

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

FORM 10Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

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

For the transition period from \_\_\_\_\_ to

Commission file number 1-16337

-----  
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  NO

The Registrant had 48,270,431 shares of common stock outstanding as of May 10, 2001.

OIL STATES INTERNATIONAL, INC.

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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:

- o 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);
- o 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;
- o 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
- o 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

- o 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 months ended March 31, 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:

- o our acquisition of minority interests of the Controlled Group;
- o our acquisition of Sooner;
- o our exchange of shares of common stock for debt of Sooner and Oil States; and
- o 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.

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PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2001  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

	PRO FORMA					CONSOLIDATED, ACQUISITIONS AND OFFERING
	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)	
Revenue.....	\$142,977	\$48,517	\$	\$	\$	\$191,494
Expenses						
Costs of sales.....	108,179	45,142				153,321
Selling, general and administrative..	12,304	1,133				13,437
Depreciation and amortization.....	6,364	188	331	135		7,018
Other expense (income).....	(135)					(135)
Operating income (loss).....	16,265	2,054	(331)	(135)		17,853
Interest income.....	263	22				285
Interest expense.....	(3,197)	(585)			843 (A)	(2,939)
Other income .....	264	--				264
Earnings before income taxes.....	13,595	1,491	(331)	(135)	843	15,463
Income tax (expense) benefit.....	(180)	(542)			491 (D)	(231)
Net income (loss) before minority interests.....	13,415	949	(331)	(135)	1,334	15,232
Minority interests, net of taxes.....	(1,600)	--			1,600	--
Net income (loss) before extraordinary item.....	11,815	949	(331)	(135)	2,934	15,232
Extraordinary loss on debt restructuring.....	(784)	--				(784)
Net income (loss).....	11,031	--				14,448
Preferred dividends.....	(41)	--			41 (C)	--
Net income attributable to common shares.....	\$ 10,990	\$ 949	\$(331)	\$(135)	\$2,975	\$ 14,448
Net income per common share.....	\$ .30					\$ 0.30
Diluted.....	\$ .29					\$ 0.30
Average shares outstanding .....						
Basic.....	36,418					48,156
Diluted.....	38,337					48,634

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PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 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.....	\$ 88,227	\$ 70,425	\$	\$	\$	\$ 158,652
Expenses						
Costs of sales.....	60,023	63,722				123,745
Selling, general and administrative.....	9,506	1,984			236 (B)	11,726
Depreciation and amortization.....	5,189	357	663	364		6,573
Other expense (income).....	(31)					(31)
Operating income (loss).....	13,540	4,362	(663)	(364)	(236)	16,639
Interest income.....	16	105				121
Interest expense.....	(2,791)	(1,108)			1,532 (A)	(2,367)
Other income (expense).....	65	--			(25) (E)	40
Earnings before income taxes.....	10,830	3,359	(663)	(364)	1,271	14,433
Income tax (expense) benefit.....	(5,226)	1			1,950 (D)	(3,277)
Net Income (loss) before minority interests.....	5,604	3,358	(663)	(364)	3,221	11,156
Minority interests, net of taxes.....	(2,576)	--			2,569	(7)
Net income (loss).....	3,028	3,358	(663)	(364)	5,790	11,149
Preferred dividends.....	(82)	--			82 (C)	--
Net income attributable to common shares.....	\$ 2,946	\$ 3,358	\$ (663)	\$ (364)	\$ 5,872	\$ 11,149
Net income per common share.....						
Basic.....	\$ .12					\$ 0.23
Diluted.....	\$ .11					\$ 0.23
Average shares outstanding .....						
Basic.....	23,905					48,165
Diluted.....	25,848					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 three months ended March 31, 2001 and 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 three months ended March 31, 2001 and 2000 include the historical financial statements of Sooner prior to the acquisition, for the entire three month period ended March 31, 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 Controlled Group.

NOTE 1 -- COMBINING ADJUSTMENTS

Sooner's results from its February 14, 2001 acquisition date are included with 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 March 31, 2000.....	\$ 2,569
	=====
Three Months Ended March 31, 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 March 31, 2000.....		\$ .66
		=====
Amortization for the period from January 1, 2001 to February 14, 2001.....		\$ .33
		=====

-----  
 (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 March 31, 2000.....	\$ .36 =====
Amortization of the additional goodwill for the three months ended March 31, 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.
- (E) To conform classification of income and expenses to current classifications.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	-----	-----
Revenues.....	\$142,977	\$ 88,227
Costs and expenses:		
Cost of sales.....	108,179	60,023
Selling, general and administrative expenses.....	12,304	9,506
Depreciation expense.....	4,996	4,418
Amortization expense.....	1,368	771
Other operating expense (income).....	(135)	(31)
	-----	-----
	126,712	74,687
	-----	-----
Operating income.....	16,265	13,540
Interest expense.....	(3,197)	(2,791)
Interest income.....	263	16
Other income (expense).....	264	65
	-----	-----
Income before income taxes, minority interest, and extraordinary item.....	13,595	10,830
Income tax expense.....	(180)	(5,226)

