AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 12, 2000

REGISTRATION NO. 333-43400

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3 TO

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

OIL STATES INTERNATIONAL, INC.
(Name of registrant as specified in its charter)

DELAWARE	3533	76-0476605
(State or other jurisdiction Of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

THREE ALLEN CENTER
333 CLAY STREET, SUITE 3460
HOUSTON, TEXAS 77002
(713) 652-0582
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive officer)

CINDY B. TAYLOR
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This registration statement contains two forms of prospectus to be used in connection with the offering of common stock, par value $.01 per share, of Oil States International, Inc.: one to be used in connection with an underwritten offering of such stock in the United States and Canada and one to be used in a concurrent international offering of such stock. The U.S. prospectus for the offering in the United States and Canada follows immediately after this explanatory note. After the U.S. prospectus are the alternate pages for the international prospectus. A copy of the complete U.S. prospectus and international prospectus in the forms in which they are used after effectiveness will be filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Securities Act of 1933.

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

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED DECEMBER 12, 2000

PROSPECTUS

10,300,000 SHARES

OIL STATES INTERNATIONAL, INC.
COMMON STOCK

This is Oil States International, Inc.'s initial public offering. Oil States International is selling 8,800,000 shares, and Oil States International stockholders are selling 1,500,000 shares. The U.S. underwriters are offering 8,240,000 shares in the U.S. and Canada, and the international managers are offering 2,060,000 shares outside the U.S. and Canada.

We expect the public offering price to be between $16.00 and $18.00 per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the New York Stock Exchange under the symbol "OIS."

INVESTING IN THE COMMON STOCK INVOLVES RISKS THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 9 OF THIS PROSPECTUS.

	PER SHARE	TOTAL
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Oil States International	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The U.S. underwriters may also purchase up to an additional 1,236,000 shares from Oil States International at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments. The international managers may similarly purchase up to an additional 309,000 shares from Oil States International.

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

The shares will be ready for delivery on or about , 2000.

MERRILL LYNCH & CO. CREDIT SUISSE FIRST BOSTON

SIMMONS & COMPANY
INTERNATIONAL

The date of this prospectus is , 2000.

ARTWORK

[depiction of FlexJoint(TM) with caption:"Offshore Products Segment
Flex Joint(TM)"]

[depiction of hydraulic workover unit with caption:"Well Site Services Segment
Hydraulic Workover Unit"]

[Oil States International, Inc. logo]

[depiction of tubular distribution facility with caption:"Tubular Services Segment
Tubular Distribution Facility"]

[depiction of remote accommodations site with caption:"Well Site Services Segment
Remote Accommodations Site"]

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUMMARY

The following summary highlights selected information from this prospectus and may not contain all the information that is important to you. To learn more about the offering and our business, you should read the entire prospectus, including our pro forma and historical financial statements and related notes appearing elsewhere in this prospectus. Unless we indicate otherwise, the information contained in this prospectus assumes that the underwriters' over-allotment options are not exercised.

Concurrently with the closing of this offering, Oil States International, Inc. will combine with Sooner Inc., HWC Energy Services, Inc. and PTI Group Inc., a transaction which we refer to as the "Combination." SCF-III, L.P. currently owns a majority interest in Oil States, HWC and PTI, and SCF-IV, L.P. currently owns a majority interest in Sooner. SCF-III, L.P. and SCF-IV, L.P. are private equity funds that focus on investments in the energy industry. We refer to SCF-III, L.P. and SCF-IV, L.P. collectively as "SCF." In this prospectus, the terms "we," "us" and "our" refer to Oil States International, Inc. and, unless the context otherwise requires, its subsidiaries, including Sooner, HWC and PTI, after giving effect to the Combination. The term "Oil States" refers to Oil States International, Inc. and, unless the context otherwise requires, its subsidiaries prior to the Combination.

OUR COMPANY

We are a leading provider of specialty products and services to oil and gas drilling and production companies throughout the world. We focus our business and operations in a substantial number of the world's most active and fastest growing oil and gas producing regions, including the Gulf of Mexico, Canada, West Africa, the Middle East, South America and Southeast Asia. Our customers include many of the major and independent oil and gas companies and other oilfield services companies. During 1999, we had pro forma revenues of $487.4 million and operating income before depreciation and amortization, or EBITDA, of $35.5 million, and for the nine months ended September 30, 2000, we had pro forma revenues of $437.4 million and EBITDA of $50.8 million, in each case giving effect to the Combination.

We operate in three principal business segments and have established a leadership position in each.

Offshore Products

Through our offshore products segment, we are a leading provider of connection technology for offshore oil and gas development and production systems and facilities. We provide to the offshore oil and gas drilling and producing industry:

- technologically advanced bearings and connector products used in offshore drilling and production systems;

- subsea pipeline fittings and remote pipeline intervention systems; and

- blow-out preventor stack assembly, integration, testing and repair services.

Tubular Services

Through our tubular services segment, we are the largest distributor of tubular goods, which consist of casing, production tubing and line pipe, and are a provider of associated finishing and logistics services to the oil and gas industry. We provide the following services:

- distribution of premium tubing and casing;

- threading, remediation, logistical and inventory management services; and

- e-commerce capabilities to facilitate pricing, ordering and tracking.

Well Site Services

Through our well site services segment, we are an industry leader in hydraulic workover and well control services and a leading provider of remote site accommodations, catering and logistics services in the United States and Canada. We provide:

- workover services, which enhance oil and gas production flow;

- specialty drilling services;

- pressure control services and equipment;

- tool rentals;

- remote site accommodations, catering and logistics services; and

- the design, manufacture and installation of remote site accommodation facilities.

Benefits of the Combination

We expect the combination of our existing operations to create additional growth opportunities through geographic expansion and marketing leverage. Each of our segments has exposure to some, but not all, of the industry's growth markets. Our presence in these growth markets provides us an opportunity to cross-sell our products and services to our customers using our existing facilities and operations. Our leading positions in these diversified products and services enable us to participate in each of the exploration, development and production phases of the oil and gas cycle. This reduces our dependence on any one phase. Our customers use our tubular services and well site services segments primarily in the exploration and development phases of the oil and gas cycle. Our customers use our offshore products primarily in the development and production phases of the cycle.

OUR INDUSTRY

We operate in the oilfield service industry, which provides products and services to oil and gas exploration and production companies for use in the drilling for and production of oil and gas. Demand for our products and services largely depends on the financial condition of our customers and their willingness to spend capital on the exploration and development of oil and gas. We believe that spending for incremental production will be driven by increased demand for oil and gas throughout the world. The report of the Energy Information Agency of the U.S. Department of Energy entitled "International Energy Outlook 2000" forecasts that world oil consumption will increase at an annual rate of approximately 2% from 1997 through 2020 and that world gas consumption will increase at an annual rate of approximately 3% over the same period. We believe that drilling activity may grow faster than the demand for oil and gas due to increasing depletion rates and the decreasing size of remaining hydrocarbon reserves. Increasing depletion rates have the effect of requiring more wells to be developed to maintain a given level of supply.

Oil and gas operators are increasingly focusing their exploration and development efforts on frontier areas, particularly deepwater offshore areas. According to One Offshore, Inc., a leader in offshore oil and gas news reporting and analysis, the number of wells drilled in water depths greater than 1,500 feet has increased from 39 in 1990 to 212 in 1999. The number of hydrocarbon discoveries in water depths greater than 1,500 feet has shown similar gains, increasing from nine in 1990 to 68 in 1999.

We believe that oil and gas exploration and production companies will respond to demand increases by expanding their activities and spending more capital, particularly in frontier areas that offer potentially higher future production and that have not yet been exploited, including deepwater Gulf of Mexico, Canada, West Africa, the Middle East, South America and Southeast Asia. We already have an established presence in these areas. In addition to what we believe to be positive industry fundamentals, we believe the following sector-specific trends enhance the growth potential of our business:

- Increased drilling in offshore areas, particularly deepwater areas, which we believe will increase the need for floating exploration and production systems and the demand for our offshore products.

- Increased drilling of deeper, horizontal and offshore wells, which we believe will positively impact demand for our tubular products.

- Rising offshore rig utilization and day rates, which we believe will benefit our hydraulic workover and well control services and cause our hydraulic units to become more competitive for offshore workovers.

- Increased exploration and development activities in frontier areas, which we believe will benefit our remote site accommodations, catering and logistics services.

OUR GROWTH STRATEGY

We intend to grow our revenue and profitability while continuing to provide our customers with dependable, high-quality products and services. We believe we can implement our growth strategy using our existing facilities and equipment without incurring significant capital costs because we currently have available capacity to accommodate future growth. The key elements of our growth strategy are to:

- capitalize on activity in deepwater and frontier areas;

- capitalize on increasing activity in our current geographic markets;

- leverage our market presence to sell complementary products and services;

- develop and provide technologically advanced products and services to our customers; and

- continue to make strategic acquisitions.

Risks related to our growth strategy. Prospective investors should carefully consider the matters described under "Risk Factors," as well as the other information in this prospectus, including that sales of our products and services depend on oil and gas industry expenditure levels, our results may fluctuate based on the cyclicality of the oil and gas industry, we face intense competition, and our future operating results are difficult to forecast because we have no operating history as a combined company. One or more of these matters could negatively impact our ability to implement successfully our business strategy.

OUR STRUCTURE AND OWNERSHIP

The following chart depicts the summary ownership structure of our company following the Combination and the offering:

[Chart depicting that purchasers in the offering will own 24.1% of our company, existing stockholders (other than SCF) will own 14.5%, SCF-III, L.P. will own 46.2% and SCF-IV, L.P. will own 15.2%, 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.]

In the Combination, Oil States will issue a total of:

- 7,474,350 shares of common stock to the former shareholders of HWC, including 1,779,901 shares to be issued for the conversion of preferred stock issued by HWC;

- 7,597,278 shares of common stock to the former stockholders of Sooner, including 2,985,803 shares to be issued for the conversion of warrants to purchase shares of Sooner common stock; and

- 5,933,828 shares of common stock to the former shareholders of PTI who are residents of the United States.

The former shareholders of PTI who are residents of Canada will receive exchangeable shares of one of our wholly owned Canadian subsidiaries that will be exchangeable for a total of 3,821,459 shares of our common stock. Prior to their exchange, the exchangeable shares are intended to have characteristics essentially equivalent to our common stock. See "Description of Capital Stock - -- Exchangeable Shares." As a result, unless we indicate otherwise, the number of shares outstanding, including for purposes of calculating percentage ownership, in this prospectus have been calculated as if the exchangeable shares have been exchanged for shares of our common stock. The shares to be sold in this offering, including sales by the selling stockholders, represent 24.1% of the total shares to be outstanding following completion of the Combination and the offering.

Our principal executive offices are located at Three Allen Center, 333 Clay Street, Suite 3460, Houston, Texas 77002, and our telephone number at that address is (713) 652-0582.

THE OFFERING

Common stock offered:	
By Oil States International	
U.S. offering	7,040,000 shares
International offering	1,760,000 shares
Total	8,800,000 shares
By the selling stockholders	
U.S. offering	1,200,000 shares
International offering	300,000 shares
Total	1,500,000 shares
Shares outstanding after the offering	42,678,461 shares

Use of proceeds: We estimate that our net proceeds from this offering without exercise of the over-allotment options will be approximately $137 million. We intend to use these net proceeds as follows:

- approximately $104 million to retire outstanding preferred stock of subsidiaries and subordinated indebtedness and pay related dividends and accrued interest as of September 30, 2000;

- approximately $29 million to reduce bank debt; and

- the balance to repurchase shares in the Combination from six non-accredited shareholders and to make payments to shareholders holding pre-emptive stock purchase rights in consideration for the termination of those rights.

We will not receive any proceeds from the sale of shares by the selling stockholders. See "Use of Proceeds."

Risk factors: See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

Proposed NYSE symbol: "OIS"

The number of shares outstanding after the offering excludes 3,700,000 shares reserved for issuance under our 2000 Equity Participation Plan. Options to purchase 1,225,255 shares at a weighted average exercise price of $7.44 per share have been issued under this plan as of September 30, 2000, giving effect to the Combination. In connection with this offering, we intend to grant additional options under this plan to purchase an aggregate of 800,000 shares at an exercise price equal to the initial public offering price. The number of shares outstanding after the offering assumes that the underwriters' over-allotment options are not exercised. If the over-allotment options are exercised in full, we will issue and sell an additional 1,545,000 shares.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

Prior to the offering, SCF owns majority interests in Oil States, Sooner, HWC and PTI. Concurrently with the closing of the offering, the Combination will close and HWC, PTI and Sooner will merge with wholly owned subsidiaries of Oil States. As a result, HWC, PTI and Sooner will become our wholly owned subsidiaries. The mergers of HWC and PTI into Oil States will be accounted for using reorganization accounting for entities under common control. The acquisition of the minority interests of Oil States, HWC and PTI and the merger of Sooner will be accounted for using the purchase method of accounting. In connection with the Combination and the offering, Oil States will effect a three-for-one reverse stock split of its common stock. All share numbers included in this prospectus that give effect to the Combination and the offering reflect this reverse stock split.

HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The historical financial statements and related financial and other data included in this prospectus reflect the businesses of Oil States, HWC, PTI and Sooner, including its predecessor Sooner Pipe & Supply Co., prior to the Combination. The historical information included in this prospectus does not reflect the proposed three-for-one reverse stock split discussed above.

PRO FORMA FINANCIAL AND OTHER INFORMATION

In addition to the historical financial information and other data, this prospectus includes our unaudited combined reorganized financial statements for 1997 and 1998 and our unaudited pro forma combined financial statements for 1999 and for the nine months ended September 30, 2000, each reflecting the reorganization of our company due to the mergers of HWC and PTI with wholly owned subsidiaries of Oil States, each from the date on which it came under common control with Oil States. Our unaudited pro forma combined financial statements for 1999 and for the nine months ended September 30, 2000 also reflect:

- our acquisitions of the minority interests of Oil States, HWC and PTI in the Combination;

- our acquisition of Sooner in the Combination;

- the proposed three-for-one reverse stock split of Oil States common stock; and

- our sale of 8,800,000 shares of common stock in the offering and the application of the net proceeds to us from the offering as described in "Use of Proceeds."

Because Oil States, HWC, PTI and Sooner have historically been operated separately, the historical and pro forma financial information and operating data included in this prospectus may not provide an accurate indication of:

- what our actual results would have been if the transactions presented on a pro forma basis had actually been completed as of the dates presented; or

- what our future results of operations are likely to be.

SUMMARY FINANCIAL INFORMATION

The following tables present selected unaudited pro forma financial information of our company for the periods shown. The unaudited pro forma statement of operations and other financial data give effect to:

- our offering of 8,800,000 shares at $17.00 per share and the application of the net proceeds to us as described in "Use of Proceeds";

- the proposed three-for-one reverse stock split of Oil States common stock;

- the combination of Oil States, HWC and PTI, excluding the minority interest of each company, as entities under common control from the dates such common control was established using reorganization accounting, which yields results similar to pooling of interest accounting;

- the acquisition of the minority interests of Oil States, HWC and PTI in the Combination using the purchase method of accounting as if the acquisition occurred on January 1, 1999; and

- the acquisition of Sooner in the Combination using the purchase method of accounting as if the acquisition occurred on January 1, 1999.

The unaudited pro forma combined, acquisitions and offering balance sheet data give effect to the Combination and this offering as if each had been completed on September 30, 2000.

The unaudited pro forma income statement and other financial data presented below are not necessarily indicative of the results that actually would have been achieved had these transactions been completed as described above or that may be achieved in the future. You should read the following information with "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Other Financial Information," the historical financial statements and related notes and the unaudited pro forma combined financial statements and related notes included elsewhere in this prospectus. The unaudited pro forma combined amounts presented below were derived from related audited financial statements and have been combined using reorganization accounting for Oil States, HWC and PTI as entities under common control from the date common control was established. For PTI, the date of common control was January 8, 1997, and for HWC, the date was November 14, 1997.

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)		PRO FORMA COMBINED(3)		
	NINE MONTHS ENDED SEPTEMBER 30,	YEAR ENDED DECEMBER 31,	YEAR ENDED DECEMBER 31,		
	2000	1999(2)	1999	1998	1997
	(IN THOUSANDS)				
COMBINED STATEMENT OF OPERATIONS DATA:					
Revenue	$437,404	$487,380	$ 267,110	$359,034	$216,259
Expenses					
Costs of sales	349,317	400,609	194,822	261,767	151,012
Selling, general and administrative	37,274	48,858	38,667	48,305	23,718
Depreciation and amortization	26,239	33,656	20,275	18,201	8,973
Other expense (income)	57	2,448	2,448	4,928	(122)
Operating income (loss)	24,517	1,809	10,898	25,833	32,678
Net interest expense	(5,552)	(5,058)	(12,496)	(15,301)	(8,710)
Other income (expense)	40	(4,933)	(1,297)	115	(368)
Income (loss) before income taxes	19,005	(8,182)	(2,895)	10,647	23,600
Income tax (expense) benefit	(4,285)	3,549	(4,654)	(9,745)	(11,319)
Income (loss) from continuing operations before minority interest	14,720	(4,633)	(7,549)	902	12,281
Minority interest, net of taxes	(13)	(31)	610	2,988	(6,869)
Income (loss) from continuing operations	$ 14,707	$ (4,664)	$ (6,939)	$ 3,890	$ 5,412

footnotes on following page

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)		PRO FORMA COMBINED(3)		
	NINE MONTHS ENDED SEPTEMBER 30,	YEAR ENDED DECEMBER 31,	YEAR ENDED DECEMBER 31,		
	2000	1999(2)	1999	1998	1997
	(IN THOUSANDS)				
OTHER FINANCIAL DATA:					
EBITDA(4)	$ 50,756	$ 35,465	$ 31,173	$ 44,034	$ 41,651
Net income (loss) before goodwill amortization(5)	26,020	10,762	(4,144)	6,698	6,415
Capital expenditures			11,297	36,145	14,375
Net cash provided by (used in) operating activities			5,170	7,469	19,348
Net cash provided by (used in) investing activities			112,227	(61,864)	(67,217)
Net cash provided by (used in) financing activities			(116,122)	42,473	101,696

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)	PRO FORMA COMBINED(3)		
	AT SEPTEMBER 30,	AT DECEMBER 31,		
	2000	1999	1998	1997
	(IN THOUSANDS)			
COMBINED BALANCE SHEET DATA:				
Cash and cash equivalents	$ 7,771	$ 3,216	$ 6,034	$ 21,039
Net property and equipment	145,067	142,242	138,374	95,033
Total assets	649,254	355,544	499,025	433,499
Total long-term debt	63,818	120,290	109,495	171,002
Redeemable preferred stock	--	25,064	20,150	22,650
Total stockholders' equity	458,093	58,462	73,644	91,309

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(1) Includes the results of Sooner, the acquisition of the minority interests of Oil States, HWC and PTI in the Combination and the offering and use of proceeds on a pro forma combined basis assuming the transactions occurred on January 1, 1999 for statement of operations and other data purposes and on September 30, 2000 for balance sheet purposes.

(2) Includes the pro forma adjustments for acquisitions completed by HWC and Sooner during 1999 assuming those transactions occurred January 1, 1999.

(3) Includes the results of Oil States, HWC and PTI on a pro forma combined basis using the reorganization method of accounting for entities under common control from the dates common control was established for statement of operations and other data purposes and on December 31, 1999, 1998 and 1997, respectively, for balance sheet purposes.

(4) EBITDA consists of operating income (loss) before depreciation and amortization expense. EBITDA is not a measure of financial performance under generally accepted accounting principles. You should not consider it in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity. Additionally, our EBITDA calculation may not be comparable to other similarly titled measures of other companies. We have included EBITDA as a supplemental disclosure because it may provide useful information regarding our ability to service debt and to fund capital expenditures.

(5) Net income (loss) before goodwill amortization consists of net income (loss) before amortization expense. Net income (loss) before goodwill amortization is not a measure of financial performance under generally accepted accounting principles. You should not consider it in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity.

RISK FACTORS

Before you invest in our common stock, you should understand the high degree of risk involved. You should consider carefully the following risks and other information in this prospectus before you decide to purchase shares of our common stock. If any of the adverse events described below actually occur, our business, financial condition and operating results could be materially adversely affected. As a result, the trading price of our common stock could decline and you may lose part or all of your investment.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

DECREASED OIL AND GAS INDUSTRY EXPENDITURE LEVELS WILL ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

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

- the level of production;
- the levels of oil and gas inventories;
- the expected cost of developing new reserves;
- the cost of producing oil and gas;
- the level of drilling activity;
- worldwide economic activity;
- national government political requirements, including the ability of the Organization of Petroleum Exporting Companies to set and maintain production levels and prices for oil;
- the cost of developing alternate energy sources;
- environmental regulation; and
- tax policies.

If demand for drilling services, cash flows of drilling contractors or drilling rig utilization rates decrease significantly, then demand for our products and services will decrease.

BECAUSE THE OIL AND GAS INDUSTRY IS CYCLICAL, OUR OPERATING RESULTS MAY FLUCTUATE.

Oil prices have been volatile over the last five years, ranging from less than $12 per barrel to over $37 per barrel. Spot gas prices have also been volatile, ranging from less than $1.25 per Mcf to above $5.00 per Mcf. These price changes have caused oil and gas companies and drilling contractors to change their strategies and expenditure levels. Oil States, Sooner, HWC and PTI have experienced in the past, and we may experience in the future, significant fluctuations in operating results based on these changes.

