Canada (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
10.5**	--	2001 Equity Participation Plan (incorporated by

reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).

10.6**	--	Form of Deferred Compensation Plan (incorporated by reference to Exhibit 10.6 of Oil States' Registration Statement No. 333-43400 on Form S-1).
10.7**	--	Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).

10.8**	--	Executive Agreement between Oil States International, Inc. and Douglas E. Swanson (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
10.9**	--	Executive Agreement between Oil States International, Inc. and Cindy B. Taylor (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001).
10.10**	--	Form of Executive Agreement between Oil States International, Inc. and other Named Executive Officers (Messrs. Hughes and Chaddick) (incorporated by reference to Exhibit 10.10 of Oil States' Registration Statement No. 333-43400 on Form S-1).
10.11**	--	Form of Change of Control Severance Plan for Selected Members of Management (incorporated by reference to Exhibit 10.11 of Oil States' Registration Statement No. 333-43400 on Form S-1).
10.12	--	Credit Agreement among Oil States International, Inc., PTI Group Inc., the Lenders named therein, Credit Suisse First Boston, Credit Suisse First Boston Canada, Hibernia National Bank and Royal Bank of Canada (incorporated by reference to Exhibit 10.12 of Oil States' Registration Statement No. 333-43400 on Form S-1).
10.13A**	--	Restricted Stock Agreement, dated February 8, 2001, between Oil States International, Inc. and Douglas E. Swanson (incorporated by reference to Exhibit 10.13A of Oil States Report on Form 10Q filed May 15, 2001).
10.13B**	--	Restricted Stock Agreement, dated February 22, 2001, between Oil States International, Inc. and Douglas E. Swanson (incorporated by reference to Exhibit 10.13B of Oil States Report on Form 10Q filed May 15, 2001).
10.14**	--	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.14 of Oil States' Registration Statement No. 333-43400 on Form S-1).
10.15**	--	Compensation Letter Agreement between HWC Energy Services, Inc. and Jay Trahan (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31,

2000, as filed with the Commission on March 30, 2001).

16.1	--	Letter Regarding Change in Certifying Accountant (incorporated by reference to Exhibit 16.1 of Oil States' Registration Statement No. 333-43400 on Form S-1).
21.1	--	List of subsidiaries of the Company (incorporated by reference to Exhibit 21.1 of Oil States' Registration Statement No. 333-43400 on Form S-1).

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* Filed herewith

** Management contracts or compensatory plans or arrangements.

(b) REPORTS ON FORM 8-K. No reports on Form 8-K were filed during the period covered by this report.

SIGNATURES

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

OIL STATES INTERNATIONAL, INC.

Date: August 14, 2001 By /s/ CINDY B. TAYLOR

Cindy B. Taylor
Senior Vice President, Chief Financial Officer and
Treasurer (Principal Financial Officer)

Date: August 14, 2001 By /s/ ROBERT W. HAMPTON

Robert W. Hampton
Vice President -- Finance and Accounting and
Secretary (Principal Accounting Officer)