Minority interest in income of combined companies and consolidated subsidiaries.....	(1,600)	(2,576)
Net income before extraordinary item.....	11,815	3,028
Extraordinary loss on debt restructuring, net of income taxes.....	784	--
Net income .....	11,031	3,028
Preferred dividends.....	(41)	(82)
Net income attributable to common shares.....	\$ 10,990	\$ 2,946
Basic earnings (loss) per share:		
Earnings per share before extraordinary item.....	\$ .32	\$ .12
Extraordinary loss on debt restructuring, net of income taxes.....	(.02)	--
Basic net income per share.....	.30	.11
Diluted earnings (loss) per share:		
Earnings per share before extraordinary item.....	\$ .31	\$ .12
Extraordinary loss on debt restructuring, net of income taxes.....	(.02)	--
Diluted net income per share.....	.29	.11
Weighted average number of common shares outstanding (in thousands):		
Basic.....	36,418	23,905
Diluted.....	38,337	25,848

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

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OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED BALANCE SHEETS  
(IN THOUSANDS)

ASSETS	CONSOLIDATED	COMBINED
	MARCH 31, 2001	DECEMBER 31, 2000
	(UNAUDITED)	
Current assets:		
Cash and cash equivalents.....	\$ 5,684	\$ 4,821
Accounts receivable, net.....	112,993	64,137
Inventories, net.....	106,535	30,826
Prepaid expenses and other current assets.....	3,863	1,715
Total current assets.....	229,075	101,499
Property, plant, and equipment, net.....	144,190	143,468
Goodwill, net.....	175,191	103,391
Other noncurrent assets.....	7,789	5,160
Total assets.....	\$ 556,245	\$ 353,518
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 88,764	\$ 57,248
Income taxes.....	5,165	2,796
Current portion of long-term debt.....	3,063	37,629

Other current liabilities.....	3,922	3,433
	-----	-----
Total current liabilities.....	100,914	101,106
Long-term debt.....	116,306	102,614
Deferred income taxes.....	15,598	19,977
Postretirement healthcare benefits.....	6,003	5,899
Other liabilities.....	4,532	4,519
	-----	-----
Total liabilities.....	243,353	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.....	326,430	83,810
Retained (deficit).....	(7,798)	(25,854)
Accumulated other comprehensive loss.....	(6,378)	(3,304)
	-----	-----
Total stockholders' equity.....	312,737	56,549
	-----	-----
Total liabilities and stockholders' equity.....	\$ 556,245	\$ 353,518
	=====	=====

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

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OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income before extraordinary item.....	\$ 11,815	\$ 3,028
Adjustments to reconcile net income from continuing operations to net cash from operating activities:		
Minority interest, net of distributions.....	1,600	2,476
Depreciation and amortization.....	6,364	5,189
Deferred income tax provision (benefit).....	(4,577)	410
Other, net.....	257	48
Changes in working capital.....	(26,468)	(13,551)
	-----	-----
Net cash flows used by operating activities.....	(11,009)	(2,400)
Cash flows from investing activities:		
Acquisitions of businesses.....	--	(3,500)
Capital expenditures.....	(4,660)	(3,665)
Proceeds from sale of equipment.....	2,425	374
Cash acquired in Sooner acquisition.....	4,894	--
Payment of earn-out for acquired business.....	(2,120)	--
Other, net.....	(40)	83
	-----	-----
Net cash flows provided by (used in) investing activities.....	499	(6,708)
Cash flows from financing activities:		
Revolving credit borrowings.....	19,953	4,050
Debt repayments.....	(64,038)	(22,281)
Debt borrowings.....	--	28,458
Preferred stock dividends.....	(844)	--
Issuance of common stock.....	84,200	--
Repurchase of preferred stock.....	(21,775)	--
Payment of offering and financing costs.....	(4,511)	--
Other, net.....	(1,665)	(108)
	-----	-----
Net cash flows provided by financing activities.....	11,320	10,119
Effect of exchange rate changes on cash.....	(102)	(23)
	-----	-----
Net increase in cash and cash equivalents from continuing operations.....	708	988
Net cash used in discontinued operations.....	155	(536)
Cash and cash equivalents, beginning of year.....	4,821	3,216
	-----	-----
Cash and cash equivalents, end of year.....	\$ 5,684	\$ 3,668
	=====	=====

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 period ended March 31, 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, combined and pro forma 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):