WE HAVE INCURRED LOSSES IN THE PAST. WE MAY INCUR LOSSES IN THE FUTURE.

We incurred a loss from continuing operations in 1999. We cannot assure you that we will be profitable in the future.

WE MIGHT BE UNABLE TO COMPETE SUCCESSFULLY WITH OTHER COMPANIES IN OUR INDUSTRY.

We sell our products and services in competitive markets. In some of our business segments, we compete with the oil and gas industry's largest oilfield services providers. These companies have greater financial resources than we do. In addition, our business, particularly our tubular services business, may face competition from Internet business-to-business service providers. We expect the number of these providers to increase in the future. Our business will be adversely affected to the extent that these providers are successful in reducing purchases of our products and services.

Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better prices, features, performance or other competitive characteristics than our products and services. Competitive pressures or other factors also may result in significant price competition that could have a material adverse effect on our results of operations and financial condition.

DISRUPTIONS IN THE POLITICAL AND ECONOMIC CONDITIONS OF THE FOREIGN COUNTRIES IN WHICH WE OPERATE COULD ADVERSELY AFFECT OUR BUSINESS.

We have operations in various international areas, including parts of West Africa and South America. Our operations in these areas increase our exposure to risks of war, local economic conditions, political disruption, civil disturbance and governmental policies that may:

- disrupt our operations;

- restrict the movement of funds or limit repatriation of profits;

- lead to U.S. government or international sanctions; and

- limit access to markets for periods of time.

Some areas, including West Africa and parts of South America, have experienced political disruption in the past. Disruptions may occur in the future in our foreign operations, and losses caused by these disruptions may occur that will not be covered by insurance.

WE ARE SUSCEPTIBLE TO SEASONAL EARNINGS VOLATILITY DUE TO ADVERSE WEATHER CONDITIONS IN OUR REGIONS OF OPERATIONS.

Our operations are directly affected by seasonal differences in weather in the areas in which we operate, most notably in Canada and the Gulf of Mexico. Our Canadian remote site logistics operations are significantly focused on the winter months when the winter freeze in remote regions permits exploration and production activity to occur. The spring thaw in these frontier regions restricts operations in the spring months and, as a result, adversely affects our operations and sales of products and services in the second and third quarters. Our operations in the Gulf of Mexico are also affected by weather patterns. Weather conditions in the Gulf Coast region generally result in higher drilling activity in the spring, summer and fall months with the lowest activity in the winter months. In addition, summer and fall drilling activity can be restricted due to hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast. As a result, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

WE MIGHT BE UNABLE TO EMPLOY A SUFFICIENT NUMBER OF TECHNICAL PERSONNEL.

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

IF WE DO NOT DEVELOP NEW COMPETITIVE TECHNOLOGIES AND PRODUCTS, OUR BUSINESS AND REVENUES MAY BE ADVERSELY AFFECTED.

The market for our offshore products is characterized by continual technological developments to provide better performance in increasingly greater depths and harsher conditions. If we are not able to design, develop and produce commercially competitive products in a timely manner in response to changes in technology, our business and revenues will be adversely affected.

THE LEVEL AND PRICING OF TUBULAR GOODS IMPORTED INTO THE UNITED STATES COULD DECREASE DEMAND FOR OUR TUBULAR GOODS INVENTORY AND ADVERSELY IMPACT OUR RESULTS OF OPERATIONS.

U.S. law currently restricts imports of low-cost tubular goods from a number of foreign countries into the U.S. tubular goods market, resulting in higher prices for tubular goods. If these restrictions were to be lifted or if the level of imported low-cost tubular goods were to otherwise increase, our tubular services segment could be adversely affected to the extent that we then have higher-cost tubular goods in inventory. If prices were to decrease significantly, we might not be able to profitably sell our inventory of tubular goods. In addition, significant price decreases could result in a longer holding period for some of our inventory, which could also have a material adverse effect on our tubular services segment.

IF WE WERE TO LOSE A SIGNIFICANT SUPPLIER OF OUR TUBULAR GOODS, WE COULD BE ADVERSELY AFFECTED.

In 1999, we purchased from a single supplier approximately 17% of the tubular goods we distributed and from three suppliers approximately 36% of such tubular goods. We do not have contracts with any of these suppliers. If we were to lose any of these suppliers or if production at one or more of the suppliers were interrupted, our tubular services segment and our overall business, financial condition and results of operations could be adversely affected. If the extent of the loss or interruption were sufficiently large, the impact on us would be material.

WE ARE SUBJECT TO EXTENSIVE AND COSTLY ENVIRONMENTAL LAWS AND REGULATIONS THAT MAY REQUIRE US TO TAKE ACTIONS THAT WILL ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

Our hydraulic well control and drilling operations and our offshore products business are significantly affected by stringent and complex foreign, federal, state and local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. We could be exposed to liability for cleanup costs, natural resource damages and other damages as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Environmental laws and regulations have changed in the past, and they are likely to change in the future. If existing regulatory requirements or enforcement policies change, we may be required to make significant unanticipated capital and operating expenditures.

Any failure by us to comply with applicable environmental laws and regulations may result in governmental authorities taking actions against our business that could adversely impact our operations and financial condition, including the:

- issuance of administrative, civil and criminal penalties;

- denial or revocation of permits or other authorizations;

- reduction or cessation in operations; and

- performance of site investigatory, remedial or other corrective actions.

WE MAY NOT HAVE ADEQUATE INSURANCE FOR POTENTIAL LIABILITIES.

Our operations are subject to many hazards. We face the following risks under our insurance coverage:

- we may not be able to continue to obtain insurance on commercially reasonable terms;

- we may be faced with types of liabilities that will not be covered by our insurance, such as damages from environmental contamination;

- the dollar amount of any liabilities may exceed our policy limits; and

- we do not maintain full coverage against the risk of interruption of our business.

Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on our results of operations or consolidated financial position.

WE ARE SUBJECT TO LITIGATION RISKS THAT MAY NOT BE COVERED BY INSURANCE.

In the ordinary course of business, we become the subject of various claims and litigation. We maintain insurance to cover many of our potential losses, and we are subject to various self-retentions and deductibles under our insurance. It is possible, however, that an unexpected judgment could be rendered against us in cases in which we could be uninsured and beyond the amounts that we currently have reserved or anticipate incurring for such matters.

LOSS OF KEY MEMBERS OF OUR MANAGEMENT COULD ADVERSELY AFFECT OUR BUSINESS.

We depend on the continued employment and performance of Douglas E. Swanson and other key members of management. If any of our key managers resign or become unable to continue in their present roles and are not adequately replaced, our business operations could be materially adversely affected. We do not maintain any "key man" life insurance for any of our officers. See "Management."

IF WE HAVE TO WRITE OFF A SIGNIFICANT AMOUNT OF GOODWILL, OUR EARNINGS WILL BE NEGATIVELY AFFECTED.

Our pro forma balance sheet as of September 30, 2000 included goodwill representing 48% of our total assets giving effect to the Combination and the offering. We have recorded goodwill because we paid more for some of our businesses than the fair market value of the tangible and separately measurable intangible net assets of those businesses. Generally accepted accounting principles require us to amortize goodwill over the periods we benefit from the acquired assets, to review unamortized goodwill for impairment in value periodically and to charge against earnings portions of our goodwill if circumstances indicate that the carrying amount will not be recoverable. If we were to determine that the remaining balance of goodwill was impaired, we would be required to take an immediate non-cash charge to earnings with a corresponding effect on stockholders' equity.

WE MIGHT BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS.

We rely on a variety of intellectual property rights that we use in our offshore products and well site services segments, particularly our patents relating to our FlexJoint(TM) technology. We may not be able to successfully preserve these intellectual property rights in the future and these rights could be invalidated, circumvented or challenged. Technological developments may also reduce the value of our intellectual property. In addition, the laws of some foreign countries in which our products and services may be sold do not protect intellectual property rights to the same extent as the laws of the United States. The failure of our company to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could adversely affect our competitive position.

EXTENDED PERIODS OF LOW OIL PRICES MAY DECREASE DEEPWATER EXPLORATION AND PRODUCTION ACTIVITY AND ADVERSELY AFFECT OUR BUSINESS.

Our offshore products segment depends on exploration and production expenditures in deepwater areas. Because deepwater projects are more capital intensive and take longer to generate first production than shallow water and onshore projects, the economic analyses conducted by exploration and production companies typically assume lower prices for production from such projects to determine economic viability over the long term. If oil prices remain near or below those levels used to determine economic viability for an extended period of time, deepwater activity and our business will be adversely affected.

RISKS RELATED TO THE COMBINATION AND OUR RELATIONSHIP WITH SCF

BECAUSE WE WILL BE A NEWLY COMBINED COMPANY WITH NO COMBINED OPERATING HISTORY, NEITHER OUR HISTORICAL NOR OUR PRO FORMA FINANCIAL AND OPERATING DATA MAY BE REPRESENTATIVE OF OUR FUTURE RESULTS.

We are a newly combined company with no combined operating history. Our lack of a combined operating history may make it difficult to forecast our future operating results. The historical financial statements included in this prospectus reflect the separate historical results of operations, financial position and cash flows of Oil States, Sooner, HWC and PTI prior to the Combination. The unaudited pro forma financial information included in this prospectus is based on the separate businesses of Oil States, Sooner,

HWC and PTI prior to the Combination. As a result, the historical and pro forma information may not give you an accurate indication of what our actual results would have been if the Combination had been completed at the beginning of the periods presented or of what our future results of operations are likely to be. In addition, our future results will depend on our ability to efficiently manage our combined facilities and execute our business strategy.

WE MAY NOT BE ABLE TO INTEGRATE OUR OPERATIONS EFFECTIVELY AND EFFICIENTLY.

The Combination will require the integration of four management teams and operations, a process that we expect to be complex and time-consuming. If we do not successfully integrate the management and operations of Oil States, Sooner, HWC and PTI, or if there is any significant delay in achieving this integration, we may not fully achieve the expected benefits of the Combination, including increased sales of products and services in broader geographical markets. As a result, our business could suffer.

L.E. SIMMONS, THROUGH SCF, WILL CONTROL THE OUTCOME OF STOCKHOLDER VOTING AND MAY EXERCISE THIS VOTING POWER IN A MANNER ADVERSE TO YOU.

After the offering, SCF will hold approximately 61.4% of the outstanding common stock of our company. L.E. Simmons, the chairman of our board of directors, is the sole owner of L.E. Simmons & Associates, Incorporated, the ultimate general partner of SCF. Accordingly, Mr. Simmons, through his ownership of the ultimate general partner of SCF, will be in a position to control the outcome of matters requiring a stockholder vote, including the election of directors, adoption of amendments to our certificate of incorporation or bylaws or approval of transactions involving a change of control. The interests of Mr. Simmons may differ from yours, and SCF may vote its common stock in a manner that may adversely affect you.

SCF'S OWNERSHIP INTEREST AND PROVISIONS CONTAINED IN OUR CERTIFICATE OF INCORPORATION AND BYLAWS COULD DISCOURAGE A TAKEOVER ATTEMPT, WHICH MAY REDUCE OR ELIMINATE THE LIKELIHOOD OF A CHANGE OF CONTROL TRANSACTION AND, THEREFORE, YOUR ABILITY TO SELL YOUR SHARES FOR A PREMIUM.

In addition to SCF's controlling position, provisions contained in our certificate of incorporation and bylaws, such as a classified board, limitations on the removal of directors, on stockholder proposals at meetings of stockholders and on stockholder action by written consent and the inability of stockholders to call special meetings, could make it more difficult for a third party to acquire control of our company. Our certificate of incorporation also authorizes our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could increase the difficulty for a third party to acquire us, which may reduce or eliminate your ability to sell your shares of common stock at a premium. See "Description of Capital Stock."

TWO OF OUR DIRECTORS MAY HAVE CONFLICTS OF INTEREST BECAUSE THEY ARE ALSO DIRECTORS OF SCF. THE RESOLUTION OF THESE CONFLICTS OF INTEREST MAY NOT BE IN OUR OR YOUR BEST INTERESTS.

After completion of the offering, two of our directors, L.E. Simmons and Andrew L. Waite, also will be current directors or officers of L.E. Simmons & Associates, Incorporated, the ultimate general partner of SCF. This may create conflicts of interest because these directors have responsibilities to SCF and its owners. Their duties as directors or officers of L.E. Simmons & Associates, Incorporated may conflict with their duties as directors of our company regarding business dealings between SCF and us and other matters. The resolution of these conflicts may not always be in our or your best interest.

WE HAVE RENOUNCED ANY INTEREST IN SPECIFIED BUSINESS OPPORTUNITIES, AND SCF AND ITS DIRECTOR NOMINEES ON OUR BOARD OF DIRECTORS GENERALLY HAVE NO OBLIGATION TO OFFER US THOSE OPPORTUNITIES.

SCF has investments in other oilfield service companies that compete with us, and SCF and its affiliates, other than our company, may invest in other such companies in the future. We refer to SCF and its other affiliates as the SCF group. A provision in our certificate of incorporation provides that, so long as the SCF Group continues to own at least 20% of our common stock, we renounce any interest in specified business opportunities. This provision also provides that if an opportunity in the oilfield services industry is presented to

a person who is an officer, director or employee of the SCF group, including any of those individuals who also serves as SCF's director nominee of our company, no member of the SCF group or any of those individuals has any obligation to communicate or offer the opportunity to us. Our certificate of incorporation provides that in this situation, that entity or individual may pursue the opportunity as that entity or individual sees fit, unless it was presented to an SCF director nominee solely in that person's capacity as a director of our company and no other member of the SCF group independently received notice of or otherwise identified such opportunity or the opportunity was identified solely through the disclosure of information by or on behalf of our company. These provisions of our certificate of incorporation may be amended only by an affirmative vote of holders of at least 80% of our outstanding common stock. As a result of these charter provisions, our future competitive position and growth potential could be adversely affected.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

YOU WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION.

The initial public offering price is substantially higher than the pre-offering pro forma net tangible book value per share of our common stock. If you buy our common stock in the offering, you will experience immediate and substantial dilution. The dilution will be approximately $13.50 per share in pro forma net tangible book value, based on an assumed initial public offering price of $17.00. See "Dilution."

THE AVAILABILITY OF SHARES OF OUR COMMON STOCK FOR FUTURE SALE COULD DEPRESS OUR STOCK PRICE.

Sales by SCF and other stockholders of a substantial number of shares of our common stock in the public markets following this offering, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock or could impair our ability to obtain capital through an offering of equity securities. See "Shares Eligible for Future Sale."

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements." You can typically identify forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," "forecast" and other similar words.

All statements other than statements of historical facts contained in this prospectus, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

The forward-looking statements in this prospectus reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include those listed in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Other Financial Information" and elsewhere in this prospectus.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this prospectus might not occur or might occur to a materially different extent or at a materially different time than described in this prospectus. Except as required by law, we undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering, based upon an assumed initial public offering price of $17.00, will be approximately $137 million, after deducting underwriting discounts and commissions and estimated offering expenses. If the underwriters' over-allotment options are exercised in full, our net proceeds will be approximately $158 million. We will not receive any of the proceeds from the sale of shares by the selling stockholders. We intend to use the net proceeds to us as follows:

- approximately $81.8 million to retire $76.5 million of subordinated indebtedness and pay accrued interest as of September 30, 2000 on that indebtedness, which bears interest at rates ranging from 6.0% to 13.5% per year, with a weighted average rate of 7.8% per year at September 30, 2000, and has maturities ranging from April 2001 to June 2008;

- approximately $22.5 million to redeem $21.8 million of preferred stock of subsidiaries and pay accrued dividends as of September 30, 2000 on that preferred stock, which bears dividends at rates ranging from 3.0% to 12.0% per year, with a weighted average rate of 9.3% per year at September 30, 2000, and must be redeemed at dates ranging from April 2001 to July 2004;

- approximately $29.1 million to reduce bank debt, bearing interest at rates ranging from 7.8% to 9.2% per year, with a weighted average rate of 8.7% per year at September 30, 2000, and having maturities ranging from March 2003 to August 2004; and

- approximately $3.4 million to repurchase shares in the Combination from six non-accredited shareholders and to make payments to shareholders holding pre-emptive stock purchase rights in consideration for the termination of such rights.

Pending these uses, we intend to invest the net proceeds in short-term interest-bearing, investment-grade securities. With the use of proceeds described in the first and second bullet points above, all of the items of indebtedness and preferred stock identified in the third paragraph of Note 3 and in Note 4 to our Unaudited Consolidated Financial Statements on page F-19, in the third paragraph of the auditor's report appearing on page F-23 and in the first two paragraphs of Note 20 to Oil States' Consolidated Financial Statements on page F-51 will be redeemed or repaid.

We will use any over-allotment proceeds that we receive to reduce amounts outstanding under our $150 million revolving credit facility that will be in place after the offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

DIVIDEND POLICY

Oil States has not declared or paid cash dividends on its common stock since its inception, although it declared a dividend payable in the form of a promissory note. We do not intend to declare or pay any cash dividends on our common stock in the foreseeable future. Instead, we currently intend to retain our earnings, if any, to finance our business and to use for general corporate purposes. Our board of directors has the authority to declare and pay dividends on the common stock, in its discretion, as long as there are funds legally available to do so. Our existing credit facilities restrict the payment of dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2000:

- on a pro forma combined basis giving effect to the Combination; and

- as adjusted for our sale of 8,800,00 shares of our common stock in the offering at an assumed initial public offering price of $17.00 and the application of the estimated net proceeds to us from the offering of $137 million.

You should read the information below in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our unaudited pro forma combined financial statements and related notes and the historical financial statements and related notes included elsewhere in this prospectus.

	AT SEPTEMBER 30, 2000	
	PRO FORMA COMBINED	AS ADJUSTED
	(IN THOUSANDS)	
Long-term debt, including current maturities	$187,267	$ 81,619
Redeemable preferred stock	25,293	--
Stockholders' equity:		
Preferred stock, par value $.01 per share, 25,000,000 shares authorized pro forma combined and as adjusted; 1,625,000 shares issued and outstanding pro forma combined; 1 share issued and outstanding as adjusted	1,625	--
Common stock, par value $.01 per share, 200,000,000 shares authorized pro forma combined and as adjusted; 33,878,461 shares issued and outstanding pro forma combined; 42,678,461 shares issued and outstanding as adjusted(1)	60,576	427
Additional paid-in capital	273,823	472,509
Retained earnings (loss)	(22,127)	(10,838)
Cumulative translation adjustment	(1,787)	(1,787)
Accumulated other comprehensive loss	(2,218)	(2,218)
Total stockholders' equity	309,892	458,093
Total capitalization	$522,452	$539,712

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(1) Does not include 2,025,255 shares of common stock issuable upon exercise of options to be outstanding under our 2000 Equity Participation Plan upon completion of the offering.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share and the net tangible book value per share after this offering. Our unaudited pro forma combined net tangible book value as of September 30, 2000 was $0.36 per share of common stock, after giving effect to the Combination. Net tangible book value per share is determined by dividing our tangible net worth, which is our tangible assets less total liabilities, by the total number of outstanding shares of common stock. After giving effect to the sale of shares of common stock in this offering and our receipt of $136.8 million of estimated net proceeds, our pro forma net tangible book value at September 30, 2000 would have been $3.50 per share. This represents an immediate increase in the pro forma combined net tangible book value of $3.13 per share to existing stockholders, including those receiving shares in the Combination, and an immediate dilution to you. The following table illustrates the per share dilution to you:

Assumed initial public offering price per share		$17.00
Pro forma combined net tangible book value per share at September 30, 2000	$0.37	
Increase per share attributable to new investors	3.13	
Pro forma combined net tangible book value per share after this offering		3.50
Dilution per share to new investors		$13.50

These computations assume that no additional shares are issued upon exercise of the underwriters' over-allotment options or outstanding stock options granted under our 2000 Equity Participation Plan. As of September 30, 2000, options to purchase 1,225,255 shares of common stock at a weighted average exercise price of $7.44 per share have been granted under the 2000 Equity Participation Plan, giving effect to the Combination. See "Management -- Equity Participation Plan." In the event the 3,570,255 remaining shares currently subject to the underwriters' over-allotment options and outstanding options under the 2000 Equity Participation Plan were included in the calculations above, the unaudited pro forma combined net tangible book value per share before this offering would be $0.33, the unaudited pro forma net combined tangible book value per share after this offering would be $3.23 and the dilution per share to new investors would be $13.77.

The following table sets forth, as of September 30, 2000, on the pro forma combined basis described in the first paragraph above, the differences between the amounts paid or to be paid by the groups set forth in the table with respect to the aggregate number of shares of our common stock acquired or to be acquired by each group. The amount paid by the existing stockholders is based on stockholders' equity as reflected in our pro forma combined balance sheet.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT (IN THOUSANDS)	PERCENT	
Existing stockholders	33,878,461	77.2%	$144,731	47.7%	$ 4.27
Optionholders(1)	1,225,255	2.8	9,116	3.0	7.44
New investors	8,800,000	20.0	149,600	49.3	17.00
Total	43,903,716	100.0%	$303,447	100.0%	

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(1) Excludes options to purchase 800,000 shares of our common stock to be granted in connection with the offering.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following tables set forth selected historical and unaudited pro forma financial information of our company for the periods shown. The pro forma statement of operations and other financial data give effect to:

- our offering of 8,800,000 shares at $17.00 per share and the application of the net proceeds to us as described in "Use of Proceeds";

- the proposed three-for-one reverse stock split of Oil States common stock;

- the combination of Oil States, HWC and PTI, excluding the minority interest of each company, as entities under common control from the dates such common control was established using reorganization accounting, which yields results similar to pooling of interest accounting;

- the acquisition of the minority interests of Oil States, HWC and PTI in the Combination using the purchase method of accounting as if the acquisition occurred on January 1, 1999; and

- the acquisition of Sooner in the Combination using the purchase method of accounting as if the acquisition occurred on January 1, 1999.