	MARCH 31, 2001	DECEMBER 31, 2000	
	-----	-----	
	(Unaudited)		
Accounts receivable, net:			
Trade.....	\$107,564	\$ 61,809	
Unbilled revenue.....	2,461	--	
Other.....	5,207	4,323	
Allowance.....	(2,239)	(1,995)	
	-----	-----	
	\$112,993	\$ 64,137	
	=====	=====	
	MARCH 31, 2001	DECEMBER 31, 2000	
	-----	-----	
	(Unaudited)		
Inventories, net:			
Finished goods and purchased products.....	\$ 90,063	\$ 14,813	
Work in progress.....	12,705	12,208	
Raw materials.....	9,325	8,720	
	-----	-----	
Total inventories.....	112,093	35,741	
Inventory reserves.....	(5,558)	(4,915)	
	-----	-----	
	\$106,535	\$ 30,826	
	=====	=====	
	ESTIMATED USEFUL LIFE	MARCH 31, 2001	
	-----	DECEMBER 31, 2000	
		-----	
		(Unaudited)	
Property, plant and equipment, net:			
Land.....		\$ 4,272	\$ 3,660
Buildings and leasehold improvements... 2-50 years		27,122	25,501
Machinery and equipment..... 2-29 years		135,892	134,983
Rental tools..... 3-5 years		19,025	18,370
Office furniture and equipment..... 1-10 years		9,809	8,724
Vehicles..... 2-5 years		5,293	4,853
Construction in progress.....		1,389	26
		-----	-----
Total property, plant and equipment..		202,802	196,117
Less: Accumulated depreciation.....		(58,612)	(52,649)
		-----	-----
		\$144,190	\$143,468
		=====	=====

	MARCH 31, 2001	DECEMBER 31, 2000
	----- (Unaudited)	-----
Accounts payable and accrued liabilities:		
Trade accounts payable.....	\$ 62,561	\$ 26,215
Accrued compensation.....	5,873	7,685
Accrued insurance.....	2,755	2,819
Accrued interest.....	388	6,646
Other.....	17,187	13,883
	-----	-----
	\$ 88,764	\$ 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.

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Financial information by industry segment for each of the three-month periods ended March 31, 2001 and 2000 is summarized in the following table (in thousands):

	OFFSHORE PRODUCTS	WELLSITE SERVICES	TUBULAR SERVICES	CORPORATE AND ELIMINATIONS	TOTAL
	-----	-----	-----	-----	-----
MARCH 31, 2001					
Revenues from unaffiliated customers.....	\$ 29,501	\$ 69,155	\$ 44,321	\$ --	\$142,977
	=====	=====	=====	=====	=====
EBITDA.....	1,787	19,879	2,101	(1,138)	22,629
	=====	=====	=====	=====	=====
Depreciation and amortization.....	1,610	4,076	202	476	6,364
	=====	=====	=====	=====	=====
Operating income (loss).....	177	15,803	1,898	(1,613)	16,265
	=====	=====	=====	=====	=====
Capital expenditures.....	800	3,721	139	--	4,660
	=====	=====	=====	=====	=====
Total assets.....	136,821	222,795	131,273	65,356	556,245
	=====	=====	=====	=====	=====
MARCH 31, 2000					
Revenues from unaffiliated customers.....	27,920	60,307	--	--	88,227
	=====	=====	=====	=====	=====
EBITDA.....	1,284	17,468	--	(23)	18,729
	=====	=====	=====	=====	=====
Depreciation and amortization.....	1,748	3,441	--	--	5,189
	=====	=====	=====	=====	=====
Operating income (loss).....	(464)	14,026	--	(22)	13,540
	=====	=====	=====	=====	=====
Capital expenditures.....	459	3,206	--	--	3,665
	=====	=====	=====	=====	=====
Total assets.....	\$159,260	\$219,056	\$ --	\$ 783	\$379,099
	=====	=====	=====	=====	=====

#### 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 months ended March 31, 2001 and 2000 was as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 2001	2000
	-----	-----
Comprehensive income:		
Net income.....	\$ 11,031	\$ 3,028
Cumulative translation adjustment.....	(3,074)	(502)
	-----	-----
Total comprehensive income.....	\$ 7,957	\$ 2,526
	=====	=====

## 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. As of March 31, 2001, the reserve for this matter was \$2.2 million.

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.

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## 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 through 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 significantly over the last 18 months 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 May 4, 2001, the rig count in the United States and Canada, as measured by Baker Hughes, was 1,427. Demand for our well site services and tubular services began to recover with the overall improvement of industry fundamentals. Our offshore products segment has not recovered with the general market. We believe that our offshore products segment lags 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.

#### 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 will own 20.7% of our company, existing stockholders (other than SCF) will own 16.1%, SCF-III, L.P. will own 45.2% and SCF-IV, L.P. will own 17.9%, in each case following the Combination and the offering. The chart also depicts that Oil States will own 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 three months ended March 31, 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 months ended March 31, 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

Following the acquisition of Sooner, we report 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 MARCH 31	
	2001	2000
	-----	-----
Revenues		
Offshore Products.....	\$ 29.5	\$ 27.9
Well Site Services.....	69.2	60.3
Tubular Services.....	92.8	70.5
	-----	-----
Total.....	\$ 191.5	\$ 158.7
	=====	=====
Operating Income (Loss)		
Offshore Products.....	\$ 0.2	\$ (0.5)
Well Site Services.....	15.8	14.0
Tubular Services.....	4.0	4.4
Corporate and Eliminations.....	(2.1)	(1.3)
	-----	-----
Total.....	\$ 17.9	\$ 16.6
	=====	=====

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2000

Revenues. Pro forma revenues increased by \$32.8 million, or 20.7%, to \$191.5 million for the three months ended March 31, 2001 from \$158.7 million for the three months ended March 31, 2000. Well site services revenues increased by \$8.9 million, or 14.8%, and tubular services revenues increased \$22.3 million, or 31.6%, during the same period. Of the \$8.9 million increase in well site services revenues, \$3.7 million was generated from our remote site accommodations, catering and logistics services and modular building construction services, \$2.7 million was generated from our drilling operations, \$2.4 million was generated from our rental tool operations and \$0.1 million was generated from our hydraulic workover units. The improvement in revenues from our remote site accommodations, catering and logistics services and modular

building construction services was due to the strong level of Gulf of Mexico drilling activity, which resulted in increased demand for our portable accommodations and related catering services and an acquisition made in the U.S. for this division in February 2000. The increased revenues in our rental tool operations and drilling rigs resulted from higher utilization and higher prices charged to our customers during the period. The increased tubular services revenues were directly attributable to increases in drilling activity over the period.

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Cost of Sales. Cost of sales increased by \$29.6 million, or 23.9%, to \$153.3 million for the three months ended March 31, 2001 from \$123.7 million for the three months ended March 31, 2000. Cost of sales increased in our well site services and tubular services segments by \$5.5 million and \$22.5 million, respectively. The changes from the 2000 period to the 2001 period were caused by the same factors influencing revenues. Our gross profit margin deteriorated from 22% to 19.9% due to the mix of segmental revenue contributions and a decrease in tubular services margins.

Selling, General and Administrative Expenses. During the three months ended March 31, 2001, selling, general and administrative expenses increased \$1.7 million, or 14.5%, to \$13.4 million compared to \$11.7 million during the three months ended March 31, 2000. Selling, general and administrative expenses in our well site services segment increased \$1.2 million, or 25.5%, due to increased activity and certain nonrecurring charges totaling \$0.3 million in our remote site accommodation business. This increase was partially offset by a \$0.4 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. Corporate headquarters charges were up \$0.8 million due to the establishment of a new headquarters office.

Depreciation and Amortization. Depreciation and amortization totaled \$7.0 million during the three months ended March 31, 2001 compared to \$6.6 million in the three months ended March 31, 2000. The 6.1% increase was primarily related to asset acquisitions and 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 \$1.3 million to \$17.9 million for the three months ended March 31, 2001 from \$16.6 million for the same period in 2000. Operating income from our well site services segment increased \$1.8 million from \$14.0 million for the three months ended March 31, 2000 to \$15.8 million for the same period in 2001. Operating income in our tubular services segment decreased \$0.4 million from \$4.4 million in 2000 to \$4.0 million in 2001. Operating income in our offshore products segment increased \$0.7 million from a loss of \$0.5 million in 2000 to income of \$0.2 million in 2001.

Net Interest Expense. Net interest expense totaled \$2.7 million during the three months ended March 31, 2001 compared to \$2.2 million during the three months ended March 31, 2000. The \$0.5 million increase in net interest expense primarily related to an increase in average debt balances outstanding in our offshore products segment and to an increased rate of interest paid.

Income Tax (Expense) Benefit. Income tax expense totaled \$0.2 million during the three months ended March 31, 2001 compared to \$3.3 million during the three months ended March 31, 2000. The decrease of \$3.1 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. We adjusted such tax assets because we determined that it was more likely than not that the deferred tax assets would be realized subsequent to the Combination. Net income for the first 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 interest expense was immaterial during the three months ended March 31, 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.

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	THREE MONTHS ENDED MARCH 31	
	2001	2000
Revenues		
Offshore Products.....	\$ 29.5	\$27.9
Well Site Services.....	69.2	60.3
Tubular Services.....	44.3	--
	-----	-----
Total.....	\$143.0	\$88.2
	=====	=====
Operating Income (Loss)		
Offshore Products.....	\$ 0.2	\$(0.5)
Well Site Services.....	15.8	14.0
Tubular Services.....	1.9	--
	-----	-----
Corporate and Eliminations.....	(1.6)	--
	-----	-----
Total.....	\$ 16.3	\$13.5
	=====	=====

Revenues. Revenues increased \$54.8 million, or 62.1%, during the three months ended March 31, 2001 compared to the three months ended March 31, 2000. This revenue increase was primarily attributable to the acquisition of Sooner in February which contributed \$44.3 million revenues. Well site services revenues increased by \$8.9 million, or 14.8%, and offshore products revenues increased \$1.6 million, or 5.7%, during the same period. Of the \$8.9 million increase in well site services revenues, \$3.7 million was generated from our remote site accommodations, catering and logistics services and modular building services, \$2.7 million was generated from our drilling operations, \$2.4 million was generated from our rental tool operations and \$0.1 million was generated from our hydraulic workover units. The improvements in revenues from our remote site accommodations, catering and logistics services and modular building construction services was due to the strong level of Gulf of Mexico drilling activity, which resulted in increased demand for our portable accommodations and related catering services and an acquisition made in the U.S. for the division in February 2000. The increased revenues in our rental tool operations and drilling rigs resulted from higher utilization and higher prices charged to our customers during the period.