The unaudited pro forma combined, acquisitions and offering balance sheet data give effect to the Combination and this offering as if each had been completed on September 30, 2000.

The pro forma statement of operations and other financial data presented below are not necessarily indicative of the results that actually would have been achieved had these transactions been completed as described above or that may be achieved in the future. You should read the following information with "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Other Financial Information," the historical financial statements and related notes and the unaudited pro forma combined financial statements and related notes included elsewhere in this prospectus. The historical amounts for 1995 and 1996, presented below, represent financial information of Oil States and its predecessor derived from audited financial statements as of December 31, 1996 and 1995 and for the year ended December 31, 1996 and the five months ended December 31, 1995. The pro forma combined amounts presented below were derived from related audited financial statements and have been combined using reorganization accounting for Oil States, HWC and PTI as entities under common control from the date common control was established. For PTI, the date of common control was January 8, 1997, and for HWC, the date was November 14, 1997.

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)		PRO FORMA COMBINED(3)		PRO FORMA COMBINED(3)		
	NINE MONTHS ENDED SEPTEMBER 30, 2000	YEAR ENDED DECEMBER 31, 1999(2)	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999	YEAR ENDED DECEMBER 31, 1999	1998	1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
COMBINED STATEMENT OF OPERATIONS DATA:							
Revenue	$437,404	$487,380	$223,909	$199,298	$267,110	$359,034	$216,259
Expenses							
Costs of sales	349,317	400,609	156,461	143,040	194,822	261,767	151,012
Selling, general and administrative	37,274	48,858	30,925	28,653	38,667	48,305	23,718
Depreciation and amortization(6)	26,239	33,656	16,554	15,943	20,275	18,201	8,973
Other expense (income)	57	2,448	57	21	2,448	4,928	(122)
Operating income (loss)	24,517	1,809	19,912	11,683	10,898	25,833	32,678
Net interest income (expense)	(5,552)	(5,058)	(8,545)	(9,986)	(12,496)	(15,301)	(8,710)
Other income (expense)	40	(4,933)	40	(622)	(1,297)	115	(368)
Income (loss) before income taxes	19,005	(8,182)	11,407	1,075	(2,895)	10,647	23,600
Income tax (expense) benefit	(4,285)	3,549	(8,416)	(4,386)	(4,654)	(9,745)	(11,319)
Income (loss) from continuing operations before minority interest	14,720	(4,633)	2,991	(3,311)	(7,549)	902	12,281
Minority interest	(13)	(31)	(2,873)	(767)	610	2,988	(6,869)
Income (loss) from continuing operations	$ 14,707	$ (4,664)	$ 118	$ (4,078)	$ (6,939)	$ 3,890	$ 5,412
Income (loss) from continuing operations per common share(7)							
Basic	$ 0.34	$ (0.11)	$ 0.00	$ (0.12)	$ (0.20)	$ 0.11	$ 0.16
Diluted	$ 0.34	$ (0.11)	$ 0.00	$ (0.12)	$ (0.20)	$ 0.11	$ 0.16

Average shares outstanding(7)							
Basic	42,678	42,678	33,878	33,878	33,878	33,878	33,878
Diluted	43,397	42,678	34,597	33,878	33,878	34,597	34,597

	HISTORICAL		
	YEAR ENDED DECEMBER 31, 1996(4)	FIVE MONTHS ENDED DECEMBER 31, 1995(4)(5)	SEVEN MONTHS ENDED JULY 31, 1995(4)(5)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
COMBINED STATEMENT OF OPERATIONS DATA:			
Revenue	$580,255	$170,030	$179,241
Expenses			
Costs of sales	484,403	141,496	147,127
Selling, general and administrative	88,147	26,015	27,134
Depreciation and amortization(6)	--	--	2,008
Other expense (income)	--	1,062	--
Operating income (loss)	7,705	1,457	2,972
Net interest income (expense)	(5,988)	(481)	1,029
Other income (expense)	750	--	(626)
Income (loss) before income taxes	2,467	976	3,375
Income tax (expense) benefit	(4,510)	(334)	(773)
Income (loss) from continuing operations before minority interest	(2,043)	642	2,602
Minority interest	(1,807)	(52)	--
Income (loss) from continuing operations	$ (3,850)	$ 590	$ 2,602
Income (loss) from continuing operations per common share(7)			
Basic			
Diluted			
Average shares outstanding(7)			
Basic			
Diluted			

footnotes on following page

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)		PRO FORMA COMBINED(3)		PRO FORMA COMBINED(3)		
	NINE MONTHS ENDED SEPTEMBER 30, 2000	YEAR ENDED DECEMBER 31, 1999(2)	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999	YEAR ENDED DECEMBER 31, 1999	1998	1997
			(IN THOUSANDS)				
OTHER DATA:							
EBITDA(8)........................	$50,756	$35,465	$ 36,466	$ 27,626	$ 31,173	$ 44,034	$ 41,651
Net income (loss) before goodwill amortization(9)................	26,020	10,762	2,084	(1,893)	(4,144)	6,698	6,415
Capital expenditures.............			11,325	7,803	11,297	36,145	14,375
Net cash provided by (used in) operating activities...........			27,979	10,652	5,170	7,469	19,348
Net cash provided by (used in) investing activities...........			(13,383)	119,260	112,227	(61,864)	(67,217)
Net cash provided by (used in) financing activities...........			(2,064)	(125,820)	(116,122)	42,473	101,696

	HISTORICAL		
	1996(4)	FIVE MONTHS ENDED DECEMBER 31, 1995(4)(5)	SEVEN MONTHS ENDED JULY 31, 1995(4)(5)
	(IN THOUSANDS)		
OTHER DATA:			
EBITDA(8)........................	$ 15,000	$ 3,717	$4,980
Net income (loss) before goodwill amortization(9)................	(3,471)	671	2,602
Capital expenditures.............	9,737	552	
Net cash provided by (used in) operating activities...........	(1,062)	(2,641)	
Net cash provided by (used in) investing activities...........	(26,522)	(64,425)	
Net cash provided by (used in) financing activities...........	32,240	69,516	

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)	PRO FORMA COMBINED(3)	PRO FORMA COMBINED(3)			HISTORICAL	
	AT SEPTEMBER 30, 2000	AT SEPTEMBER 30, 2000	AT DECEMBER 31, 1999	1998	1997	1996(4)	1995(4)
			(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEET DATA:							
Cash and cash equivalents..............	$ 7,771	$ 5,284	$ 3,216	$ 6,034	$ 21,039	$ 6,834	$ 2,450
Net property and equipment..............	145,067	140,420	142,242	138,374	95,033	37,905	16,856
Total assets............................	649,254	348,088	355,544	499,025	433,499	278,579	191,773
Long-term debt and capital leases, excluding current portion............	63,818	96,181	120,290	109,495	171,002	75,606	51,726
Redeemable preferred stock of subsidiaries..........................	--	25,293	25,064	20,150	22,650	14,300	14,300
Total stockholders' equity.............	458,093	55,542	58,462	73,644	91,309	32,969	29,122

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(1) Includes the results of Sooner, the acquisition of the minority interests of Oil States, HWC and PTI in the Combination and the offering and use of proceeds on a pro forma combined basis assuming the transactions occurred on January 1, 1999 for statement of operations and other data purposes and on September 30, 2000 for balance sheet purposes.

(2) Includes the pro forma adjustments for acquisitions completed by HWC and Sooner during 1999 assuming those transactions occurred January 1, 1999.

(3) Includes the results of Oil States, HWC and PTI on a pro forma combined basis using the reorganization method of accounting for entities under common control from the dates common control was established for statement of operations and other data purposes and on December 31, 1999, 1998 and 1997, respectively, for balance sheet purposes.

(4) Includes results of operations associated with entities sold in 1999. Operations for these entities were segregated as discontinued operations in the 1997, 1998 and 1999 statements of operations.

(5) On August 1, 1995, we acquired all of the outstanding common stock of Continental Emsco from LTV Corporation. The financial information for the seven months ended July 31, 1995 relates to the predecessor operations.

(6) Depreciation and amortization was not separately disclosed in the audited consolidated statement of operations for the five-month period ended December 31, 1995 and the year ended December 31, 1996. The amount of depreciation and amortization, as disclosed in the audited consolidated statement of cash flows, was $2,260 and $7,295, respectively.

(7) Share and per share data have been retroactively restated to reflect a three-for-one reverse stock split for Oil States and also to reflect the effects of the Combination. Share and per share data are not presented for the predecessor entities prior to the Combination as such data are not meaningful.

(8) EBITDA consists of operating income (loss) before depreciation and amortization expense. EBITDA is not a measure of financial performance under generally accepted accounting principles. You should not consider it in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity. Additionally, the EBITDA calculation herein may not be comparable to other similarly titled measures of other companies. We have included EBITDA as a supplemental disclosure because it may provide useful information regarding our ability to service debt and to fund capital expenditures.

(9) Net income (loss) before goodwill amortization consists of net income (loss) before amortization expense. Net income (loss) before goodwill amortization is not a measure of financial performance under generally accepted accounting principles. You should not consider it in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this section has been derived from our historical financial statements and should be read together with our historical financial statements and related notes included elsewhere in this prospectus. The discussion below contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those expressed or implied in these forward-looking statements as a result of various factors, including those described in "Risk Factors" and elsewhere in this prospectus.

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 $12 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 12 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 October 27, 2000, the rig count in the United States and Canada, as measured by Baker Hughes, was 1,448. Demand for our well site services has begun to recover with the overall improvement in 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 the last several months. As a result, we believe that capital spending within the industry has lagged the improvement in crude oil prices.

THE COMBINATION

Prior to the offering, SCF-III, L.P. owns majority interests in Oil States, HWC and PTI and SCF-IV, L.P. owns a majority interest in Sooner. The following chart depicts the summary ownership structure of Oil States, HWC, PTI and Sooner prior to the Combinations:

[CHART]

L.E. Simmons & Associates, Incorporated is the ultimate general partner of SCF-III, L.P. and SCF-IV, L.P. L.E. Simmons, the chairman of our board of directors, is the sole shareholder of L.E. Simmons & Associates, Incorporated. See "Related Party Transactions -- The Combination and the Offering." Concurrently with the closing of the offering, the Combination will close, and HWC, PTI and Sooner will merge with wholly owned subsidiaries of Oil States. As a result, HWC, Sooner and PTI will become our wholly owned subsidiaries. The following chart depicts the summary ownership structure of our company following the Combination and the offering:

[CHART]

The financial results of Oil States, HWC and PTI have been combined for the three years in the period ended December 31, 1999 using reorganization accounting, which yields results similar to pooling of interests method. The pro forma combined results of Oil States, HWC and PTI form the basis for the discussion of our results of operations, capital resources and liquidity 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 will acquire Sooner, and the acquisition will be accounted for using the purchase method of accounting. The pro forma combined financial statements for the year ended Decem-

ber 31, 1999 and the nine months ended September 30, 2000 reflect the acquisition of Sooner. See "Other Financial Information" for a discussion of Sooner's results of operations, capital resources and liquidity. After consummation of the Sooner acquisition, we will report under three business segments. The unaudited pro forma combined financial statements do not reflect any cost savings or other financial synergies that may be realized after the Combination. The pro forma financial statements include an adjustment to the historical financial statements to include estimated annual incremental corporate expenses of approximately $945,000 associated with the opening of an office in Houston, Texas and the hiring of corporate personnel. These incremental corporate expenses are expected to continue in the future.

RESULTS OF OPERATIONS

Prior to consummation of the Sooner acquisition, we reported under two business segments, offshore products and well site services. Information for these two segments, which represent the combined results of Oil States, HWC and PTI using reorganization accounting, is presented below.

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997
	(IN MILLIONS)				
Revenues					
Offshore Products	$ 84.1	$118.1	$154.3	$230.0	$113.9
Well Site Services	139.8	81.2	112.8	129.0	102.4
Total	$223.9	$199.3	$267.1	$359.0	$216.3
Operating Income (Loss)					
Offshore Products	$ 12.6	$ 19.0	$ 22.6	$ 46.7	$ 26.7
Well Site Services	38.2	21.3	27.0	27.4	29.7
Selling, General and Administrative Expense	(30.9)	(28.6)	(38.7)	(48.3)	(23.7)
Total	$ 19.9	$ 11.7	$ 10.9	$ 25.8	$ 32.7

Nine Months Ended September 30, 2000 Compared to the Nine Months Ended September 30, 1999.

Revenues. Revenues increased by $24.6 million, or 12.3%, to $223.9 million for the nine months ended September 30, 2000 from $199.3 million for the nine months ended September 30, 1999. Well site services revenues increased by $58.6 million, or 72.2%, partially offset by a decrease in offshore products revenues of $34.0 million, or 28.8%. Of the $58.6 million increase in well site services revenues, $31.3 million was generated from our remote site accommodations, catering and logistics services and modular building construction services, $10.8 million was generated from our hydraulic workover units, $8.3 million was generated from our drilling operations and $8.2 million was generated from our rental tool operations. The significant improvement in revenues from our remote site accommodations, catering and logistics services and modular building construction services was due to the strong level of Canadian drilling activity during the first quarter of 2000, which resulted in increased demand for our drilling camps and related catering services. The increased revenues in our hydraulic workover units and drilling rigs resulted from higher utilization during the period and contributions from the operation of various hydraulic workover assets that were acquired in the fourth quarter of 1999 and were not, therefore, in operation for us in the prior period. The acquisitions contributed $5.9 million of the $10.8 million revenue increase in our hydraulic workover operations. The $8.2 million increase in our rental tool revenues was largely due to increases in activity levels and the acquisition of additional rental tool facilities on March 31, 1999. These revenue increases were partially offset by declines in our offshore products segment due to a significant downturn in construction related activity.

Cost of Sales. Cost of sales increased by $13.5 million, or 9.4%, to $156.5 million for the nine months ended September 30, 2000 from $143.0 million for the nine months ended September 30, 1999. Cost of sales increased in our well site services segment by $40.3 million, but was partially offset by a decrease of $27.4 million in our offshore products segment. The changes from the 1999 period to the 2000 period were

caused by the same factors influencing revenues. Our gross profit margin improved from 28.2% during the nine months ended September 30, 1999 to 30.1% during the nine months ended September 30, 2000 due to cost reductions in our offshore products segment made in response to the market downturn in offshore construction activity.

Selling, General and Administrative Expenses. During the nine months ended September 30, 2000, selling, general and administrative expenses increased $2.3 million, or 8.0%, to $30.9 million compared to $28.6 million during the nine months ended September 30, 1999. Selling, general and administrative expenses in our offshore products segment declined $2.5 million, partially offset by a $4.8 million increase in our well site services segment. We reduced costs in our offshore products segment in response to the market downturn in offshore construction activity.

Depreciation and Amortization. Depreciation and amortization totaled $16.6 million during the nine months ended September 30, 2000 compared to $15.9 million in the nine months ended September 30, 1999. The 4.4% increase was primarily related to asset acquisitions and capital expenditures made in our well site services segment on March 31, 1999 and in the fourth quarter of 1999.

Operating Income (Loss). Our operating income (loss) equals revenues less cost of sales, selling, general and administrative expense, depreciation and amortization and other income (loss). Operating income (loss) is comprised of the operating income of each of our segments and the portion of selling, general and administrative expenses which are not allocated to the segments. Our operating income increased by $8.2 million to $19.9 million for the nine months ended September 30, 2000 from $11.7 million for the same period in 1999. Operating income for the first nine months of 2000 for our offshore products segment decreased $6.4 million to $12.6 million from $19.0 million during the same period in 1999, and operating income from our well site services segment increased $16.9 million from $21.3 million for the nine months ended September 30, 1999 to $38.2 million for the same period in 2000. Selling, general and administrative expense was $30.9 million in the first nine months of 2000 compared to $28.6 million incurred during the first nine months of 1999.

Net Interest Expense. Net interest expense totaled $8.5 million during the nine months ended September 30, 2000 compared to $10.0 million during the nine months ended September 30, 1999. The $1.5 million decrease in net interest expense primarily related to a reduction in average debt balances outstanding in our offshore products segment with funds generated from asset sales.

Income Tax (Expense) Benefit. Income tax expense totaled $8.4 million during the nine months ended September 30, 2000 compared to $4.4 million during the nine months ended September 30, 1999. The increase of $4.0 million was primarily due to the increase in pre-tax income. In both periods, the effective tax rate was adversely affected by losses incurred in our offshore products segment for which tax assets were not recorded. We did not record such tax assets because we could not determine that it was more likely than not that the deferred tax assets would be realized.

Minority Interest. Minority interest expense totaled $2.9 million during the nine months ended September 30, 2000 compared to $0.8 million during the nine months ended September 30, 1999. The increase was primarily due to increased profitability within our business segments, particularly well site services.

Year Ended December 31, 1999 Compared to the Year Ended December 31, 1998.

Revenues. Revenues decreased by $91.9 million, or 25.6%, to $267.1 million for the year ended December 31, 1999 from $359.0 million for the year ended December 31, 1998. Offshore products revenues decreased by $75.7 million, or 32.9%, and well site services revenues decreased by $16.2 million, or 12.6%. The decrease in our offshore products revenues resulted from an overall market downturn during 1999 and affected all of our offshore products business lines, including our connector products, marine construction activities and marine winches. The decrease in our well site services revenues was primarily due to lower demand for our remote accommodations, catering and logistics services.

Cost of Sales. Cost of sales decreased by $67.0 million, or 25.6%, to $194.8 million for the year ended December 31, 1999 from $261.8 million for 1998. Cost of sales decreased by $54.0 million, or 30.7%, in our offshore products segment and by $12.9 million, or 15.0%, in our well site services segment. The changes in cost of sales were the same as the factors influencing revenues. Our gross profit margin remained level at 27.1% in both 1998 and 1999 despite the reduction in activity over the period. Margins deteriorated somewhat in offshore products, but were offset by margin improvements in well site services, particularly in our accommodations, catering and logistics services.

Selling, General and Administrative Expenses. During the year ended December 31, 1999, selling, general and administrative expenses decreased $9.6 million, or 19.9%, to $38.7 million compared to $48.3 million incurred during 1998. Selling, general and administrative expenses in our offshore products segment declined $7.5 million, or 22.9%, while expenses in our well site services segment declined $2.1 million, or 13.8%. We reduced costs in all segments in response to the general industry downturn that occurred during 1999.

Depreciation and Amortization. Depreciation and amortization totaled $20.3 million during 1999 compared to $18.2 million during 1998. The increase of $2.1 million, or 11.5%, was primarily related to an expansion of our well site services operations. We acquired our rental tool operations during May 1998 and expanded our operations through an acquisition in April 1999.

Operating Income (Loss). Our operating income decreased by $14.9 million to $10.9 million during the year ended December 31, 1999 compared to $25.8 million for the same period in 1998. Operating income for our offshore products segment during 1999 decreased $24.1 million to $22.6 million from $46.7 million during 1998. Operating income for our well site services segment decreased $0.4 million during the same period. Selling, general and administrative expense was $38.7 million during 1999 compared to $48.3 million during 1998, a decrease of $9.6 million. Other expenses totaling $2.4 million during 1999 and $4.9 million during 1998 reduced operating income. Expenses of $2.4 million incurred during 1999 related to a loss on disposal of assets in our offshore products segment. Expenses of $4.9 million in 1998 related primarily to a $5.3 million write-down of an investment in our Chilean operations by our well site services segment. The Chilean assets consisted primarily of temporary living accommodations on short-term rental to various mining contractors in Chile. As a result of depressed copper prices, the majority of the projects were either delayed or cancelled by September 1998, and no other significant markets were available for these units. The fair value of the units was reassessed based on significantly reduced future cash flows, resulting in the $5.3 million write-down.

Net Interest Expense. Net interest expense totaled $12.5 million during 1999 compared to $15.3 million during 1998. Of the $2.8 million decrease in net interest expense, $2.5 million resulted from a decrease in average debt balances outstanding in our offshore products segment due to the proceeds from asset sales being used to repay debt.

Other Income and Expense. During 1999, $1.3 million of other expense was recorded in our offshore products segment related to the net loss on sale of two wholly owned subsidiaries and publicly traded securities of Smith International, Inc..

Income Tax (Expense) Benefit. Income tax expense totaled $4.7 million during 1999 compared to $9.7 million during 1998. The $5.0 million decrease in income tax expense from 1998 to 1999 was primarily due to a reduction in pre-tax income over the period. During 1999, we recorded a $1.1 million tax provision on a pre-tax loss of $10.8 million incurred in our offshore products segment for which no net tax asset was recorded.

Minority Interest. Minority interest totaled a credit of $0.6 million during 1999 compared to $3.0 million during 1998. The $2.4 million reduction in minority interest was primarily due to an increase in income generated in our well site services segment during 1999 compared to 1998, which offset losses in our offshore products segment.

Year Ended December 31, 1998 Compared to the Year Ended December 31, 1997.