Cost of Sales. Cost of sales increased \$48.2 million, or 80.3%, to \$108.2 million in the three months ended March 31, 2001 compared to \$60.0 million in the three months ended March 31, 2000. The acquisition of Sooner's tubular services business accounted for \$41.1 million of this increase. Cost of sales increased in our well site services segment by \$5.5 million. The changes from the 2000 period to the 2001 period were caused by the same factors influencing revenues. Our gross margins decreased to 24.3% in the three months ended March 31, 2001 from 32.0% 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 March 31, 2001, selling general and administrative expenses increased \$2.8



million to \$12.3 million compared to \$9.5 million for the three months ended March 31, 2000. The newly acquired tubular services division added \$1.1 million of the increase. Selling, general and administrative expenses in our well site services segment increased \$1.2 million, or 25.5%, due to increased activity and certain nonrecurring charges totaling \$0.3 million in our remote site accommodation business. This increase was partially offset by a \$0.4 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 \$0.9 million attributable to the establishment of our corporate headquarters office after the first quarter of 2000.

Depreciation and Amortization. Depreciation and amortization totaled \$6.4 million for the three months ended March 31, 2001 compared to \$5.2 million for the three months ended March 31, 2000. The addition of our tubular services segment caused an increase of \$0.2 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 \$2.8 million to \$16.3 million for the three months ended March 31, 2001 from \$13.5 million for the same period in 2000. Operating income from our well site services segment increased \$1.8 million from \$14.0 million for the three months ended March 31, 2000 to \$15.8 million for the same period in 2001. Operating income in our offshore products segment increased \$0.6 million from a loss of \$0.5 million in 2000 to income of \$0.2 million in 2001. The tubular services segment contributed operating income of \$1.9 million during the period from acquisition in February 2001 to March 31, 2001.

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Income Tax (Expense) Benefit. Income tax expense totaled \$0.2 million during the three months ended March 31, 2001 compared to \$5.2 million during the three months ended March 31, 2000. The decrease of \$5.0 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 first 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 from \$2.6 million during the three months ended March 31, 2000 to \$1.6 million for the three months ended March 31, 2001. Substantially all of the minority interests were acquired, and therefore reduced, in connection with the Offering.

#### 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 used in operations during the three months ended March 31, 2001 and 2000 in the amounts of \$11.0 million and \$2.4 million, respectively. The cash was used by operations as a result of seasonal working capital needs, primarily in Canada, and increased activity, generally. These funds were financed under existing credit lines.

Capital expenditures were \$4.7 million and \$3.7 million during the three months ended March 31, 2001 and 2000, respectively. Capital expenditures during both these periods consisted principally of purchases of assets for our well site services segment. We expect to spend a total of approximately \$30 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 under our \$150 million credit facility discussed below.

Net cash was used in investing activities in the amount of \$6.7 million during the three months ended March 31, 2000, primarily to fund capital expenditures and acquisitions. Cash was provided by investing activities in the amount of \$0.5 million during the three months ended March 31, 2001 primarily as a result of the cash acquired in connection with the Sooner acquisition and proceeds from asset sales.

Net cash of \$11.3 million and \$10.1 million was provided by financing activities during the three months ended March 31, 2001 and March 31, 2000, respectively. Net cash was provided by financing activities primarily as a result of the Offering. Net cash was provided by financing activities during the three months ended March 31, 2000 as a result of borrowings.

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:

- o 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
- o 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 will 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:

- o incur additional indebtedness;
- o prepay, redeem and repurchase outstanding indebtedness, other than loans under the new credit facility;
- o pay dividends;
- o repurchase and redeem capital stock;
- o sell assets other than in the ordinary course of business;
- o make liens;
- o engage in sale-leaseback transactions;
- o make specified loans and investments;
- o make acquisitions;
- o enter into mergers, consolidations and similar transactions;
- o enter into hedging arrangements;
- o enter into transactions with affiliates;
- o change the businesses we and our subsidiaries conduct; and
- o amend debt and other material agreements.

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

- o a ratio of EBITDA to interest expense of not less than 3.0 to 1.0;
- o 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);
- o a maximum ratio of total debt to EBITDA of not greater than 3.5 to 1.0; and
- o a maximum ratio of total senior debt to EBITDA of not greater than 3.0 to 1.0.

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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 March 31, 2001, we had \$107.3 million outstanding under this facility and an additional \$3.9 million of outstanding letters of credit leaving \$38.8 million available to be drawn under the facility.

We had an aggregate of approximately \$11.9 million of subordinated debt outstanding at March 31, 2001. This subordinated debt will become due and payable at various times over the period from June 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.

#### 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 \$107.3 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 March 31, 2001 levels, our combined interest expense would increase by a total of approximately \$89,000 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 March 31, 2001, we had Canadian dollar-denominated debt totaling approximately \$30 million.

#### PART II -- OTHER INFORMATION

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On February 8, 2001, Oil States International, Inc.'s registration statement on Form S-1 (Registration No. 333-43400), registering 10,000,000 primary shares of its common stock, and up to an additional 1,200,000 shares of common stock to be sold by selling stockholders in connection with underwriters' over-allotments, was declared effective by the Securities and Exchange Commission. The aggregate offering price of the registered shares of common stock was \$100.8 million. The Company sold 10,000,000 shares of common stock in the Offering, which commenced on February 9, 2001 and closed on February 14, 2001. The public offering price was \$9.00 per share and the underwriting discount was \$.63 per share. On March 8, 2001, the underwriters for the Offering exercised the over-allotment option granted to them in connection with the

Offering for an additional 249,360 shares of common stock, which closed on March 14, 2001. The shares purchased by the underwriters in the over-allotment option were sold by selling stockholders of the Company. The managing underwriters for the Offering were Merrill Lynch & Co., Credit Suisse First Boston and Simmons & Company International.

The net proceeds from the Offering, after deducting the underwriting discount and other expenses, were approximately \$79.4 million. With the net 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 net proceeds were used to reduce amounts outstanding under bank lines of credit.

SCF-III and SCF-IV received an aggregate of approximately \$12.4 million of the net Offering proceeds used to repay outstanding subordinated debt and accrued interest of Oil States and Sooner.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On February 7, 2001, seven Oil States common stockholders and all of the holders of Oil States' Series A Cumulative Convertible Preferred Stock approved by written consent Oil States' Amended and Restated Certificate of Incorporation. The seven common stockholders held an aggregate of 26,376,147 shares, or approximately 97%, of the total issued and outstanding common stock on February 7, 2001.

On February 7, 2001, seven Oil States common stockholders approved by written consent the Oil States International, Inc. 2001 Equity Participation Plan, Oil States' Amended and Restated Bylaws and the classification of Oil States' board of directors into three classes. The seven common stockholders held an aggregate of 26,376,147 shares, or approximately 97%, of the total issued and outstanding common stock on February 7, 2001.

On February 7, 2001, SCF-III, L.P. approved by written consent the election of each of the eight directors comprising the incumbent board of directors at that time. The written consent was executed by SCF-III, L.P. in lieu of the 2001 annual meeting of stockholders. The directors elected by the written consent were Douglas E. Swanson, L. E. Simmons, David Althoff, Russell Hawkins, Dennis Proctor, Andrew L. Waite, Stephen A. Wells and James D. Woods. SCF-III, L.P. held 22,971,980 shares of common stock, or approximately 85%, of the total issued and outstanding common stock on February 7, 2001.

#### 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).

EXHIBIT NO. -----	DESCRIPTION -----
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,

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EXHIBIT NO.  
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DESCRIPTION  
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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.

10.13B\*, \*\* -- Restricted Stock Agreement, dated February 22, 2001, between Oil States International, Inc. and Douglas E. Swanson.

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).

-----  
\* 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.

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#### SIGNATURES

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

OIL STATES INTERNATIONAL, INC.

Date: May 15, 2001

By /s/ CINDY B. TAYLOR

-----  
Cindy B. Taylor

Date: May 15, 2001  
-----

By /s/ ROBERT W. HAMPTON  
-----

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

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EXHIBIT INDEX

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).
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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).

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EXHIBIT NO. -----	DESCRIPTION -----
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.
10.13B*, **	-- Restricted Stock Agreement, dated February 22, 2001, between Oil States International, Inc. and Douglas E. Swanson.
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).

-----  
\* Filed herewith

\*\* Management contracts or compensatory plans or arrangements.

## RESTRICTED STOCK AGREEMENT

THIS AGREEMENT is made as of February 8, 2001 (the "Effective Date") between Oil States International, Inc., a Delaware corporation (the "Company"), and Douglas E. Swanson ("Employee").

To carry out the purposes of The 2001 Equity Participation Plan of Oil States International, Inc. (the "Plan"), by affording Employee the opportunity to acquire shares of common stock of the Company ("Stock"), and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Employee hereby agree as follows:

1. AWARD OF SHARES. Upon execution of this Agreement, the Company shall issue 76,674 shares of Stock to Employee. Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Stock shall be subject to all of the terms and conditions set forth herein and in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern.