Revenues. Revenues increased by $142.7 million, or 66.0%, to $359.0 million for the year ended December 31, 1998 from $216.3 million in 1997. Our offshore products revenues increased by $116.1 million, or 101.9%, to $230.0 million for 1998 compared to $113.9 million in 1997. This significant revenue increase resulted from a strong market recovery during 1998 that affected almost all of our offshore products business lines, including our connector products, marine construction activity and marine winches, and from acquisitions made during the third quarter of 1997 and the first quarter of 1998. Our well site services revenues increased $26.7 million, or 26.1%, to $129.0 million for the year ended December 31, 1998 from $102.3 million during 1997. This revenue increase resulted primarily from our hydraulic well control and drilling operations, which were both acquired in November 1997 and contributed very little to 1997 operating results. This increase in revenues was partially offset by an $8.4 million reduction in our accommodations, catering and logistics operations due to reductions in activity levels over the period.

Cost of Sales. Cost of sales increased by $110.8 million, or 73.4%, to $261.8 million for the year ended December 31, 1998 from $151.0 million during 1997. Cost of sales increased by $94.3 million, or 115.6%, in our offshore products segment and by $16.5 million, or 23.7%, in our well site services segment. The changes in cost of sales resulted from the same factors that affected revenues during the period. However, our gross profit margin decreased from 30.2% during 1997 to 27.1% during the year ended December 31, 1998. Margins deteriorated in our offshore products segment from 26.0% during 1997 to 21.6% during 1998, primarily due to cost increases in marine construction activities and our marine winch business.

Selling, General and Administrative Expenses. During the year ended December 31, 1998, selling, general and administrative expenses increased by $24.6 million, or 103.8%, to $48.3 million compared to $23.7 million incurred during 1997. Selling, general and administrative expenses in our offshore products and well site services segments increased $16.1 million and $8.5 million, or 96.1% and 121.6%, respectively, over the same period. Costs increased in all areas as the market activity increased. Of the $8.5 million increase in our well site services segment, $6.6 million was related to our hydraulic well control and drilling operations, both of which were acquired in November 1997, and our rental tool operations, which were acquired in May 1998.

Depreciation and Amortization. Depreciation and amortization totaled $18.2 million during the year ended December 31, 1998 compared to $9.0 million during 1997. Of the increase of $9.2 million, $7.2 million related to increases in our well site services segment and the remaining $2.0 million increase was from our offshore products segment. The $7.2 million increase in our well site services segment was related to asset acquisitions and additional capital expenditures made for hydraulic workover assets, rental tools and drilling rigs.

Operating Income (Loss). Our operating income decreased by $6.9 million to $25.8 million during the year ended December 31, 1998 compared to $32.7 million during 1997. Our operating income decreased even though our revenues increased $142.7 million. Operating income for our offshore products segment increased by $20.0 million from 1997 to 1998, partially offset by a $2.3 million reduction in operating income from our well site services segment over the same period. Included in the 1998 results is a $5.3 million charge related to a write-down of an investment in our Chilean operations by our well site services segment, which is reflected as other expenses in our statement of operations. The Chilean assets consisted primarily of temporary living accommodations on short-term rental to various mining contractors in Chile. As a result of depressed copper prices, the majority of the projects were either delayed or cancelled by September 1998, and no other significant markets were available for these units. The fair value of the units was reassessed based on significantly reduced future cash flows, resulting in the $5.3 million write-down. Selling, general and administrative expense was $48.3 million during 1998 compared to $23.7 million during 1997, an increase of $24.6 million.

Net Interest Expense. Net interest expense totaled $15.3 million during 1998 compared to $8.7 million during 1997. Of the $6.6 million increase in net interest expense, $3.8 million related to our well site services segment and $2.8 million related to our offshore products segment. The increases resulted from higher average debt balances outstanding during the period resulting from acquisitions.

Income Tax (Expense) Benefit. Income tax expense totaled $9.7 million during 1998 compared to $11.3 million during 1997. The $1.6 million decrease in income tax expense from 1998 to 1999 was primarily due to a reduction in pre-tax income over the period. Partially offsetting this reduction was the impact of foreign losses in our well site services segment for which no net tax asset was recorded.

Minority Interest. Minority interest totaled a credit of $3.0 million during 1998 compared to a $6.9 million expense during 1997. The $9.9 million change in minority interest was primarily due to a decrease in income generated in our well site services segment during 1998 compared to 1997 and an increase in losses in our offshore products segment during the same period.

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, and funding new product developments, 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 capital investments.

Cash was provided from operations during 1999, 1998 and 1997 in the amounts of $5.2 million, $7.5 million and $19.3 million, respectively. Cash provided by operations funded ongoing and increased needs for working capital over the period. During the first nine months of 2000, cash of $28.0 million was provided from operations primarily due to operating income and working capital decreases in our well site services segment generated primarily by our activities in Canada.

Capital expenditures were $11.3 million, $36.1 million and $14.4 million in 1999, 1998 and 1997, respectively. In addition, $11.3 million was spent for capital expenditures during the nine months ended September 30, 2000. Capital expenditures during the three year period from 1997 to 1999 consisted principally of purchases of rental assets for our well site services segment, the purchase of offshore products equipment and the expansion of our offshore products facility in Houma, Louisiana. We expect to spend approximately $30 million after completion of the offering to upgrade our equipment and facilities and expand our product and service offerings. The majority of these funds will be spent during 2001 and are expected to be funded with borrowings under our $150 million credit facility discussed below.

During 1999, we sold all of the operating assets of CE Distribution Services, Inc., CE Drilling Products, Inc., CE Mobile Equipment, Inc., and our 51.8% investment in CE Franklin. Accordingly, for the periods presented, the results of CE Distribution, CE Drilling, CE Mobile and CE Franklin are shown as discontinued operations. Proceeds from the sale of these discontinued operations was $102.4 million. In addition, the marketable securities acquired in connection with the sale of our investment in CE Franklin were sold for $24.4 million. Proceeds from these asset sales were applied to reduce outstanding bank debt.

Net cash was provided by investing activities in the amount of $112.2 million during 1999, primarily as a result of the asset sales referred to above. Net cash was used in investing activities in the amounts of $61.9 million and $67.2 million during 1998 and 1997, respectively. The cash used related primarily to capital expenditures and acquisitions during the periods.

Net cash was used in financing activities in the amount of $116.1 million during 1999, primarily as a result of reductions in bank debt outstanding. Net cash was provided by financing activities in 1998 and 1997 in the amounts of $42.5 million and $101.7 million, respectively. Cash raised during this period was used to fund capital expenditures and acquisitions.

In connection with the offering, we plan to repay $76.5 million of subordinated debt of Oil States and Sooner that was outstanding at September 30, 2000. In addition, we plan to redeem a total of $21.8 million of preferred stock of Oil States that was outstanding at September 30, 2000.

We currently have several credit agreements in place. In our offshore products segment, we have a credit agreement that provides for borrowings totaling $25.9 million for our U.S. operations. The agreement

provides for $4.9 million of term advances and up to $21.0 million of borrowings on a revolving basis. The agreement has a scheduled maturity date of March 1, 2003. Borrowings under the agreement carry variable interest rates payable monthly based upon the prime rate or the Eurodollar rate plus 2.5% for term loans or 2.25% for the revolving loans. As of September 30, 2000, $9.0 million was outstanding under the facility in our offshore products segment. Our offshore products segment has an overdraft credit facility which provides for borrowings of up to 5.0 million pounds sterling to support its operations in the United Kingdom. The facility has a renewal date of April 1, 2001 and provides for interest payable quarterly at the bank's variable base interest rate plus 1.9%. As of September 30, 2000, $6.3 million was outstanding under the United Kingdom facility. In our well site services segment, we have three facilities. One of the facilities is a bank line of credit for up to $20.0 million based upon a borrowing base, of which $12.2 million was outstanding as of September 30, 2000. The facility matures on May 1, 2003. Interest is payable monthly at the banks' prime rate or LIBOR plus a margin ranging from 0% for base rate debt to up to 3% for LIBOR based loans. In addition, we have bank term debt with the same maturity date and interest terms as the $20.0 million line of credit. At September 30, 2000, $12.7 million was outstanding on the term facility. We also have two credit facilities, one in Canada and one in the U.S., covering our accommodations, catering and logistics services business. A portion of the Canadian facility is designated as a term loan, and the remainder is an overdraft facility, restricted based upon the level of trade accounts receivable and inventory. This facility provides for up to $42.3 million in borrowings. Interest is calculated at the Canadian prime rate plus a margin of up to 0.5% per year or the bankers acceptance rate plus a margin ranging from 1% to 1.5% per year. As of September 30, 2000, $21.4 million was outstanding under the Canadian facility. The U.S. facility, on which $8.3 million is currently drawn, is structured as a bridge term loan. Interest is calculated at the U.S. prime rate plus a margin of up to 0.25% per year or Libor plus a margin ranging from 2.25% to 3.25% per year. We expect to terminate these facilities at the closing of the offering.

As of December 31, 1999 and September 30, 2000, we were in compliance with all covenants and financial tests under our various credit facilities. At September 30, 2000, $22.1 million was available to be drawn under our existing facilities.

We have a commitment to enter into a $150 million revolving credit facility at the closing of the offering with Credit Suisse First Boston, which would act as administrative agent, lead arranger and syndication agent. This new credit facility will replace our existing credit facilities, including the Sooner credit facility described in "Other Financial Information -- Sooner Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources." We anticipate that we will borrow approximately $70 million under this new facility at the closing of the offering to repay amounts outstanding under our existing credit facilities, including the Sooner credit facilities. We expect this new facility to provide that available amounts may be borrowed, repaid and reborrowed from time to time. The facility will mature on the third anniversary of the closing of the offering, unless extended for up to two additional one year periods with the consent of the lenders. Amounts borrowed under this new facility will bear interest, at our election, at either a variable rate equal to a LIBOR-based rate, plus a margin ranging from 1.5% to 2.5%, or an alternate base rate plus a margin ranging from 0.5% to 1.5%, depending upon the ratio of outstanding indebtedness to EBITDA.

We anticipate that our new credit facility will be secured by substantially all of our property and assets. In addition, we anticipate that this new facility will be guaranteed by all of our domestic subsidiaries and, in some cases, our Canadian subsidiaries.

We anticipate that our new credit facility will contain negative covenants that will restrict our ability to incur additional indebtedness, pay dividends, repurchase capital stock, sell assets other than in the ordinary course of business, engage in sale-leaseback transactions, make specified investments and acquisitions or enter into mergers, consolidations and similar transactions. In addition, we anticipate that our new credit facility will require us to maintain an interest coverage ratio of not less than 3.0 to 1.0, a minimum level of consolidated net tangible assets and a maximum ratio of total debt to EBITDA of not greater than 3.5 to 1.0.

We believe that the proceeds of this offering, 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, 1999, we had deferred tax assets, net of deferred tax liabilities, of approximately $29 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 $122 million. A valuation allowance is currently provided against the majority of our NOLs. The NOLs expire over the period through 2018. 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 $55 million of NOLs are available for use currently if sufficient income is generated. We anticipate that the Combination will enable us to use a portion of our NOLs that have previously been reserved with a valuation allowance.

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 have not yet determined the timing of adoption of SFAS No. 133. We believe that SFAS No. 133 will not have a material impact on our results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURE 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.

At December 31, 1999, we had floating rate obligations totaling approximately $94 million which include amounts borrowed under our U.S. revolving lines of credit and long-term notes payable. 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 December 31, 1999 levels, our combined interest expense would increase by a total of approximately $55,000 per month.

At December 31, 1999, we had one interest rate swap arrangement in the amount of $1.7 million that effectively fixed the interest rate at 6.8%. This arrangement expired as of March 31, 2000.

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 December 31, 1999, we had Canadian dollar-denominated debt totaling approximately $34 million.

We have not hedged any foreign currency exposure at December 31, 1999 or September 30, 2000.

CHANGE OF ACCOUNTANTS

The financial statements of Oil States as of December 31, 1998 and 1999 and for the three years ended December 31, 1999 were audited by Arthur Andersen LLP. In connection with the Combination and following discussions with two accounting firms, we engaged Ernst & Young LLP in May 2000 to audit our consolidated financial statements in the future. Accordingly, Oil States' engagement of Arthur Andersen LLP was terminated in May 2000. The reports of Arthur Andersen LLP for the fiscal year ended December 31, 1998 did not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. The report of Arthur Anderson LLP for the year ended December 31, 1999 did not contain an adverse opinion or disclaimer of opinion, nor was it qualified as to uncertainty, audit scope or accounting principles. This report contains an explanatory paragraph related to an uncertainty. Further, for this period and the five month period ended May 31, 2000, there were no disagreements over accounting principles, nor were any material weaknesses in internal control reported. The engagement of Ernst & Young LLP and the termination of Arthur Andersen LLP have been approved by our board of directors. Ernst & Young LLP was not consulted on any matters involving accounting principles of Oil States during the two year period ended December 31, 1999 or the five-month period ended May 31, 2000. Ernst & Young LLP has audited the consolidated financial statements of Sooner Inc. as of and for the two years in the period ended June 30, 2000 and of Sooner Pipe & Supply Corporation as of July 2, 1998 and for the period from August 1, 1997 to July 2, 1998.

OTHER FINANCIAL INFORMATION

We present below selected historical financial information, results of operations and information regarding liquidity and capital resources of Sooner Inc. for the periods indicated. The information contained in this section has been derived from Sooner's historical financial statements and should be read together with its historical financial statements and related notes included elsewhere in this prospectus.

SOONER SELECTED HISTORICAL FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information for Sooner Inc. as of and for the quarters ended September 30, 2000 and 1999 and the years ended June 30, 2000 and 1999 and its predecessor company Sooner Pipe & Supply Corporation for the period August 1, 1997 to July 2, 1998 and for the years ended July 31, 1997 and 1996. The consolidated balance sheet data for Sooner Pipe & Supply Corporation is presented as of July 2, 1998 and as of July 31, 1997 and 1996. The consolidated financial information contained below has been derived from audited consolidated financial statements and should be read in conjunction with the consolidated financial statements and accompanying notes for Sooner Inc. and Sooner Pipe & Supply Corporation, as well as "-- Sooner Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this prospectus. Sooner Inc. and its predecessor Sooner Pipe & Supply Corporation are collectively referred to as "Sooner" in this prospectus. The following consolidated statement of operations and balance sheet data have been prepared in conformity with generally accepted accounting principles. The following information should be read in conjunction with and is qualified in its entirety by the information and consolidated financial statements appearing elsewhere in this prospectus.

	SOONER INC.				SOONER PIPE & SUPPLY CORPORATION		
	QUARTER ENDED SEPTEMBER 30,		YEAR ENDED JUNE 30,		PERIOD FROM AUGUST 1, 1997 TO JULY 2, 1998	YEAR ENDED JULY 31,	
	2000	1999	2000(1)	1999		1997	1996
	(IN THOUSANDS, EXCEPT SHARE DATA)						
COMBINED STATEMENT OF OPERATIONS DATA:							
Revenue	$ 58,926	$ 44,680	$258,985	$108,768	$185,098	$175,594	$181,313
Expenses:							
Cost of goods sold	53,252	40,619	235,134	108,613	165,499	156,524	163,749
Selling, general and administrative	1,871	1,835	7,665	6,310	20,939	15,105	14,654
Depreciation and amortization	382	359	1,641	1,055	889	731	1,094
Operating income (loss)	3,421	1,867	14,545	(7,210)	(2,229)	3,234	1,816
Investment and other income	(2)	133	538	613	1,361	2,276	2,719
Interest expense	(974)	(1,313)	(4,583)	(4,450)	(52)	(1)	(677)
Income (loss) before income taxes	2,445	687	10,500	(11,047)	(920)	5,509	3,858
Income tax expense (benefit)	542	17	245	(596)	4	2,158	1,277
Net income (loss) from continuing operations	1,903	670	10,255	(10,451)	(924)	3,351	2,581
Discontinued operations (net of income taxes)	--	--	--	--	--	--	(2,101)
Net income (loss)	$ 1,903	$ 670	$ 10,255	$(10,451)	$ (924)	$ 3,351	$ 480
Income (loss) per common share:							
Basic and diluted	$ 72.69	$ 28.26	$ 421.88	$(589.62)	$(132.00)	$(478.71)	$ 68.57
Weighted average shares outstanding	26,178	23,706	24,308	17,725	7,000	7,000	7,000
OTHER DATA:							
EBITDA(2)	$ 3,803	$ 2,226	$ 16,186	$ (6,155)	$ (1,340)	$ 3,965	$ 2,910
Net income (loss) before goodwill amortization(3)	2,062	912	10,844	(9,925)	(924)	3,351	480
Capital expenditures	36	119	782	622	2,180	694	479
Net cash provided by (used in) operating activities	7,895	10,687	20,301	17,778	(8,090)	3,942	2,106
Net cash provided by (used in) investing activities	(38)	(98)	9	(93,868)	(8,436)	13,568	(9,656)
Net cash provided by (used in) financing activities	(7,248)	(10,499)	(23,284)	80,942	(5,000)	(4,900)	(250)

	SOONER INC.				SOONER PIPE & SUPPLY CORPORATION		
	QUARTER ENDED SEPTEMBER 30,		YEAR ENDED JUNE 30,		PERIOD FROM AUGUST 1, 1997 TO JULY 2, 1998	YEAR ENDED JULY 31,	
	2000	1999	2000(1)	1999		1997	1996
	(IN THOUSANDS, EXCEPT SHARE DATA)						
CONSOLIDATED BALANCE SHEET DATA (AT END OF PERIOD):							
Cash and cash equivalents	$ 2,487	$ 4,941	$ 1,878	$ 4,852	$ 459	$ 21,985	$ 9,381
Net property and equipment	4,647	5,031	4,794	5,085	5,367	6,218	7,640
Total assets	110,266	98,795	110,268	104,151	59,095	77,627	114,215
Long-term debt	48,298	65,219	53,661	74,336	--	--	--
Total stockholders' equity	27,883	13,896	25,980	13,250	32,948	52,968	87,221

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(1) During May and June 1999, Sooner acquired the tubular services businesses from three of its competitors. Total consideration for these three businesses was $36.6 million.

(2) EBITDA consists of operating income (loss) before depreciation and amortization expense. EBITDA is not a measure of financial performance under generally accepted accounting principles. You should not consider it in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity. Additionally, the EBITDA calculation herein may not be comparable to other similarly titled measures of other companies. We have included EBITDA as a supplemental disclosure because it may provide useful information regarding our ability to service debt and to fund capital expenditures.

(3) Net income (loss) before goodwill amortization consists of net income (loss) before amortization expense. Net income (loss) before goodwill amortization is not a measure of financial performance under generally accepted accounting principles. You should not consider it in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity.

RESULTS OF OPERATIONS

In July 1998, Sooner Inc. was formed and acquired Sooner Pipe & Supply Corporation and its subsidiaries. During May and June 1999, Sooner acquired the tubular services business from three of its competitors. Total consideration for all four businesses was $115.6 million. Due to the timing of these three acquisitions, the results of operations reflect the results of all four of these businesses for the full year ending June 30, 2000 and essentially only Sooner Pipe & Supply Corporation for the year ended June 30, 1999.

Quarter Ended September 30, 2000 Compared to the Quarter Ended September 30, 1999.

Revenues. Revenues increased by $14.2 million, or 31.8%, to $58.9 million for the quarter ended September 30, 2000 from $44.7 million for the quarter ended September 30, 1999. The increase in Sooner's revenues resulted from the overall recovery of its market and the significant increases in the prices realized by Sooner's mill sources in their products which were passed along to the end-user.

Cost of Goods Sold. Cost of goods sold increased by $12.6 million, or 30.0%, to $53.2 million for the quarter ended September 30, 2000 from $40.6 million for the quarter ended September 30, 1999. The changes in cost of goods sold were the same as the factors influencing revenues. Sooner's gross profit margin increased to 9.6% for the quarter ended September 30, 2000 reflecting the overall improvement in activity over the period.

Selling, General and Administrative Expenses. During the quarter ended September 30, 2000, selling, general and administrative expenses were approximately the same as during the quarter ended September 30, 1999.

Operating Income. Sooner's operating income increased by $1.5 million, or 78.9%, to $3.4 million for the quarter ended September 30, 2000 from $1.9 million for the quarter ended September 30, 1999.

Interest Expense. Interest expense decreased $0.3 million, or 23.1%, to $1.0 million for the quarter ended September 30, 2000 from $1.3 million for the quarter ended September 30, 1999. Average debt outstanding levels were lower at September 30, 2000 compared to September 30, 1999.

Income tax expense. The effective tax rate of 22.2% for the quarter ended September 30, 2000 is lower than taxes calculated at the statutory tax rate and was caused by revisions during the quarter of prior fiscal year estimated tax liabilities. The effective tax rate in the quarter ended September 30, 1999 represents an estimate of the effective tax rate for the entire fiscal year.

Year Ended June 30, 2000 Compared to the Year Ended June 30, 1999.

Revenues. Revenues increased by $150.2 million, or 138.1%, to $259.0 million for the year ended June 30, 2000 from $108.8 million for the year ended June 30, 1999. The increase in Sooner's revenues resulted from its acquisitions of the three businesses in May and June 1999 and the overall recovery of its market.

Cost of Goods Sold. Cost of goods sold increased by $126.5 million, or 116.4%, to $235.1 million for the year ended June 30, 2000 from $108.6 million for the year ended June 30, 1999. The changes in cost of goods sold were caused by the same factors influencing revenues. Sooner's gross profit margin increased to 9.2% for the year ended June 30, 2000 from 0.1% for the year ended June 30, 1999, reflecting the overall improvement in activity over the period. In addition, gross margins were negatively impacted by a $4.2 million inventory write-down taken in the year ended June 30, 1999 due to weak market conditions.

Selling, General and Administrative Expenses. During the year ended June 30, 2000, selling, general and administrative expenses increased $1.4 million, or 21.5%, to $7.7 million for the year ended June 30, 2000 from $6.3 million for the year ended June 30, 1999. This increase related to the overall increase in personnel resulting from the three acquisitions made in May and June 1999, along with termination-related costs from the same acquisitions.

Depreciation and Amortization. Depreciation and amortization increased $0.5 million, or 45.4%, to $1.6 million for the year ended June 30, 2000 from $1.1 million for the year ended June 30, 1999. This increase was primarily related to goodwill amortization associated with Sooner's acquisition activity during May and June 1999.

Operating Income (Loss). Sooner's operating income increased by $21.7 million, or 301.4%, to $14.5 million for the year ended June 30, 2000 from a loss of $7.2 million for the year ended June 30, 1999.

Interest Expense. Interest expense increased $0.1 million, or 2.2%, to $4.6 million for the year ended June 30, 2000 from $4.5 million for the year ended June 30, 1999. Average debt outstanding levels were substantially the same for each of the years ended June 30, 2000 and 1999.

Investment and Other Income. Investment and other income decreased $0.1 million, or 16.7%, to $0.5 million for the year ended June 30, 2000 from $0.6 million for the year ended June 30, 1999 related to the net gain (loss) on sale of assets.

Income Tax Expense (Benefit). The effective tax rates of 2.3% for the year ended June 30, 2000 and 5.4% for the year ended June 30, 1999 were impacted by the establishment and subsequent reversal of a valuation allowance of $3.7 million on deferred tax assets. At June 30, 1999, given the state of the industry at the time and that Sooner Inc. was a newly-formed entity, Sooner could not determine that it was more likely than not that the deferred tax assets would be realized. However, given the improvements in the operating results of Sooner for the year ended June 30, 2000 and the fact that its NOLs were fully utilized during the year Sooner determined that the remaining deferred tax assets at June 30, 2000 would be realizable.

Year Ended June 30, 1999 Compared to the Period August 1, 1997 to July 2, 1998

In July 1998, Sooner Inc. was formed and acquired Sooner Pipe & Supply Corporation and its subsidiaries. As such, the consolidated financial statements for Sooner Pipe & Supply Corporation only reflect activity for the period August 1, 1997 to July 2, 1998.

Revenues. Revenues decreased by $76.3 million, or 41.2%, to $108.8 million for the year ended June 30, 1999 from $185.1 million for the period August 1, 1997 to July 2, 1998. The decrease in Sooner's revenues resulted from the overall downturn of its market, offset slightly by its acquisitions of the three businesses in May and June 1999. The decrease in revenues also resulted from significant decreases in the prices Sooner could realize from its customers.

Cost of Goods Sold. Cost of goods sold decreased by $56.9 million, or 34.4%, to $108.6 million for the year ended June 30, 1999 from $165.5 million for the period August 1, 1997 to July 2, 1998. The decrease in Sooner's cost of goods sold resulted from the overall downturn of its market, offset slightly by its acquisitions of the three businesses in May and June 1999. Sooner's gross profit margin decreased to 0.1% for the year ended June 30, 1999 from 10.6% for the period August 1, 1997 to July 2, 1998, reflecting the overall downturn in activity over the period ended June 30, 1999 and the write-down of tubular inventories of $4.2 million during that period.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased $14.6 million, or 69.9%, to $6.3 million for the year ended June 30, 1999 from $20.9 million for the period August 1, 1997 to July 2, 1998. This decrease was primarily the result of an overall change in the compensation practices between Sooner and Sooner Pipe & Supply.

Depreciation and Amortization. Depreciation and amortization increased $0.2 million, or 22.2%, to $1.1 million for the year ended June 30, 1999 from $0.9 million for the period August 1, 1997 to July 2, 1998. This increase was primarily related to goodwill amortization associated with the acquisition of Sooner Pipe & Supply Corporation in July 1998.

Operating Loss. Sooner's operating loss increased by $5.0 million, or 227%, to $7.2 million for the year ended June 30, 1999 from $2.2 million for the period August 1, 1997 to July 2, 1998.

Interest Expense. Interest expense increased $4.4 million, or 4,400%, to $4.5 million for the year ended June 30, 1999 from $0.1 million for the period August 1, 1997 to July 2, 1998. Prior to its acquisition by Sooner, Sooner Pipe & Supply Corporation had no long-term debt outstanding. The increase in interest expense resulted from an increase in average debt balances outstanding due to the acquisition of Sooner Pipe & Supply Corporation and the additional acquisitions made in May and June 1999.

Investment and Other Income. Other income consisted of interest income received on invested cash for the periods. In addition, other income decreased $0.8 million, or 57.1%, to $0.6 million for the year ended June 30, 1999 from $1.4 million for the period August 1, 1997 to July 2, 1998 related to the net gain (loss) on sale of distribution store assets.

LIQUIDITY AND CAPITAL RESOURCES

Sooner's primary liquidity needs are to fund working capital requirements, including purchases of tubular goods inventories and payments of accounts payable. To a lesser extent, Sooner also incurs capital expenditures, such as expanding and upgrading its facilities and equipment, including its pipe-handling equipment. In addition, capital is needed from time to time to fund strategic business acquisitions. Sooner's primary sources of funds have been cash flow from operations, proceeds from borrowings under its bank facilities and private capital investments from its stockholders and management. Cash provided from operations during the years ended June 30, 2000 and 1999 were $20.3 million and $17.8 million, respectively. Cash provided from operations for the quarters ended September 30, 2000 and September 30, 1999 were $7.9 million and $10.7 million, respectively. Cash provided by operations funded ongoing and increased needs for working capital over the periods, particularly a significant increase in inventory during the quarter ended September 30, 2000. Net cash provided by investing activities was $9,000 for the year ended June 30, 2000. Net cash used by investing activities was $93.9 million for the year ended June 30, 1999. Cash used by investing activities was $38,000 and $98,000 for the quarters ended September 30, 2000 and September 30, 1999, respectively. The cash used related primarily to capital expenditures and acquisitions of businesses during the period. Net cash provided by (used in) financing activities were $(23.3) million and $80.9 million for the years ended June 30, 2000 and 1999, respectively. Cash used in financing activities was $7.2 million

and $10.5 million for the quarters ended September 30, 2000 and September 30, 1999, respectively. Cash raised during these periods was used to fund working capital requirements, capital expenditures and acquisitions of businesses as previously discussed. In 2000, debt incurred for these needs was repaid with cash provided by operations.

Sooner has a $50.0 million credit agreement, which includes a $5.0 million term note. The revolving line of credit agreement expires on July 2, 2003. This line of credit is subject to a borrowing base of eligible accounts receivable and inventory. Borrowings under the credit agreement bear interest at a prime or adjusted Eurodollar rate plus 1.75%. As of September 30, 2000, $21.8 million was outstanding under the revolving line of credit, and there were no amounts outstanding under the term loan. This facility will be replaced by our new $150 million revolving credit facility to be entered into at the closing of the offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

At formation, Sooner entered into two junior subordinated notes payable to its stockholders for $17.2 million. During May and June 1999, Sooner entered into additional junior subordinated notes payable to its stockholders for $6.3 million. All junior subordinated notes bear interest at 6% per year compounded annually and are due on June 30, 2008. The unpaid interest on the junior subordinated notes is recorded as additional principal in a noncash transaction until due. Amounts outstanding under the junior subordinated notes totaled $26.1 million and $26.5 million as of June 30, 2000 and September 30, 2000, respectively.

Sooner believes that cash from operations and available borrowings under our credit facility will be sufficient to meet its liquidity needs for the foreseeable future. If Sooner's plans or assumptions change or are inaccurate, or if Sooner makes any acquisitions, it may need to raise additional capital. Sooner may not be able to raise additional funds, or may not be able to raise such funds on favorable terms.

BUSINESS

OUR COMPANY

We are a leading provider of specialty products and services to oil and gas drilling and production companies throughout the world. We focus our business and operations in a substantial number of the world's most active and fastest growing oil and gas producing regions, including the Gulf of Mexico, Canada, West Africa, the Middle East, South America and Southeast Asia. Our customers include many of the major and independent oil and gas companies and other oilfield service companies. We operate in three principal business segments, offshore products, tubular services and well site services, and have established a leadership position in each.

We expect the combination of our existing operations to create additional growth opportunities through geographic expansion and marketing leverage. Each of our segments has exposure to some, but not all, of the industry's growth markets. Our presence in these growth markets provides us an opportunity to cross-sell our products and services to our customers using our existing facilities and operations. Our leading positions in these diversified products and services enable us to participate in each of the exploration, development and production phases of the oil and gas cycle. This reduces our dependence on any one phase. Our tubular services and well site services segments are primarily used in the drilling and workover phases of the oil and gas cycle. Our offshore products are used primarily in the construction and development phases of the cycle.

OUR BACKGROUND

Oil States was originally incorporated in July 1995 as "CE Holdings, Inc." On August 1, 1995, CE Holdings acquired Continental Emsco Company, an operator of oilfield supply stores, including its then wholly owned subsidiary Oil States Industries, Inc. Oil States Industries is a manufacturer of offshore products.

In May 1996, Oil States Industries purchased the construction division of Hunting Oilfield Services, Ltd., which provided a variety of construction products and services to the offshore oil and gas industry. In November 1996, CE Holdings changed its name to "CONEMSCO, Inc."

In July 1997, CONEMSCO purchased HydroTech Systems, Inc., a full service provider of engineered products to the offshore pipeline industry, and SMATCO Industries Inc., a manufacturer of marine winches for the offshore service boat industry. In December 1997, CONEMSCO purchased Gregory Rig Service & Sales Inc., a provider of drilling equipment and services.

In February 1998, CONEMSCO acquired Subsea Ventures, Inc. Subsea Ventures designs, manufactures and services auxiliary structures for subsea blowout preventors and subsea production systems. In April 1998, CONEMSCO acquired the assets of Klaper (UK) Limited, a provider of repair and maintenance services for blowout preventors and drilling risers used in offshore drilling.

In July 2000, CONEMSCO, Inc. changed its name to "Oil States International, Inc." In August 2000, Oil States, HWC, PTI and Sooner entered into a Combination Agreement providing that, concurrently with the closing of the offering, HWC, PTI and Sooner will merge with wholly owned subsidiaries of Oil States. As a result, HWC, PTI and Sooner will become wholly owned subsidiaries of Oil States.

OUR INDUSTRY

We operate in the oilfield service industry, which provides products and services to oil and gas exploration and production companies for use in the drilling for and production of oil and gas. Demand for our products and services largely depends on the financial condition of our customers and their willingness to spend capital on the exploration and development of oil and gas. We believe that spending for incremental production will be driven by increased demand for oil and gas throughout the world. The report of the Energy Information Agency of the U.S. Department of Energy entitled "International Energy Outlook 2000" forecasts that world oil consumption will increase at an annual rate of approximately 2% from 1997 through 2020 and that world gas consumption will increase at an annual rate of approximately 3% over the same period. The

projected increase in demand for oil is based on worldwide economic and population growth, primarily in developing countries. The projected increase in gas consumption over this period is expected to result from higher demand across residential, industrial and commercial sectors, as well as from the increasing use of gas as a source of fuel for electric power generation, particularly in North and South America. We believe that drilling activity has the potential to grow faster than the demand for oil and gas due to increasing depletion rates and the decreasing size of remaining hydrocarbon reserves. Increasing depletion rates have the effect of requiring more wells to be developed to maintain a given level of supply.

Oil and gas operators are increasingly focusing their exploration and development efforts on frontier areas, particularly deepwater offshore areas. According to One Offshore, Inc., the number of wells drilled in water depths greater than 1,500 feet has increased from 39 in 1990 to 212 in 1999. The number of hydrocarbon discoveries in water depths greater than 1,500 feet has shown similar gains, increasing from nine in 1990 to 68 in 1999.

We believe that oil and gas exploration and production companies will respond to demand increases by expanding their activities and spending more capital, particularly in frontier areas that offer potentially higher future production and that have not yet been exploited, including deepwater Gulf of Mexico, Canada, West Africa, the Middle East, South America and Southeast Asia. We already have an established presence in these areas. In addition to what we believe to be positive industry fundamentals, we believe the following sector-specific trends enhance the growth potential of our business:

- Increased drilling in offshore areas, particularly deepwater areas, which we believe will increase the need for floating exploration and production systems and the demand for our offshore products. Our offshore products segment provides technology critical to floating rigs such as drill ships and semi-submersibles as well as floating production systems such as tension leg platforms, Spars and floating production, storage and offloading (FPSO) vessels.

- Increased drilling of deeper, horizontal and offshore wells, which we believe will positively impact demand for our tubular products. Deeper wells generate considerably more revenues for our tubular services segment than shallower wells since deeper wells require more, higher quality and larger diameter pipe. Generally, operators utilize higher grade, premium tubulars and connectors for casing and tubing in deep wells, horizontal wells and offshore wells since the cost of a pipe failure is higher than in a shallow vertical land well and because the mechanical stresses on the pipe in deeper, deviated or horizontal wells are much greater.

- Rising offshore rig utilization and day rates, which we believe will benefit our hydraulic workover and well control services and cause our hydraulic units to become more competitive for offshore workovers. We also expect to benefit from trends towards underbalanced workovers since this technique results in less damage to reservoir formations than conventional workovers, and towards underbalanced drilling since it results in less formation damage, higher rates of penetration and longer bit life. Underbalanced conditions exist when the pressure exerted by the hydrocarbons in the reservoir is greater than the pressure introduced into the well bore during drilling and workover operations. When working over or drilling a well in an underbalanced condition, the operator can use a snubbing unit on the well, such as the ones we own, to control pressures in the well bore.

- Increased exploration and development activities in frontier areas, which we believe will benefit our remote site accommodations, catering and logistics services.

OUR GROWTH STRATEGY

We intend to grow our revenue and profitability while continuing to provide our customers with consistent, superior services and dependable, high-quality products. We believe we can implement our growth strategy using our existing facilities and equipment and without incurring significant capital costs, because we

currently have available capacity to accommodate future growth. We describe the key elements of our growth strategy below.

- Capitalize on activity in deepwater and frontier areas. To produce oil and gas efficiently in deepwater and frontier regions, exploration and production companies will require the types of specialized products and services that we offer. Our engineering and manufacturing expertise and the products and services we provide position us for growth in these environments.

- Capitalize on increasing activity in our current geographic markets. We currently have activities in several key growth areas, including the Gulf of Mexico, Canada, West Africa, the Middle East, South America and Southeast Asia. Our well-established presence and strong customer relationships should allow us to capitalize on growth trends in these geographic markets.

- Leverage our market presence to sell complementary products and services. Because we are combining several business segments, we have an opportunity provided by our presence in key areas around the world to provide additional products and services to our customers. Each of our segments has exposure to some, but not all, of these areas. We intend to use our market strength to expand our product and service offerings to our customers in these regions.

- Develop and provide technologically advanced products and services to our customers. Technological advances and innovations are important for our business to remain competitive. In particular, as oil and gas exploration and production activities move toward deeper water offshore and more remote areas onshore, technological advances will become increasingly important to oil and gas producers. We plan to continue to provide highly engineered products and services to our customers to capitalize on these market trends.

- Continue to make strategic acquisitions. We intend to make selective acquisitions of assets in geographic and product markets that complement our existing operations. We have an extensive history of completing strategic acquisitions. We intend to continue to participate in the consolidation of the business segments in which we operate to further increase our market share, streamline our costs and expand our operating capabilities.

We have a proven history of growth through acquisitions. Over the last four years, we have completed acquisitions of over 15 different companies or business units. These acquisitions allowed us to strengthen our positions in the tubular services and well site services markets and to broaden our product lines in our offshore products segment. We believe that with our increased size and access to the capital markets, we will be able to further expand our operations and product offerings through strategic acquisitions.

OFFSHORE PRODUCTS

Overview

Through our offshore products segment, we design and manufacture cost-effective, technologically advanced products for the offshore energy industry. Our products are used in both shallow and deepwater producing regions and include flex-element technology, advanced connector systems, blow-out preventor stack integration and repair services, offshore equipment and installation services and subsea pipeline products. We have facilities in Arlington, Houston and Lampasas, Texas; Houma, Louisiana; Scotland; Brazil; England and Singapore.

Offshore Products Market

The market for our offshore products and services depends primarily upon drilling rig refurbishments and upgrades, new rig construction and development of infrastructure for offshore production activities. As demand for oil and gas increases and related drilling and production increases in offshore areas throughout the world, particularly in deeper water, we expect spending on these activities to increase, resulting in improved demand for our offshore products and services. We expect offshore drilling and production to increase as a

result of a number of factors that continue to enhance the economics of offshore drilling and production, including:

- the opportunity to discover larger oil and gas reservoirs in these areas as compared to previously exploited regions;

- technological advances in complex well drilling and production equipment that is required in these areas, including those introduced by our company;

- improved seismic data collection and interpretation techniques; and

- improved drilling techniques.

We believe that these factors will facilitate the exploration for and development of new reserves in deepwater areas, promote the development of oil and gas fields that were previously considered commercially marginal and extend development and production of reserves from existing fields.

The upgrade of existing rigs to equip them with the capability to drill in deeper water and the construction of new deepwater-capable rigs require specialized products and services like the ones we provide. According to information from One Offshore, Inc., construction of deepwater-capable rigs, tension leg platforms, Spars and FPSO vessels is currently expected to increase significantly in the next three years. At June 30, 2000, there were approximately 57 semisubmersible rigs and 26 drillship-type rigs worldwide capable of drilling in greater than 2,450 feet of water. It is anticipated that by the end of 2001 there will be 71 semi-submersible rigs and 30 drillship-type rigs capable of this deepwater drilling. In addition, there are three new tension leg platforms and five new Spars scheduled for completion by the year 2003. At the end of 1999, there were only 11 tension leg platforms and three Spars in operation worldwide. The number of FPSO vessels is currently expected to increase from 57 FPSOs in operation worldwide at the end of 1999 to 84 by the end of 2003, and the number of floating production semisubmersibles is anticipated to increase from 34 to 38 over the same period. We believe that the construction, installation, operation and refurbishment from time to time of these facilities will result in increased demand for many of the products and services provided by our offshore products segment. An increase in the number of wells drilled and produced in deepwater is anticipated to increase the demand for our deepwater offshore equipment and services.

Products and Services

Our offshore products segment provides a broad range of highly engineered technical products and services for use in offshore drilling and development activities. In addition, this segment provides onshore oil and gas, defense and general industrial products and services.

Our offshore products segment has a history of innovation and creative applications of existing technologies. For example:

- in 1955, we developed the first flexible load bearings for bridges, which represents the first use of a laminated bearing for a structural application;

- in 1966, we invented HydroCouple, the first coupling for connecting plain-end pipe under water;

- in the 1970s, we applied our laminated bearing technology to create laminated bearings and seals for flexible pipeline bearings, flexible drilling risers and nuclear submarines;

- in the 1980s, we developed a number of new technologically innovative products, including our Merlin connector, a non-rotational connector that is widely used in tension leg platform tethers, and Hydra-Lok, a system for installing pile-to-structure connections in offshore platforms and templates; and

- in the 1990s, we developed a diverless connection for use in depths of over 5,000 feet and we analyzed, constructed and installed the first rigid, extended length, free-hanging riser.

We have the capability to design and build manufacturing and testing systems for many of our new products and services. These testing and manufacturing facilities enable us to provide reliable, technologically

advanced products and services. Our Aberdeen facility provides a wide range of structural testing including full-scale product simulations.

Offshore Development and Drilling Activities. We design, manufacture, fabricate, inspect, assemble, repair, test and market subsea equipment and offshore vessel and rig equipment. Our products are components of equipment used on marine vessels, floating rigs and jack-ups, and for the drilling and production of oil and gas wells on offshore fixed platforms and mobile production units including floating platforms and FPSO vessels. We believe that sales of our equipment for new rig building and offshore infrastructure development will be important sources of future revenues. Our products and services include:

- flexible bearings and connector products;
- subsea pipeline products;
- marine winches, mooring systems and rig equipment;
- blowout preventor stack assembly, integration, testing and repair services; and
- fixed platform products and services.

FLEXIBLE BEARINGS AND CONNECTOR PRODUCTS. We are the principal supplier of flexible bearings, or FlexJoints(TM), to the offshore oil and gas industry. We also supply connections and fittings that join lengths of large diameter conductor or casing used in offshore drilling operations. FlexJoints(TM) are flexible bearings that permit movement of riser pipes or tension leg platform tethers under high tension and pressure. They are used on drilling, production and export risers and are used increasingly as offshore production moves to deeper water areas. Drilling riser systems provide the vertical conduit between the floating drilling vessel and the subsea wellhead. Through the drilling riser, equipment is guided into the well and drilling fluids are returned to the surface. Production riser systems provide the vertical conduit from the subsea wellhead to the floating production platform. Oil and gas flows to the surface for processing through the production riser. Export risers provide the vertical conduit from the floating production platform to the subsea export pipelines. FlexJoints(TM) are a critical element in the construction and operation of production and export risers on floating production systems in deepwater.