2. FORFEITURE RESTRICTIONS. The Stock issued to Employee pursuant to this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of to the extent then subject to the Forfeiture Restrictions (as hereinafter defined), and in the event of termination of Employee's employment with the Company for any reason (other than as provided below), automatically upon such termination Employee shall, for no consideration, forfeit to the Company all Stock to the extent then subject to the Forfeiture Restrictions. The prohibition against transfer and the obligation to forfeit and surrender Stock to the Company upon termination of employment are herein referred to as "Forfeiture Restrictions," and the shares which are then subject to the Forfeiture Restrictions are herein sometimes referred to as "Restricted Shares." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of the Stock. Subject to the terms of that Executive Agreement between the Company and Employee dated February 8, 2001 (the "Executive Agreement") providing for vesting upon certain events, the Forfeiture Restrictions shall lapse as to Stock issued to Employee pursuant to this Agreement as follows: (a) with respect to 1/3 of the Restricted Shares, on the first anniversary of the Effective Date, (b) with respect to 1/3 of the Restricted Shares, on the second anniversary of the Effective Date, and (c) with respect to 1/3 of the Restricted Shares, on the third anniversary of the Effective Date. Notwithstanding the foregoing, the Forfeiture Restrictions shall lapse as to all of the Stock on (i) the date a Change of Control occurs or (ii) the termination of Employee's employment due to his death or a disability that entitles Employee to receive benefits under a long term disability plan of the Company.

3. CERTIFICATES. A certificate evidencing the Restricted Shares shall be issued by the Company in Employee's name, pursuant to which Employee shall have voting rights and shall be entitled to receive dividends and other distributions (provided, however, that dividends or other distributions paid in any form other than cash shall be subject to the Forfeiture Restrictions). The certificate shall bear the following legend:

The shares evidenced by this certificate have been issued pursuant to an agreement made as of February 8, 2001, a copy of which is attached hereto and incorporated herein, between the Company and the registered holder of the shares, and are subject to forfeiture to the Company under certain circumstances described in such agreement. The sale, assignment, pledge or other transfer of the shares of stock evidenced by this certificate is prohibited under the terms and conditions of such agreement, and such shares may not be sold, assigned, pledged or otherwise transferred except as provided in such agreement.

The Company may cause the certificate to be delivered upon issuance to the Secretary of the Company as a depository for safekeeping until the forfeiture occurs or the Forfeiture Restrictions lapse pursuant to the terms of this Agreement. Upon request of the Company, Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares then subject to the Forfeiture Restrictions. Upon the lapse of the Forfeiture Restrictions without forfeiture, the Company shall cause a new certificate or certificates to be issued for the remaining Stock after the Company's tax withholding obligation has been satisfied pursuant to paragraph 5, without legend in the name of Employee in exchange for the certificate evidencing the Restricted Shares.

4. CONSIDERATION. It is understood that the consideration for the issuance of Restricted Shares shall be Employee's agreement to render future services to the Company, which services shall have a value not less than the par value of such Restricted Shares.

5. WITHHOLDING OF TAX. To the extent that the receipt of the Restricted Shares results in compensation income to Employee for federal or state tax purposes, Employee shall deliver to the Company at the time of such receipt, such amount of money or shares of unrestricted Stock as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income. To the extent that the lapse of any Forfeiture Restrictions results in compensation income to Employee for federal or state tax purposes and Employee has not otherwise made arrangements to satisfy its withholding obligation, the Company shall withhold from the Restricted Shares such shares as the Company may require to meet its withholding obligations under applicable tax laws or regulations.

6. STATUS OF STOCK. Employee agrees that the Restricted Shares will not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. Employee also agrees (i) that the certificates representing the Restricted Shares may bear such legend or legends as the Committee deems appropriate in order to ensure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Restricted Shares on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Restricted Shares.

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7. EMPLOYMENT RELATIONSHIP. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of the Company, any parent or subsidiary entity of the Company or any successor to any of the foregoing. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, subject to the terms of the Executive Agreement, and its determination shall be final.

8. COMMITTEE'S POWERS. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee pursuant to the terms of the Plan, including, without limitation, the Committee's rights to make certain determinations and elections with respect to the Restricted Shares.

9. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

10. NON-ALIENATION. Employee shall not have any right to pledge, hypothecate, anticipate or assign this Agreement or the rights hereunder, except by will or the laws of descent and distribution.

11. NOT A CONTRACT OF EMPLOYMENT. This Agreement shall not be deemed to constitute a contract of employment, nor shall any provision hereof affect (a) the right of the Company to discharge Employee at will or (b) the terms and conditions of any other agreement between the Company and Employee except as

expressly provided herein.

12. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

13. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all effective as of the Effective Date.

OIL STATES INTERNATIONAL, INC.

By: /s/ CINDY B. TAYLOR

-----  
NAME: Cindy B. Taylor

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TITLE: Sr. Vice President & CFO  
-----

/s/ DOUGLAS E. SWANSON

-----  
Douglas E. Swanson

## RESTRICTED STOCK AGREEMENT

THIS AGREEMENT is made as of February 22, 2001 (the "Effective Date") between Oil States International, Inc., a Delaware corporation (the "Company"), and Douglas E. Swanson ("Employee").

To carry out the purposes of The 2001 Equity Participation Plan of Oil States International, Inc. (the "Plan"), by affording Employee the opportunity to acquire shares of common stock of the Company ("Stock"), and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Employee hereby agree as follows:

1. AWARD OF SHARES. Upon execution of this Agreement, the Company shall issue 23,326 shares of Stock to Employee. Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Stock shall be subject to all of the terms and conditions set forth herein and in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern.

2. FORFEITURE RESTRICTIONS. The Stock issued to Employee pursuant to this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of to the extent then subject to the Forfeiture Restrictions (as hereinafter defined), and in the event of termination of Employee's employment with the Company for any reason (other than as provided below), automatically upon such termination Employee shall, for no consideration, forfeit to the Company all Stock to the extent then subject to the Forfeiture Restrictions. The prohibition against transfer and the obligation to forfeit and surrender Stock to the Company upon termination of employment are herein referred to as "Forfeiture Restrictions," and the shares which are then subject to the Forfeiture Restrictions are herein sometimes referred to as "Restricted Shares." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of the Stock. Subject to the terms of that Executive Agreement between the Company and Employee dated February 8, 2001 (the "Executive Agreement") providing for vesting upon certain events, the Forfeiture Restrictions shall lapse as to Stock issued to Employee pursuant to this Agreement as follows: (a) with respect to 1/3 of the Restricted Shares, on the first anniversary of the Effective Date, (b) with respect to 1/3 of the Restricted Shares, on the second anniversary of the Effective Date, and (c) with respect to 1/3 of the Restricted Shares, on the third anniversary of the Effective Date. Notwithstanding the foregoing, the Forfeiture Restrictions shall lapse as to all of the Stock on (i) the date a Change of Control occurs or (ii) the termination of Employee's employment due to his death or a disability that entitles Employee to receive benefits under a long term disability plan of the Company.

3. CERTIFICATES. A certificate evidencing the Restricted Shares shall be issued by the Company in Employee's name, pursuant to which Employee shall have voting rights and shall be entitled to receive dividends and other distributions (provided, however, that dividends or other distributions paid in any form other than cash shall be subject to the Forfeiture Restrictions). The certificate shall bear the following legend:

The shares evidenced by this certificate have been issued pursuant to an agreement made as of February 22, 2001, a copy of which is attached hereto and incorporated herein, between the Company and the registered holder of the shares, and are subject to forfeiture to the Company under certain circumstances described in such agreement. The sale, assignment, pledge or other transfer of the shares of stock evidenced by this certificate is prohibited under the terms and conditions of such agreement, and such shares may not be sold, assigned, pledged or otherwise transferred except as provided in such agreement.

The Company may cause the certificate to be delivered upon issuance to the

Secretary of the Company as a depository for safekeeping until the forfeiture occurs or the Forfeiture Restrictions lapse pursuant to the terms of this Agreement. Upon request of the Company, Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares then subject to the Forfeiture Restrictions. Upon the lapse of the Forfeiture Restrictions without forfeiture, the Company shall cause a new certificate or certificates to be issued for the remaining Stock after the Company's tax withholding obligation has been satisfied pursuant to paragraph 5, without legend in the name of Employee in exchange for the certificate evidencing the Restricted Shares.

4. CONSIDERATION. It is understood that the consideration for the issuance of Restricted Shares shall be Employee's agreement to render future services to the Company, which services shall have a value not less than the par value of such Restricted Shares.

5. WITHHOLDING OF TAX. To the extent that the receipt of the Restricted Shares results in compensation income to Employee for federal or state tax purposes, Employee shall deliver to the Company at the time of such receipt, such amount of money or shares of unrestricted Stock as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income. To the extent that the lapse of any Forfeiture Restrictions results in compensation income to Employee for federal or state tax purposes and Employee has not otherwise made arrangements to satisfy its withholding obligation, the Company shall withhold from the Restricted Shares such shares as the Company may require to meet its withholding obligations under applicable tax laws or regulations.

6. STATUS OF STOCK. Employee agrees that the Restricted Shares will not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. Employee also agrees (i) that the certificates representing the Restricted Shares may bear such legend or legends as the Committee deems appropriate in order to ensure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Restricted Shares on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Restricted Shares.

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7. EMPLOYMENT RELATIONSHIP. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of the Company, any parent or subsidiary entity of the Company or any successor to any of the foregoing. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, subject to the terms of the Executive Agreement, and its determination shall be final.

8. COMMITTEE'S POWERS. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee pursuant to the terms of the Plan, including, without limitation, the Committee's rights to make certain determinations and elections with respect to the Restricted Shares.

9. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

10. NON-ALIENATION. Employee shall not have any right to pledge, hypothecate, anticipate or assign this Agreement or the rights hereunder, except by will or the laws of descent and distribution.

11. NOT A CONTRACT OF EMPLOYMENT. This Agreement shall not be deemed to constitute a contract of employment, nor shall any provision hereof affect (a) the right of the Company to discharge Employee at will or (b) the terms and conditions of any other agreement between the Company and Employee except as expressly provided herein.

12. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

13. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all effective as of the Effective Date.

OIL STATES INTERNATIONAL, INC.

By: /s/ CINDY B. TAYLOR

-----  
NAME: Cindy B. Taylor

-----  
TITLE: Sr. Vice President & CFO  
-----

/s/ DOUGLAS E. SWANSON

-----  
Douglas E. Swanson