Floating production systems, including tension leg platforms, Spars and FPSO systems, are a significant means of producing oil and gas, particularly in deepwater environments. We provide many important products for the construction of these systems. A tension leg platform is a floating platform that is moored by vertical pipes, or tethers, attached to both the platform and the sea floor. Our FlexJoint(TM) tether bearings are used at the top and bottom connections of each of the tethers, and our Merlin connectors are used to join shorter pipe segments to form long pipes offshore. A Spar is a floating vertical cylindrical structure which is approximately six to seven times longer than its diameter and is anchored in place.

SUBSEA PIPELINE PRODUCTS. We design and manufacture a variety of fittings and connectors used in offshore oil and gas pipelines. Our products are used for new construction, maintenance and repair applications. New construction fittings include:

- forged steel Y-shaped connectors for joining two pipelines into one;
- pressure-balanced safety joints for protecting pipelines from anchor snags or a shifting sea-bottom;
- electrical isolation joints; and
- hot tap clamps that allow new pipelines to be joined into existing lines without interrupting the flow of petroleum product.

We provide diverless connection systems for subsea flowlines and pipelines. Our proprietary metal-to-metal sealing system is preferred by many oil companies. Our HydroTech connectors are most commonly used for final hook-up of subsea production systems and allow pipelines and flowlines to be connected to production equipment on the sea floor. They also are used in diverless pipeline repair systems and in future pipeline tie-in systems. Our lateral tie-in sled, which is installed with the original pipeline, allows a subsea

tie-in to be made quickly and efficiently using proven HydroTech connectors without costly offshore equipment mobilization and without shutting off product flow.

We are a leader in providing pipeline repair hardware, especially in deepwater applications beyond the depth of diver intervention. Our products include:

- repair clamps used to seal leaks and restore the structural integrity of a pipeline;

- mechanical connectors used in repairing subsea pipelines without having to weld;

- misalignment flanges and swivel ring flanges; and

- pipe recovery tools for recovering dropped or damaged pipelines.

MARINE WINCHES, MOORING SYSTEMS AND RIG EQUIPMENT. We design, engineer and manufacture marine winches, mooring systems and rig equipment. Our Skagit winches are specifically designed for mooring floating and semi-submersible drilling rigs and positioning pipelay and derrick barges, anchor handling boats and jack-ups. We also design and fabricate rig equipment such as automatic pipe racking and blow-out preventor handling equipment. Our engineering teams and manufacturing capability, coupled with skilled service technicians who install and service our products, provide our customers with a broad range of equipment and services to support their operations.

BOP STACK ASSEMBLY, INTEGRATION, TESTING AND REPAIR SERVICES. We design and fabricate lifting and protection frames and offer system integration of blow-out preventor stacks and subsea production trees. We can provide complete turnkey and design fabrication services. We also design and manufacture a variety of custom subsea equipment, such as riser flotation tank systems, guide bases, running tools, and manifolds. We also offer blow-out preventor and drilling riser testing and repair services.

FIXED PLATFORM PRODUCTS AND SERVICES. We provide equipment for securing subsea structures and offshore platform jackets, including our Hydra-Lok hydraulic system. The Hydra-Lok tool, which has been successfully used at depths of 3,000 feet, does not require diver intervention or guidelines.

We also provide cost-effective, standardized leveling systems for offshore structures that are anchored by foundation piles, including subsea templates, subsea manifolds and platform jackets.

Other Products and Services. Our offshore products segment also produces a variety of products for use in applications beyond the offshore oil and gas industry. For example, we provide:

- downhole products for onshore drilling and production;

- elastomer products for use in both offshore and onshore oilfield activities;

- metal-elastomeric FlexJoints(TM) used in a variety of military, marine and aircraft applications; and

- technology used in drum-clutches and brakes for heavy-duty power transmission in the mining, paper, logging and marine industries.

Backlog. Backlog in our offshore products segment at September 30, 2000 was $39.7 million compared to backlog of $54.3 million at September 30, 1999. Our backlog consists of firm customer purchase orders for which satisfactory credit or financing arrangements exist and delivery is scheduled. Our backlog has decreased $14.1 million from September 30, 1999 due primarily to a $9.1 million reduction of our marine winches, mooring systems and drilling equipment backlog. The reduction in backlog reflects the current low activity level for new drilling rig construction.

Regions of Operations

Our offshore products segment provides products and services to customers in the major offshore oil and gas producing regions of the world, including the Gulf of Mexico, the North Sea, Brazil, Southeast Asia and West Africa.

Customers and Competitors

Our three largest customers in the offshore products markets in 1999 were Global Marine Inc., Noble Drilling Corporation and FMC Corporation. None of these customers accounted for greater than 5% of our 1999 revenues on a pro forma basis after giving effect to the Combination. Our main competitors include AmClyde Engineered Products Company, Inc., Dril-Quip, Inc., Cooper Cameron Corporation, Stolt Offshore and Coflexip Stena Offshore.

Growth Initiatives

We intend to grow our offshore products segment by pursuing the following initiatives:

- Product Line Development. We intend to continue developing our product line by finding new applications for our existing technologies and by developing new products. New applications for our existing products could include new FlexJoint(TM) applications, the use of our Merlin connector in subsea pipelines and new Hydra-Lok applications. New products currently under development include diverless subsea pipeline products.

- Expand Project Workscope. We intend to expand the range of services that we offer in connection with our offshore products. We believe that we can obtain higher margins and provide more complete customer service by participating in all aspects of our customers' purchasing decisions, including design, engineering, installation and service.

TUBULAR SERVICES

Overview

Through our tubular services segment, we are the largest distributor of oil country tubular goods, or OCTG, and are a provider of associated finishing and logistics services to the oil and gas industry. Oil country tubular goods consist of casing, production tubing and line pipe. Through our tubular services segment, we:

- distribute premium tubing and casing;

- provide threading, remediation, logistical and inventory services; and

- offer e-commerce pricing, ordering and tracking capabilities.

In 1999, we acquired the tubular divisions of Continental Emsco, Wilson Supply and National-Oilwell, Inc. These transactions expanded our presence in key market segments and increased our coverage of the diversified marketplace for OCTG. We believe we now serve one of the widest customer bases in the industry, ranging from major oil companies to small independents.

Through our key relationships with more than 20 manufacturers of oilfield specialty and line pipe, we deliver tubular products and ancillary services to oil and gas companies, drilling contractors and consultants around the world. We estimate that we currently have the largest OCTG distribution market share in the United States, based on tonnage shipped as a percentage of estimated OCTG consumed in the marketplace. Despite being a leading distributor of OCTG, we estimate that our U.S. market share is currently approximately 20%. Because the United States OCTG distribution market is fragmented and composed of many small companies, we believe that there are opportunities for us to increase our market share.

OCTG Market

Our tubular services segment primarily provides casing and tubing. Casing forms the structural wall in oil and gas wells to provide support and prevent caving during drilling operations. Casing is used to protect water-bearing formations during the drilling of a well. Casing is generally not removed after it has been installed in a well. Production tubing, which is used to bring oil and gas to the surface, may be replaced during the life of a producing well.

A key indicator of domestic demand for OCTG is the average number of drilling rigs operating in the United States. According to Baker Hughes, the average United States rig counts in 1997, 1998 and 1999 were 943, 843 and 625, respectively. The active rig count in the United States fell to 488 in April 1999. However, drilling activity accelerated in the second half of 1999, and by year-end 771 rigs were active, compared to 621 at the end of 1998. As of October 27, 2000, 1,084 rigs were active in the United States. The OCTG market at any point in time is also affected by the level of inventories maintained by manufacturers, distributors and end users. In addition, in recent years the focus of drilling activity has been shifting towards less explored, deeper geological formations and deepwater locations which offer potentially prolific reserves. Demand for tubular products is positively impacted by increased drilling of deeper, horizontal and offshore wells. Deeper wells require incremental tubular feet and enhanced mechanical capabilities to ensure the integrity of the well. Deeper wells generate more revenues for our tubular services segment than shallower wells since deeper wells require more, higher quality and larger diameter pipe. Premium tubulars are used in horizontal drilling to withstand the increased bending and compression loading associated with a horizontal well. Since the cost of a pipe failure is typically higher in an offshore well than in a land well, offshore operators typically specify premium tubulars, which provide us with higher margins, for the completion of offshore wells.

Products and Services

Tubular Products and Services. We distribute all types of OCTG produced by both domestic and foreign manufacturers to major and independent oil and gas exploration and production companies and other OCTG distributors. We do not manufacture any of the tubular goods that we distribute. We operate our tubular services segment from a total of 11 facilities and have offices strategically located near areas of oil and gas exploration and development activity in the United States, Scotland and Nigeria.

We maintain the industry's largest on-the-ground inventory in more than 75 yards in the United States, Scotland and Nigeria, giving us the flexibility to fill our customers' orders from our own stock or directly from the manufacturer. We have a proprietary inventory management system, designed specifically for the OCTG industry, that enables us to track our product shipments down to the individual pipe stem. This proprietary system integrates our main domestic facility, the A-Z Terminal in Crosby, Texas, with our overseas facilities in Nigeria and Scotland.

The purchasing volumes, customer base and management experience of our tubular services segment provides us with financial and commercial advantages in our dealings with tubular manufacturers. As a leading distributor of tubular goods, we believe that we are able to negotiate more favorable supply contracts with manufacturers. We have distribution relationships with all major domestic and international steel mills and believe we have good working relationships with leading mills such as U.S. Steel Group, Lone Star Technologies, Inc. and Maverick Tube Corporation.

A-Z Terminal. Our A-Z Terminal pipe maintenance and storage facility in Crosby, Texas is equipped to provide a full range of tubular services, giving us a customer service capability that we believe is unique in the industry. Set on 109 acres, the ISO 9002-certified facility has more than 1,400 pipe racks and two double-ended thread lines. We have exclusive use of a permanent third-party inspection center within the facility. The facility also includes indoor chrome storage capability and patented pipe cleaning machines.

We offer services at our A-Z Terminal facility typically outsourced by other distributors, including the following: threading, inspection, cleaning, cutting, logistics, rig returns, installation of float equipment and non-destructive testing. In addition, we have the use of two rail spurs, one of which allows us to deliver tubular products from our facility directly to the Alaskan North Slope.

E-commerce. Our website www.soonerpipe.com allows customers to access the features provided by our proprietary inventory management system which is designed specifically to handle tubular products. The key features of www.soonerpipe.com are as follows:

- real-time order tracking from the originating steel mill, through logistical services to final delivery;

- confidential price and delivery quotation requests from up to five different tubular distributors, which save the customer time and effort in obtaining the best value for a particular order;

- our entire catalog of in-stock and special order OCTG and line pipe;

- product catalog searches by several different criteria, including size, weight and grade of pipe;

- ability to select a number of value-added pipe logistics services, including threading, third-party inspection, cleaning, cutting and accessory equipment available from our A-Z Terminal facility; and

- extensive customer reporting features and financial information and invoicing.

The operation of www.soonerpipe.com provides us with the capability to serve customers around the world 24 hours a day, seven days a week.

Tubular Products and Services Sales Arrangements. We provide our tubular products and logistics services through a variety of arrangements, including spot market sales, alliance agreements and international supply/logistics agreements. During 1999, the spot market accounted for a majority of our sales of tubular products and logistics services.

We also provide our tubular products and services to independent and major oil and gas companies under alliance agreements. Although our alliance agreements are not as profitable as the spot market, they provide us with more stable and predictable revenues and an improved ability to forecast required inventory levels, which allows us to manage our inventory more efficiently. These agreements also provide us with the opportunity to grow our tubular services segment within our alliance customer base.

Regions of Operations

Our tubular services segment provides tubular products and services to customers in the United States, the Gulf of Mexico, Canada, Nigeria, Venezuela, Ecuador, Colombia, Guatemala and the United Kingdom.

Customers, Suppliers and Competitors

Our three largest customers in the tubular distribution market in 1999 were Exxon Mobil Corporation, Unocal Corporation and Conoco Inc. None of these customers accounted for greater than 5% of our 1999 revenues on a pro forma basis after giving effect to the Combination. Our three largest suppliers were U.S. Steel Group, Maverick Tube Corporation and Lone Star Technologies, Inc. The tubular services distribution market is fragmented, and our main competitors are Vinson Supply Co., Red Man Pipe & Supply Co., Inc. and Total Premier.

Growth Initiatives

We intend to pursue the following initiatives to grow our tubular services segment:

- Expand E-Commerce Initiative. We believe that www.soonerpipe.com has the potential to deliver incremental revenues through the addition of customers and through the introduction of efficiencies into the ordering process. We intend to optimize the website and to educate our current and prospective customers on the benefits of e-commerce applications in the tubular goods industry.

- Partner with Small Brokerage Suppliers. A subset of the tubular goods distribution market is composed of small brokerage-type suppliers who broker tubular products and services for their customers. We intend to pursue arrangements with these broker-dealers under which we would become

their sole supplier of tubular products and services at prices lower than they could otherwise obtain in the market.

- Expand Internationally. Our United States operations essentially provide for the outsourcing of tubular inventory logistics, management and storage functions by our customers. We believe that similar outsourcing arrangements can be developed in international locations and that these arrangements could create an area of potential growth for the tubular goods we distribute.

WELL SITE SERVICES

Overview

Our well site services segment provides a broad range of products and services that are used to establish and maintain the flow of oil and gas from a well throughout its lifecycle. Our services include workover services, drilling services, rental equipment, remote site accommodations, catering and logistics services and modular building construction services. We use our fleet of workover and drilling rigs, rental equipment, remote site accommodation facilities and related equipment to service well sites for oil and natural gas companies. Our products and services are used in both onshore and offshore applications through the exploration, development, production and abandonment phases of a well's life. Additionally, our remote site accommodations, catering and logistics services are employed in a variety of mining and related natural resource applications.

Well Site Services Market

Recently, demand for our workover and drilling rigs, rental equipment and remote site accommodations, catering and logistics services has increased due to improved cash flow of oil and gas producers. We expect activity levels to continue to improve with favorable oil and gas prices for producers.

Demand for our workover services is impacted significantly by offshore activity both in the United States and international areas. Our hydraulic workover units compete with jackup rigs for shallow water workover projects. With the recent increases in dayrates of jackup rigs, our hydraulic workover units are more attractive to operators due to their cost and performance attributes relative to these larger units.

Demand for our drilling services is influenced by both oil and gas shallow onshore United States drilling activity. According to Baker Hughes, the average United States rig counts in 1997, 1998 and 1999 were 943, 843 and 625, respectively. The active rig count in the United States fell to 488 in April 1999. However, drilling activity accelerated in the second half of 1999, and by year-end 771 rigs were active, compared to 621 at the end of 1998. As of October 27, 2000, 1,084 rigs were active in the United States. Increased drilling activity typically leads to higher drilling rates. Given the cost advantages of our semi-automated drilling rigs, we believe our drilling fleet is well positioned to benefit from further increases in drilling activity.

Our hydraulic drilling and workover rigs are capable of providing underbalanced drilling and workover services. Underbalanced drilling and workover can lead to increased rates of penetration, longer drill bit life and reduced risk of damage to the formation. In recent years, oil and gas operators have increasingly utilized underbalanced services, a trend which we believe will continue in the future.

We expect demand for our rental services to benefit from increasing exploration and development activity in the U.S. Gulf Coast area and the Gulf of Mexico.

We expect a large portion of incremental spending by oil and gas producers to be directed toward oil and gas development in the remote locations of Western Canada and the deepwater areas of the Gulf of Mexico. Our remote accommodations, catering and logistics business supplies products and services to companies engaged in operations in these frontier areas.

Products and Services

Workover Services. We provide a broad range of workover products and services primarily to customers in the U.S., Canada, Venezuela, the Middle East and West Africa. Workover products and services are used in operations on a producing well to restore or increase production. Workover services are typically used during the development, production and abandonment stages of the well. These products and services include hydraulic workover units for offshore workover operations and snubbing operations in pressure situations.

A hydraulic workover unit is a specially designed rig used for vertically moving tubulars in and out of a wellbore using hydraulic pressure. This unit is used for servicing wells with no pressure at the surface and also has the unique ability of working safely on wells under pressure. This feature allows these units to be used for underbalanced drilling and workover and also in well control applications. When the unit is snubbing, it is pushing pipe or tubulars into the well bore against well bore pressures. Because of their small size and ability to work on wells under pressure, hydraulic workover units offer several advantages over larger workover rigs and conventional drilling rigs, including:

- reduced mobilization and demobilization costs;

- reduced cost and time of retrofit to offshore platforms;

- reduced production shut-in time;

- reduced deck space requirement; and

- live well intervention capability for underbalanced drilling situations.

As of September 30, 2000 we had 31 hydraulic workover units, 27 of which were "stand alone" units and four of which were "rig assist" units. Of these 31 units, 15 were located in the U.S., three were located in the Middle East, five were located in Venezuela and four were located in each of Canada and West Africa. Utilization of our hydraulic workover units varies from period to period. As of September 30, 2000, ten of our hydraulic workover units were working or under contract. Typically, our hydraulic workover units are contracted on a short-term dayrate basis. The length of time to complete a job depends on many factors, including the number of wells and the type of workover or pressure control situation involved. Usage of our hydraulic workover units is also affected by the availability of trained personnel. With our current level of trained personnel, we estimate that we have the capability to crew and operate 14 to 17 simultaneous jobs involving our hydraulic workover units.

Our three largest customers in workover services in 1999 were Chevron Corporation, Petroleos de Venezuela, S.A. and Operaciones de Produccion y Exploracion Nacionales, S.A. None of these customers accounted for greater than 5% of our 1999 revenues on a pro forma basis after giving effect to the Combination. We have also entered into a non-exclusive preferred supplier alliance agreement with Schlumberger Oilfield Services Group under which we provide hydraulic workover services to Schlumberger, as and when deemed mutually beneficial, on a worldwide basis. Our main competitors in workover services are Halliburton Company, Cudd Pressure Control, Inc. and Nabors Industries, Inc.

Drilling Services. Our drilling services business is located in Odessa, Texas and Wooster, Ohio and provides drilling services for shallow to medium depths ranging from 2,000 to 9,000 feet. Drilling services are typically used during the exploration and development stages of a field. We have a total of 12 semi-automatic drilling rigs with hydraulic pipe handling booms and lift capacities ranging from 200,000 to 300,000 pounds. Nine of these drilling rigs are located in Odessa, Texas and three are located in Wooster, Ohio. As of September 30, 2000, 11 of the 12 rigs were in operation.

We market our drilling services directly to a diverse customer base, consisting of both major and independent oil companies. Our semi-automatic rigs offer several competitive advantages, including:

- our rigs operate with a two-man crew rather than the four-man crew typically required by others;

- our rigs require only 60 feet by 100 feet of deckspace;

- our rigs require significantly fewer truck loads for delivery to the well site;

- our rigs do not require casing crews;

- our top drive units offer better drilling efficiency than conventional rotary units; and

- our rigs offer various safety benefits, including minimal pipehandling, no derrick man and no rotary table and chains.

Our largest customers in drilling services in 1999 included Anadarko Petroleum Corporation and Chevron Corporation, neither of which accounted for greater than 5% of our 1999 revenues on a pro forma basis after giving effect to the Combination. Our main competitors are Nabors Industries, Inc., Patterson Energy Inc. and Key Energy Services, Inc. The land drilling business is very fragmented and consists of a small number of large companies and many smaller companies.

Rental Services. Our rental services business provides a wide range of products for use in the offshore and onshore oil and gas industry, including:

- wireline and coiled tubing pressure control equipment;

- pipe recovery systems; and

- surface-based pressure control equipment used in production operations.

Our rental services are used during the exploration, development, production and abandonment stages. We provide rental services at 12 U.S. distribution points in Texas, Louisiana and Oklahoma. We provide rental services on a day rental basis with rates varying depending on the type of equipment and the length of time rented.

Our three largest customers in rental services in 1999 were Schlumberger Ltd., Baker Hughes Incorporated and Halliburton Company. None of these customers accounted for greater than 5% of our 1999 revenues on a pro forma basis after giving effect to the Combination.

Remote Site Accommodations, Catering and Logistics and Modular Building Construction. We are a leading provider of fully integrated products and services required to support a workforce at a remote location, including workforce accommodations, food services, remote site management services and modular building construction. We provide complete design, manufacture, installation, operation and redeployment logistics services for oil and gas drilling, oil sands mining, diamond mining, pipeline construction, offshore construction, disaster relief services or any other industry that requires remote site logistics projects. Our remote site products and services operations are primarily focused in Canada and the Gulf of Mexico. During the peak of our operating season, we typically provide logistics services in over 200 separate locations throughout the world to remote sites with populations of 20 to 2,000 persons.

Our remote site logistics products and services business offers several competitive advantages, including:

- an extensive inventory of over 2,400 building units in Canada and the Gulf of Mexico;

- established field service infrastructure;

- extensive remote site logistics capabilities; and

- the ability to mobilize equipment to remote sites on short notice.

Remote Site Accommodations, Catering and Logistics Services. We sell and lease portable living quarters, galleys, diners and offices and provide portable generator, water sewage systems and catering services as part of our remote site logistics services. We provide various client-specific building configurations to customers for use in both onshore and offshore applications. We provide our integrated remote site logistics

services to customers under long-term and short-term contractual arrangements which include the provision of:

- sanitation, janitorial and laundry services;
- security services;
- maintenance services;
- installation services and planning;
- transportation and communications; and
- power, fuel supply, lighting and refrigeration services.

Modular Building Construction. We design, construct and install a variety of portable modular buildings, including housing, kitchens, recreational units and offices for the Canadian and Gulf of Mexico markets. Our designers work closely with our clients to build structures that best serve their needs.

Our Canadian manufacturing operations primarily support our Canadian remote site logistics business through the construction and refurbishing of remote site rental units.

We also design and construct steel and ultra-light weight aluminum modular buildings and accommodation units for lease or sale to the offshore oil and gas industry located primarily in the Gulf of Mexico. These buildings are designed to meet the challenges encountered in harsh saltwater environments and include U.S. Coast Guard-approved buildings. These modular buildings save valuable deck space because they can be stacked three high, while still maintaining their structural integrity in high winds. The structural integrity of our metal accommodation units provide significant safety advantages over the wood and fiberglass composite units that some of our competitors provide.

In 1999, our three largest customers in remote site accommodations, catering and logistics and modular building construction were Syncrude Canada, Ltd., Ensign Resource Service Group Inc. and Precision Drilling Corporation. None of these customers accounted for greater than 5% of our 1999 revenues on a pro forma basis after giving effect to the Combination. Our main competitors are Atco Structures Limited, Great West Catering Ltd. and Abbeyville Offshore Inc. However, we do not believe that any of our competitors provides fully integrated remote site logistics services to the same extent as we currently provide.

Growth Initiatives

We intend to pursue the following initiatives to grow our well site services business:

- Develop new products. New product developments, such as offshore skidable racking structures, can be built around the hydraulic workover unit to improve the competitiveness for both multiple well projects and higher level workovers.

- Improve market share in well control projects. We believe that we can improve our market share in emergency well control projects through the use of partnerships with engineering companies, major service providers and providers of emergency response services.

- Expand our rental fleet. We plan to expand our rental fleet to target deepwater operations.

- Provide additional services and equipment. We plan to provide additional services and equipment to onshore and offshore remote sites in various geographic locations.

GOVERNMENT REGULATION

The closing of the Combination is subject to governmental review only under the Hart-Scott-Rodino Antitrust Improvements Act. Early termination of the review period under that act was granted in September 2000. A post-closing notice filing is required under the Investment Canada Act. The Combination does not require any filings or review periods under the Competition Act (Canada).

Our business is significantly affected by foreign, federal, state and local laws and regulations relating to the oil and natural gas industry, worker safety and environmental protection. Changes in these laws, including more stringent administrative regulations and increased levels of enforcement of these laws and regulations, could significantly affect our business. We cannot predict changes in the level of enforcement of existing laws and regulations or how these laws and regulations may be interpreted or the effect changes in these laws and regulations may have on us or our future operations or earnings. We also are not able to predict whether additional laws and regulations will be adopted.

We depend on the demand for our products and services from oil and natural gas companies. This demand is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry generally, including those specifically directed to oilfield and offshore operations. The adoption of laws and regulations curtailing exploration and development drilling for oil and natural gas in our areas of operation could also adversely affect our operations by limiting demand for our products and services. We cannot determine the extent to which our future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations or enforcement.

Some of our employees who perform services on offshore platforms and vessels are covered by the provisions of the Jones Act, the Death on the High Seas Act and general maritime law. These laws operate to make the liability limits established under states' workers' compensation laws inapplicable to these employees and permit them or their representatives generally to pursue actions against us for damages or job-related injuries with no limitations on our potential liability.

Our operations are subject to numerous foreign, federal, state and local environmental laws and regulations governing the manufacture, management and/or disposal of materials and wastes in the environment and otherwise relating to environmental protection. Numerous governmental agencies issue regulations to implement and enforce these laws, for which compliance is often costly and difficult. The violation of these laws may result in the denial or revocation of permits, issuance of corrective action orders, assessment of administrative and civil penalties and even criminal prosecution. We believe that we are in compliance in all material respects with applicable environmental laws and regulations. Further, we do not anticipate that compliance with existing laws and regulations will have a material effect on our consolidated financial statements.

We generate wastes, including hazardous wastes, that are subject to the federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes. The United States Environmental Protection Agency, or EPA, and state agencies have limited the approved methods of disposal for some types of hazardous and nonhazardous wastes. Some wastes handled by us in our field service activities that currently are exempt from treatment as hazardous wastes may in the future be designated as "hazardous wastes" under RCRA or other applicable statutes. This would subject us to more rigorous and costly operating and disposal requirements.

The federal Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA or the "Superfund" law, and comparable state statutes impose liability, without regard to fault or legality of the original conduct, on classes of persons that are considered to have contributed to the release of a hazardous substance into the environment. These persons include the owner or operator of the disposal site or the site where the release occurred and companies that disposed of or arranged for the disposal of the hazardous substances at the site where the release occurred. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We may operate properties upon which activities involving the handling of hazardous substances or wastes may have been conducted by third parties not under our control. These properties may be subject to CERCLA, RCRA and analogous state laws. Under these laws and related regulations, we could be required to remove or remediate previously discarded hazardous substances and wastes or property contamination that was caused by these third parties. These laws and regulations may also

expose us to liability for our acts that were in compliance with applicable laws at the time the acts were performed.

Our operations may result in discharges of pollutants to waters. The Federal Water Pollution Control Act and analogous state laws impose restrictions and strict controls regarding the discharge of pollutants into state waters or waters of the United States. The discharge of pollutants is prohibited unless permitted by the EPA or applicable state agencies. In addition, the Oil Pollution Act of 1990 imposes a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages, including natural resource damages, resulting from such spills in waters of the United States. A responsible party includes the owner or operator of a facility or vessel, or the lessee or permittee of the area in which an offshore facility is located. The Federal Water Pollution Control Act and analogous state laws provide for administrative, civil and criminal penalties for unauthorized discharges and, together with the Oil Pollution Act, impose rigorous requirements for spill prevention and response planning, as well as substantial potential liability for the costs of removal, remediation, and damages in connection with any unauthorized discharges.

Although we believe that we are in substantial compliance with existing laws and regulations, there can be no assurance that substantial costs for compliance will not be incurred in the future. Moreover, it is possible that other developments, such as the adoption of stricter environmental laws, regulations and enforcement policies, could result in additional costs or liabilities that we cannot currently quantify.

FACILITIES

The following table presents information about our principal facilities. Except as indicated below, we own all of these facilities.

LOCATION	APPROXIMATE SQUARE FOOTAGE/ACREAGE	DESCRIPTION
United States		
Houston, Texas (lease)....................	3,095	Principal executive offices
Arlington, Texas..........................	11,264	Offshore products business office
Arlington, Texas..........................	55,853	Offshore products manufacturing facility
Arlington, Texas (lease)..................	42,491	Offshore products manufacturing facility
Arlington, Texas..........................	44,780	Elastomer Technology Center
Arlington, Texas..........................	60,000	Molding and aerospace facilities
Houston, Texas (lease)....................	16,000	Offshore products manufacturing facility
Houston, Texas............................	65,105	Offshore products manufacturing facility
Houston, Texas (lease)....................	54,050	Offshore products manufacturing facility
Lampasas, Texas...........................	47,500	Molding facility for offshore products
Crosby, Texas.............................	109 acres	Tubular yard
Belle Chasse, Louisiana (lease)...........	20,000	Accommodations manufacturing facility
Lafayette, Louisiana (lease)..............	9 acres	Accommodations equipment yard
Houma, Louisiana (lease)..................	24,000	Accommodations manufacturing facility
Houma, Louisiana..........................	24,000	Hydraulic well control yard and office
Houma, Louisiana..........................	8,400	Well control office and training facility
Houma, Louisiana..........................	64,659	Offshore products manufacturing facility
Broussard, Louisiana......................	19,000	Rental tool warehouse
Odessa, Texas.............................	14,240	Tubular warehouse
Odessa, Texas.............................	7,500	Office and warehouse in support of drilling operations
Alvin, Texas..............................	20,450	Rental tool warehouse
International		
Nisku, Alberta............................	33,000	Accommodations manufacturing facility
Edmonton, Alberta.........................	31,000	Accommodations office and warehouse
Aberdeen, Scotland (lease)................	56,021	Offshore products manufacturing facility
Bathgate, Scotland........................	28,000	Offshore products manufacturing facility
Spruce Grove, Alberta.....................	15,000	Accommodations facility and equipment yard
Grande Prairie, Alberta...................	18,000	Accommodations facility and equipment yard
Peace River, Alberta......................	80 acres	Accommodations equipment yard
Aberdeen, Scotland (lease)................	6,260	Tubular yard
Barrow, England...........................	14,551	Offshore products manufacturing facility
Singapore, Asia (lease)...................	13,411	Offshore products warehouse and yard
Macae, Brazil (lease).....................	18,729	Offshore products manufacturing facility
Port Harcourt, Nigeria (lease)............	376,727	Tubular yard

We have five tubular sales offices and a total of 12 rental supply and distribution points in Texas, Louisiana and Oklahoma. Most of these office locations provide sales, technical support and personnel services to our customers. We also have various offices supporting our business segments which are both owned and leased.

LEGAL PROCEEDINGS

We are a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, products, employees and other matters. Although we can give no assurance about the outcome of these or any other pending legal and administrative

proceedings and the effect such outcomes may have on us, we believe that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on our financial condition or results of operations.

EMPLOYEES

As of September 30, 2000, we had 2,301 full-time employees, 839 of whom are in our offshore products segment, 93 of whom are in our tubular services segment and 1,369 of whom are in our well site services segment. In addition, we are party to collective bargaining agreements covering approximately 364 employees located in Canada. We believe relations with our employees are good.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table provides information regarding our executive officers and directors:

NAME	AGE	POSITION(S)
L.E. Simmons	53	Chairman of the Board
Douglas E. Swanson	62	Director, President and Chief Executive Officer
Cindy B. Taylor	39	Senior Vice President -- Chief Financial Officer and Treasurer
Robert W. Hampton	49	Vice President -- Finance and Accounting and Secretary
Michael R. Chaddick	53	Vice President -- Tubular Services
Christopher E. Cragg	39	Vice President -- Tubular Services
Howard Hughes	57	Vice President -- Offshore Products
Sandy Slator	56	Vice President -- Well Site Services
Jay Trahan	54	Vice President -- Well Site Services
Martin Lambert(1)	44	Director
Mark G. Papa(1)	54	Director
Gary L. Rosenthal(1)	51	Director
Andrew L. Waite	39	Director
Stephen A. Wells	56	Director

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(1) Mr. Lambert, Mr. Papa and Mr. Rosenthal will be appointed to our board of directors in connection with the closing of the Combination and the offering.

We describe briefly below the business experience of our executive officers and directors.

L.E. Simmons is Chairman of the Board of our company. Mr. Simmons is the founder, Chairman of the Board and President of L.E. Simmons & Associates, Incorporated, a private equity fund manager and the ultimate general partner of SCF. Mr. Simmons has held these positions since 1989. Prior to founding L.E. Simmons & Associates, Incorporated, he co-founded Simmons & Company International, an investment bank that specializes in the energy industry. Mr. Simmons also serves as a director of Varco International, Inc., an oilfield services and equipment company, Zions Bancorporation, a commercial banking company, and Simmons Media Group, a media and entertainment company. He received a M.B.A. from the Harvard University Graduate School of Business Administration.

Douglas E. Swanson is a director of our company and has served as President and Chief Executive Officer since January 2000. From August 1999 to January 2000, Mr. Swanson pursued personal interests. From January 1992 to August 1999, Mr. Swanson served as Chairman of the Board and Chief Executive Officer of Cliffs Drilling Company, a contract drilling company. He currently serves as a director of HWC, Sooner,

R&B Falcon Corporation, a contract marine drilling company, and Varco International, Inc. He holds a degree from Cornell College and is a Certified Public Accountant.

Cindy B. Taylor is Senior Vice President -- Chief Financial Officer and Treasurer of our company. She has held this position since May 2000. From August 1999 to May 2000, Mrs. Taylor was the Chief Financial Officer of L.E. Simmons & Associates, Incorporated. Mrs. Taylor served as the Vice President -- Controller of Cliffs Drilling Company from July 1992 to August 1999 and as a senior manager with Ernst & Young, LLP, a public accounting firm, from January 1984 to July 1992. She received a B.B.A. from Texas A&M University and is a Certified Public Accountant.

Robert W. Hampton will be appointed Vice President -- Finance and Accounting and Secretary of our company upon completion of the offering. Mr. Hampton is Vice President and Chief Financial Officer of HWC, a position he has held since February 1998. Mr. Hampton joined HWC from Tidewater Inc., an offshore service vessel operator, where he was based in Aberdeen and was Area Manager for the North Sea Operations from March 1996 to February 1998. He served as Vice President, Treasurer and Chief Financial Officer of Hornbeck Offshore, an offshore service vessel operator, from 1990 to March 1996, when it was acquired by Tidewater. Mr. Hampton worked at Price Waterhouse, a public accounting firm, from 1973 to 1986. Mr. Hampton is a Certified Public Accountant and received his B.S. degree from the Pennsylvania State University.

Michael R. Chaddick will be appointed Vice President -- Tubular Services of our company upon completion of the offering. Mr. Chaddick is Executive Vice President -- Chief Operating Officer of Sooner, a position he has held since June 1999. From May 1992 to June 1999, he served as President of the Wilson Supply Company Division of Wilson Industries, Inc., a general oilfield supplies distributor. He served as Vice President -- Tubular Services for Wilson from February 1982 until May 1992 and was the General Manager of Tubular Services from November 1980 until February 1982. Prior to joining Wilson, Mr. Chaddick spent 11 years with U.S. Steel, a steel manufacturer, in various sales and management capacities. He currently serves as a director of Sooner. He received a B.B.A. degree from the University of Texas at Arlington.

Christopher E. Cragg will be appointed Vice President -- Tubular Services of our company upon completion of the offering. Mr. Cragg is Executive Vice President -- Chief Financial Officer of Sooner, a position he has held since December 1999. From June 1999 to December 1999, Mr. Cragg pursued personal interests. From April 1994 to June 1999, he was Vice President and Controller of Ocean Energy, Inc., an independent oil and gas exploration and production company, and its predecessor companies. Mr. Cragg served as Manager -- Internal Audit with Cooper Industries, a manufacturer of diversified products, from April 1993 to April 1994 and as a senior manager with Price Waterhouse, a public accounting firm, from August 1983 to April 1993. He currently serves as a director of Sooner. He received a B.B.A. degree from Southwestern University and is a Certified Public Accountant.

Howard Hughes will be appointed Vice President -- Offshore Products of our company upon completion of the offering. Mr. Hughes is President of Oil States, a position he has held since September 1989. Prior to that, Mr. Hughes served in various managerial and executive positions with Oil States since April 1976. He holds a B.S. degree from the University of Houston.

Sandy Slator will be appointed Vice President -- Well Site Services of our company upon completion of the offering. Mr. Slator joined PTI in November 1999 and has served as its President and Chief Executive Officer since January 2000. From February 1999 to November 1999, Mr. Slator was a founding partner of River View Venture Partners, an Edmonton-based venture capital group. From March 1998 to January 1999, Mr. Slator was an associate of Lambridge Capital Partners, an Edmonton-based investment banking group. From May 1996 to March 1998, Mr. Slator participated in a number of community-related volunteer activities. During that time, Mr. Slator was also a founding partner of NetCovergence, Inc., a private technology related company that was sold in the spring of 2000. From 1989 to April 1996, Mr. Slator served as President and Chief Executive Officer of Vencap Equities Alberta Ltd., a publicly traded venture capital company. Mr. Slator served on the board of PTI from 1984 until 1994.

Jay Trahan will be appointed Vice President -- Well Site Services of our company upon completion of the offering. Mr. Trahan is President and Chief Executive Officer of HWC, a position he has held since January 1998. He has 30 years of experience in the oil and gas industry. From 1996 to January 1998, Mr. Trahan served as President of Baker Hughes Solutions; from 1993 to 1996, he served as President of Baker Hughes Inteq; from 1990 to 1993, he served as President of Baker Sand Control; and from 1988 to 1990 he served as Vice President of Worldwide Operations for Baker Sand Control. Baker Hughes Solutions, Baker Hughes Inteq and Baker Sand Control are divisions of Baker Hughes Incorporated, a diversified oilfield services company. He currently serves as a director of HWC.

Martin Lambert will become a director of our company upon the completion of the offering. Mr. Lambert has been a partner in the Canadian law firm Bennett Jones LLP since 1987. Mr. Lambert joined Bennett Jones LLP in 1979. He currently serves as a director of TriGas Exploration, Inc., a Canadian oil and gas exploration and production company, and IPEC, Ltd., a pipeline construction company. He has a LL.B. degree from the University of Alberta.

Mark G. Papa will become a director of our company upon the completion of the offering. Mr. Papa has served as Chairman of the Board and Chief Executive Officer of EOG Resources, Inc., an oil and gas exploration and production company, since August 1999. From February 1994 to August 1999, he held a number of management positions with EOG Resources, Inc. He has a petroleum engineering degree from the University of Pittsburgh and a M.B.A. degree from the University of Houston.

Gary L. Rosenthal will become a director of our company upon the completion of the offering. Mr. Rosenthal is co-founder and President of Heaney Rosenthal Inc., a private investment company, a position he has held since October 1994. He also serves as President of AXIA Inc., a diversified manufacturing company. He has held these positions since July 1998. He currently serves as a director of HWC, Diamond Products International, Inc., a drilling bit manufacturer, and Texas Petrochemical Holdings, Inc., a chemicals manufacturer and distributor. He holds J.D. and A.B. degrees from Harvard University.

Andrew L. Waite is a director of our company. Mr. Waite is a Managing Director of L.E. Simmons & Associates, Incorporated and has been an officer of that company since October 1995. He was previously Vice President of Simmons & Company International, where he served from August 1993 to September 1995. From 1984 to 1991, Mr. Waite held a number of engineering and management positions with the Royal Dutch/Shell Group, an integrated energy company. He currently serves as a director of HWC, Sooner, WorldOil.com Inc., an online oilfield services portal, and Canyon Offshore, Inc., a provider of remotely operated vehicle services. He received a M.B.A. from the Harvard University Graduate School of Business Administration and a M.S. degree from the California Institute of Technology.

Stephen A. Wells is a director of our company. Mr. Wells is the president of Wells Resources, Inc., a privately owned oil, gas and ranching company, and has served in that position since 1983. From April 1999 to October 1999, Mr. Wells served as a director and Chief Executive Officer of Avista Resources, Inc., an oil recycling technology company. From October 1993 to February 1996, he was a director and Chief Executive Officer of Coastwide Energy Services, Inc., a Gulf Coast marine terminal operator. From March 1992 to September 1994, he was a director and Chief Executive Officer of Grasso Corporation, an oil and gas production management services company. Mr Wells currently is a director of Pogo Producing Company, an oil and gas exploration and production company, and is the Chairman of the Board of GRT Inc., a hydrocarbon research and technology company.

CLASSIFIED BOARD

Our board of directors will be divided into three classes. The directors will serve staggered three-year terms. Terms of the Class I directors will expire at the annual meeting of stockholders to be held in 2001. The terms of the directors of the other two classes will expire at the annual meetings of stockholders to be held in 2002 (Class II) and 2003 (Class III). At each annual meeting of stockholders, one class of directors will be elected for a full term of three years to succeed that class of directors whose terms are expiring. The

directors so elected may be removed only for cause. Upon the completion of the offering, the classification of directors will be as follows:

- Class I -- Mr. Simmons and Mr. Swanson;

- Class II -- Mr. Rosenthal and Mr. Waite;

- Class III -- Mr. Papa, Mr. Wells and Mr. Lambert.

Our certificate of incorporation does not provide for the cumulative voting of shares in the election of directors. Because SCF will own a majority of the outstanding shares of our common stock following the Combination and the offering, SCF will have the power to elect all of the directors standing for election at each annual meeting of stockholders.

COMMITTEES OF THE BOARD OF DIRECTORS

Upon completion of this offering, our board of directors will establish an audit committee and a compensation committee.

The functions of the audit committee will be to:

- recommend annually to our board of directors the appointment of our independent auditors;

- discuss and review in advance the scope and the fees of our annual audit and review the results of the annual audit with our independent auditors;

- review and approve non-audit services of our independent auditors;

- review the adequacy of and compliance with our major accounting and financial reporting policies;

- review our management's procedures and policies relating to the adequacy of our internal accounting controls and compliance with applicable laws relating to accounting practices; and

- review our risk management policies and activities.

The audit committee will consist solely of independent directors.

The functions of the compensation committee will be to review and approve:

- annual salaries;

- bonuses;

- grants of restricted stock and stock options under our 2000 Equity Participation Plan and other stock incentive plans adopted from time to time for all executive officers and key members of our management staff; and

- the terms and conditions of all employee benefit plans or changes to these plans.

The compensation committee will consist solely of non-employee directors.

BOARD COMPENSATION

Directors who are also our employees do not receive a retainer or fees for service on our board of directors or any committees. Directors who are not employees will receive after the offering an annual fee of $15,000 and fees of $1,500 for attendance at each meeting of our board of directors, $1,000 for each committee meeting attended in person and $500 for each committee meeting attended telephonically. In addition, each non-employee director who serves as committee chairman will receive an annual fee of $10,000 for each committee on which he serves as chairman. Directors who are not employees will receive options to purchase 5,000 shares of our common stock upon election to the board of directors or, for our non-employee directors who will continue on the board of directors, upon completion of the offering and additional options to

purchase 5,000 shares at each annual meeting after which they continue to serve. These options will be granted under the 2000 Equity Participation Plan, will vest in four annual installments and will expire ten years from the date of grant. In the event of a change in control, the options will vest in accordance with the plan. The exercise price of these options will be the fair market value at the date of grant. All of our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of our board of directors or committees and for other reasonable expenses related to the performance of their duties as directors.

EXECUTIVE COMPENSATION

The following table presents information regarding the compensation of our Chief Executive Officer and our four other most highly compensated executive officers. These five persons are collectively referred to in this prospectus as the "named executive officers."

	ANNUAL COMPENSATION		
NAME AND PRINCIPAL POSITION	SALARY	BONUS	ALL OTHER COMPENSATION
Douglas E. Swanson(1) President and Chief Executive Officer	$375,000		
Cindy B. Taylor(1) Senior Vice President -- Chief Financial Officer and Treasurer	$200,000		
Howard Hughes(2) Vice President -- Offshore Products	$225,000	$73,163	$12,535(3)
Jay Trahan(2) Vice President -- Well Site Services	$200,000	--	--
Robert W. Hampton(2) Vice President -- Finance and Accounting	$135,000	--	--

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(1) Reflects expected annualized salary upon completion of the offering. Mr. Swanson and Ms. Taylor joined our company in January 2000 and May 2000, respectively.

(2) Reflects compensation paid for 1999.

(3) Reflects payments made to the Oil States 401(k) plan on behalf of Mr. Hughes to fund base retirement contributions, 401(k) matching contributions and discretionary profit sharing contributions.

2000 EQUITY PARTICIPATION PLAN

We have adopted an Equity Participation Plan. The plan provides for the grant of any combination of:

- stock options, which include both incentive stock options and nonqualified stock options;

- restricted stock;

- performance awards;

- dividend equivalents;

- deferred stock; and

- stock payments.

The purpose of the plan is to strengthen our ability to attract, motivate and retain directors and employees. The principal features of the plan are described below.

Reservation of Shares. We have reserved 3,700,000 shares of common stock for issuance under the plan. The shares available under the plan may be either previously unissued shares or treasury shares. In the event of stock splits, reorganizations, recapitalizations or other specified corporate transactions affecting us or our common stock, proportionate adjustments may be made to the number of shares available for grant under the plan, the applicable maximum share limitations under the plan, and the number of shares and prices under outstanding awards at the time of the event. If any portion of an award expires, lapses or is canceled without being fully exercised, the shares which were subject to the unexercised portion of the award will continue to be available for issuance under the plan. The maximum number of shares which may be subject to options, restricted stock or deferred stock granted under the plan to any individual in any calendar year is 400,000. The maximum value of any performance awards which may be granted under the plan to any individual in any calendar year is $2,500,000. As of September 30, 2000, giving effect to the Combination, options to purchase 1,225,255 shares at a weighted average exercise price of $7.44 per share were outstanding. In connection with the offering, we intend to grant additional options under the plan to purchase an aggregate of 800,000 shares at an exercise price equal to the initial public offering price.

Administration. The plan will be administered by the compensation committee. Subject to limitations, the compensation committee has the authority to determine:

- the persons to whom awards are granted,

- the types of awards to be granted,

- the time at which awards will be granted,

- the number of shares, units or other rights subject to each award,

- the exercise, base or purchase price of an award, if any,

- the time or times at which the award will become vested, exercisable or payable, and

- the duration of the award.

The compensation committee also has the power to interpret the plan and make factual determinations and may provide for the acceleration of the vesting or exercise period of an award at any time prior to its termination or upon the occurrence of specified events.

Change of Control. Unless otherwise provided in a particular award agreement, in the event of a "change of control," as defined in the plan:

- all outstanding awards automatically will become fully vested immediately prior to the change of control, or at an earlier time set by the committee;

- all restrictions, if any, with respect to all outstanding awards will lapse; and

- all performance criteria, if any, with respect to all outstanding awards will be deemed to have been met at their target level.

Amendment. Stockholder approval is required to amend the plan to increase the number of shares as to which awards may be granted, except for adjustments resulting from stock splits and the like. The compensation committee can amend, modify, suspend or terminate the plan in all other respects, unless the action would otherwise require stockholder approval. Amendments of the plan will not, without the consent of the participant, materially affect a participant's rights under an award previously granted, unless the award itself otherwise expressly so provides. The plan expires in 2010.

DEFERRED COMPENSATION PLAN

We have adopted a nonqualified deferred compensation plan that will permit our directors and selected key employees to elect to defer all or a part of their cash compensation from us until the termination of their status as a director or employee. The plan will be administered by the compensation committee. Our

directors will be eligible to participate in the plan, and we expect that all of our officers will be eligible to participate. Participating employees will be eligible to receive from us a matching deferral under the nonqualified deferred compensation plan that will compensate them for contributions they could not receive from us under our 401(k) plan due to the various limits imposed on 401(k) plans by the U.S. federal income tax laws.

Participants in our nonqualified deferred compensation plan will be able to invest contributions made to the nonqualified deferred compensation plan in investment funds to be selected by the compensation committee. We may establish a grantor trust to hold the amounts deferred under the plan by our officers and directors. All amounts deferred under the plan will remain subject to the claims of our creditors.

Each participant will receive, at the participant's election, a lump sum distribution or installment payments only upon termination of the participant's service with us and our affiliates. The compensation committee may, however, approve in-service withdrawals by participants to cover an unforeseen financial emergency of the participant.

ANNUAL INCENTIVE COMPENSATION PLAN

We also intend to adopt an annual incentive compensation plan to be effective January 1, 2001. The annual incentive compensation plan will be administered by the compensation committee and will be available to our executive officers and key members of management. Awards under the plan will be based on meeting annual objective performance standards relating to our performance or, in some cases, to the performance of a particular business segment or individual performance. At least 80% of the performance standards for our executive officers are expected to be based on earnings before interest, taxes, depreciation and amortization for our company or a particular business segment.

EXECUTIVE AGREEMENTS

Prior to the Combination, Mr. Trahan and Mr. Hampton have employment agreements with HWC. In connection with the closing of the Combination and the offering, their employment agreements will be terminated, and we will enter into separate executive agreements with the named executive officers, including Mr. Trahan and Mr. Hampton.

These new agreements will provide protection in the event of a qualified termination, which is defined as an involuntary termination of the executive officer by us other than for cause or a voluntary termination by the executive for good reason. If the qualified termination occurs during the 24-month period following a change of control, the agreements will provide for a lump sum payment to the executive officer based on the executive officer's base salary and target annual bonus amount. In addition, in that circumstance, the agreements will provide that all restricted stock awards will become vested, that all restrictions on such awards will lapse and that outstanding stock options will vest and, except for incentive stock options granted prior to the completion of the offering, remain exercisable for the remainder of their terms. The executive officer will also be entitled to health benefits, vesting of all deferred compensation amounts, outplacement services and to be made whole for any excise taxes incurred with respect to severance payments that are excess parachute payments under the Internal Revenue Code. If a qualified termination occurs other than during the 24-month period following a change of control, the executive agreements will provide for payments based on the executive officer's base salary and target annual bonus amount.

The executive agreements will have an initial term of three years and will be extended automatically for one additional day on a daily basis for a maximum additional period of three years, unless notice of non-extension is given, in which case the agreement will terminate on the third anniversary of the date notice is given. To receive benefits under the executive agreement, the executive officer will be required to execute a release of certain employment-related claims against us. The terms of the executive agreements are summarized below.

Douglas E. Swanson. Under the terms of Mr. Swanson's executive agreement, he will be entitled to receive a lump sum payment equal to three times his base salary and target annual bonus amount if a qualified

termination occurs during the 24-month period following a change of control. If a qualified termination occurs other than during the 24-month period following a change of control, Mr. Swanson will be entitled to receive a lump sum payment equal to two times his base salary and target annual bonus amount. In addition, we intend to award to Mr. Swanson restricted stock with a value of approximately $2.5 million in connection with the Combination and the offering. This restricted stock award vests in three equal installments on each of the first three anniversaries of the effective date of the restricted stock agreement. In addition, the entire restricted stock award will vest if there is a change in control of our company or if Mr. Swanson's employment is terminated for a reason that entitles him to receive benefits under any of our long term disability plans.

Cindy B. Taylor. Under the terms of Ms. Taylor's executive agreement, she will be entitled to receive a lump sum payment equal to two and a half times her base salary and target annual bonus amount if a qualified termination occurs during the 24-month period following a change of control. If a qualified termination occurs other than during the 24-month period following a change of control, Ms. Taylor will be entitled to receive a lump sum payment equal to one and a half times her base salary and target annual bonus amount.

All Other Named Executive Officers. Under the terms of each other named executive officer's executive agreement, the named executive officer will be entitled to receive a lump sum payment equal to two times his base salary and target annual bonus amount if a qualified termination occurs during the 24-month period following a change of control. If a qualified termination occurs other than during the 24-month period following a change of control, the executive officer will be entitled to receive a lump sum payment equal to his base salary and target annual bonus amount.

CHANGE OF CONTROL SEVERANCE PLAN

We have also adopted a change of control severance plan for selected key management employees. Under the terms of this plan, if a qualified termination occurs during the 12-month period following a change of control, specified key management employees, other than our named executive officers, will be entitled to receive a lump sum payment equal to a multiple ranging from one-half to two times their respective annual base salaries and corresponding portions of their target annual bonus amount. In addition, the terminated key management employees will be entitled to health benefits and outplacement services. No key management employee will be entitled to severance benefits under this plan following a change of control if the employee is offered comparable employment with the acquiring entity. To receive benefits under this plan, the terminated key management employees will be required to execute a release of certain employment-related claims against us.

OPTION GRANTS

In connection with the Combination, all outstanding options under the Oil States, HWC, Sooner and PTI option plans will be converted into options issued under our 2000 Equity Participation Plan. In connection with this offering, we intend to grant additional options under this plan to purchase an aggregate of 800,000 shares at an exercise price equal to the initial public offering price. Following the Combination and the offering, options to purchase 2,025,255 shares of our common stock will be outstanding under the 2000 Equity Participation Plan.

The following table contains information concerning stock options held by the named executive officers as of December 31, 1999, giving effect to the Combination. No stock options were exercised in 1999 by any named executive officer.

OPTION VALUES AT DECEMBER 31, 1999

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (NUMBER OF SHARES)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Douglas E. Swanson	--	--	--	--
Cindy B. Taylor	--	--	--	--
Howard Hughes	33,051	9,167	$256,275	--
Jay Trahan	52,006	156,017	584,098	$1,752,293
Robert W. Hampton	21,669	65,008	243,376	730,129

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(1) Prior to this offering, there was no public market for common stock and, therefore, the values of each unexercised in-the-money stock option is calculated as the product of (a) the number of options and (b) the difference between the estimated initial public offering price of $17.00 per share and the exercise price of the stock option.

RELATED PARTY TRANSACTIONS

OFFERING BY SELLING STOCKHOLDERS

We are paying the expenses of the offering by the selling stockholders, other than the underwriting discounts, commissions and transfer taxes with respect to shares of stock sold by the selling stockholders and the fees and expenses of any attorneys, accountants and other advisors separately retained by them.

THE COMBINATION AND THE OFFERING

The Combination will close concurrently with the closing of the offering. The boards of directors of Oil States, HWC, Sooner and PTI approved the Combination on July 31, 2000, and the requisite number of shareholders of each of Oil States, HWC, Sooner and PTI consented to the Combination on or before August 9, 2000. Prior to the Combination, SCF owns a majority interest in each of Oil States, HWC, Sooner and PTI. In the Combination, subsidiaries of Oil States will merge into each of HWC and Sooner. Most of the current shareholders of HWC and Sooner, including SCF, will receive shares of Oil States common stock, and five non-accredited shareholders will receive cash. In addition, PTI will merge into a Canadian subsidiary of Oil States. Two of the current PTI shareholders that are located in the United States, including SCF, will receive shares of Oil States common stock, and one non-accredited shareholder will receive cash. Most of the current PTI shareholders that are located in Canada will receive exchangeable shares of that Canadian subsidiary that are exchangeable for shares of our common stock. One current Canadian shareholder of PTI who would be entitled to receive 47,849 exchangeable shares has exercised his right to dissent to the PTI exchangeable share transaction and, unless he revokes his election to dissent, will receive cash. For more information on the PTI exchangeable share transaction, see "Description of Capital Stock -- Special Preferred Voting Stock" and "-- Exchangeable Shares." Following the closing of the Combination and the offering, none of HWC, Sooner or PTI or any of their shareholders will have any obligations to indemnify us for losses that we suffer relating to the Combination. Following the closing of the Combination and the offering:

- HWC, Sooner and PTI will be our wholly owned subsidiaries;

- the former shareholders of HWC, Sooner and PTI, other than those that receive cash, will hold shares of our common stock or shares of one of our Canadian subsidiaries exchangeable for shares of our common stock; and

- SCF will hold approximately 61.4% of our outstanding common stock.

Prior to the Combination, SCF owns 7,657,326 shares of Oil States common stock, or 84.6% of the outstanding shares, after taking into account a three-for-one reverse stock split. In addition, prior to the Combination, SCF owns:

- 80.6% of the outstanding shares of HWC common stock;

- 57.7% of the outstanding common shares of PTI; and

- 81.7% of the outstanding shares of Sooner common stock.

In the Combination, SCF will receive, in consideration of its ownership interests in HWC, PTI and Sooner, 18,535,091 additional shares for a total of 26,192,417 shares, or 60.4% of the total shares outstanding after the Combination and the offering on a fully diluted basis.

L.E. Simmons, the chairman of our board of directors, is the chairman, president and sole shareholder of L.E. Simmons & Associates, Incorporated. L.E. Simmons & Associates, Incorporated is the general partner of SCF-II, L.P., which is the general partner of SCF-III, L.P. Prior to the Combination, SCF-III, L.P. owns a majority interest in each of Oil States, HWC and PTI. L.E. Simmons & Associates, Incorporated is also the general partner of SCF-IV, G.P., Limited Partnership, which is the general partner of SCF-IV, L.P. Prior to the Combination, SCF-IV, L.P. owns a majority interest in Sooner.

L.E. Simmons and his brother, Matthew Simmons, co-founded Simmons & Company International, one of the underwriters of the offering. In early 1993, L.E. Simmons sold substantially all of his economic interest in Simmons & Company International and currently holds only a 3.6% ownership position. L.E. Simmons does not currently serve Simmons & Company International as a director, officer, consultant or otherwise. Other than indirectly through this ownership position, L.E. Simmons will not receive any underwriting fees, advisory fees or other such compensation as a result of the offering.

The following table sets forth the shares of our common stock to be received in the Combination by SCF-III, L.P. and SCF-IV, L.P. for their ownership positions in HWC, Sooner and PTI:

	SHARES TO BE RECEIVED IN THE COMBINATION		
	HWC	SOONER	PTI
SCF-III, L.P.	6,395,365	--	5,659,650
SCF-IV, L.P.	--	6,480,076	--

Because of his ownership of L.E. Simmons & Associates, Incorporated, Mr. Simmons may be deemed to beneficially own such shares following the completion of the Combination. See "Principal Stockholders." As a non-employee director, Mr. Simmons will also receive stock option awards to which all of our non-employee directors will be entitled. See "Management -- Board Compensation."

In connection with the Combination and the offering, indebtedness owed to related parties will be prepaid. See "-- Transactions Before the Combination" for a discussion of this indebtedness.

TRANSACTIONS BEFORE THE COMBINATION

Transactions with our Directors and Officers

L.E. Simmons, the Chairman of our board of directors, is also the majority owner, Chairman of the Board and President of L.E. Simmons & Associates, Incorporated, the ultimate general partner of SCF, our majority shareholder. Andrew L. Waite, one of our directors, is also a Managing Director and an officer of L.E. Simmons & Associates, Incorporated. Cindy B. Taylor, our Chief Financial Officer, was also the Chief Financial Officer of L.E. Simmons & Associates, Incorporated from August 1999 until May 2000. As a majority shareholder of each of Oil States, HWC, Sooner and PTI prior to the Combination, SCF has been involved in a number of transactions with each of these companies, as described further below.

Transactions with Significant Shareholders

Oil States. During 1997, Oil States entered into loan agreements for unsecured promissory notes totaling $24.8 million with EnSerCo, L.L.C., a limited liability company that is owned 50% by SCF. Oil States also paid commitment fees totaling $400,000 to EnSerCo during 1997. These notes, which were paid in full in March 1998, accrued interest at rates ranging from 10% to 12% per year.

Effective December 31, 1997, Oil States acquired from SCF and other stockholders options to purchase from Oil States its common shares of CE Franklin, Ltd., a former majority-owned subsidiary of Oil States that was sold in 1999. Oil States issued 500,000 shares, before consideration of the proposed three-for-one reverse stock split, of its common stock, valued at $5.0 million, in exchange for these options. The aggregate consideration paid by SCF and the other stockholders in November 1995 for such options was $2.0 million. Oil States issued an additional 500,000 shares, before consideration of the proposed three-for-one reverse stock split, of its common stock to SCF and the other stockholders in March 2000 due to performance conditions specified in the transaction which were not attained.

In August and December 1997, SCF acquired 2,001,550 shares, before consideration of the proposed three-for-one reverse stock split, of Oil States at a weighted average price of $7.94 per share through two rights offerings extended to all Oil States shareholders. In February and March 1998, SCF acquired 910,600 shares, before consideration of the proposed three-for-one reverse stock split, of Oil States common stock at a weighted average price of $10.00 per share through two rights offerings extended to all Oil States shareholders. In 2000, Oil States issued 3,642,400 shares, before consideration of the proposed three-for-one

reverse stock split, of its common stock to SCF due to performance conditions specified in the 1998 rights offerings which were not attained.

In December 1998, Oil States declared a $25.0 million dividend to the holders of Oil States common stock in the form of a subordinated note payable to SCF-III, L.P., acting as agent for such holders. SCF-III, L.P. is entitled to approximately 85% of the payments made on such note. Interest accrues at the rate of 6% per year. Principal and interest are due on December 31, 2005. At June 30, 2000, the outstanding balance of the note, including principal and accrued interest, was approximately $27.3 million. We intend to pay the entire balance of the note with proceeds from the offering. See "Use of Proceeds."

L.E. Simmons & Associates, Incorporated, the ultimate general partner of SCF, has served as financial advisor to Oil States from time to time before the Combination. Oil States paid out-of-pocket expenses of approximately $118,000 in 1999, $11,000 in 1998 and $17,000 in 1997 to L.E. Simmons & Associates, Incorporated. In addition, Oil States paid investment advisory fees of approximately $200,000 in 1997 to L.E. Simmons & Associates, Inc. in connection with Oil States' purchase of HydroTech Systems, Inc. We do not anticipate that we will continue to use these services following the offering and the Combination.

Between May 1996 and June 1997, Oil States issued three subordinated promissory notes, totaling $10.9 million, to entities affiliated with Hunting Oilfield Services (International), Ltd. in connection with the acquisition of assets. Prior to the Combination, an affiliate of Hunting Oilfield Services is the holder of greater than 5% of the common stock of Oil States. Of the total of $10.9 million, $10.4 million is due on May 17, 2001, and the remaining $500,000 is due September 30, 2001. These notes accrue interest at rates of 7.75% in 1998, 8.25% in 1999, and 8.50% thereafter. Accrued interest is payable on March 31 of each year; however, interest payments on two of the notes totaling $10.5 million are only required to be made if cumulative EBITDA thresholds are met. Oil States did not meet EBITDA thresholds for 1999. As of December 31, 1999, interest of $903,000 had been accrued but not paid. Interest on these two notes does not accrue on any accrued interest that is not paid due to the failure to meet any EBITDA threshold. All unpaid accrued interest is payable on the maturity date of the notes. We intend to pay the entire balance of the notes with proceeds from the offering. See "Use of Proceeds."

In November 1997, Oil States issued 1,000,000 shares, before consideration of the proposed three-for-one reverse stock split, of its common stock to the Huntfield Trust Limited, an affiliate of Hunting Oilfield Services, in consideration for the purchase of 400 shares of the common stock of a wholly owned subsidiary which were issued to Huntfield in partial consideration for the purchase of assets from Huntfield in May 1996. In January 1998, Huntfield purchased an additional 44,900 shares, before consideration of the proposed three-for-one reverse stock split, of Oil States common stock at $10.00 per share pursuant to the November 1997 rights offering. In February and March 1998, Huntfield purchased 104,867 shares, before consideration of the proposed three-for-one reverse stock split, of Oil States common stock at a weighted average price of $10.00 per share through two rights offerings extended to all Oil States shareholders. In February 2000, Oil States issued 419,468 shares, before consideration of the proposed three-for-one reverse stock split, of its common stock to Huntfield due to performance conditions specified in the two rights offerings which were not attained.

During 1999, Hunting Oilfield Services provided indemnification payments to Oil States in the amount of $1.8 million for a liability incurred in 1998 relating to assets sold to Oil States in 1996.

During 1998, Oil States acquired assets from Sooner Pipe & Supply Corporation, the predecessor of Sooner and an entity under common control with Oil States, for $3.8 million. Oil States issued a promissory note in the amount of $2.0 million to Sooner Pipe & Supply in connection with the acquisition. In May 1999, Oil States sold all of its tubular assets to Sooner Pipe & Supply for $7.4 million in cash and $2.0 million of noncash consideration related to the cancellation of a promissory note.

HWC. In November 1997, HWC issued 20,400 shares of its common stock to SCF for an aggregate purchase price of $20.4 million. HWC issued an additional 6,667 shares of common stock to SCF in May and June 1998 for an aggregate purchase price of $10.0 million.

In April 1999, HWC issued 2,000 shares of its Series A Convertible Preferred Stock to SCF for an aggregate purchase price of $2.0 million. The preferred stock accrues dividends at an annual rate of 6.5%. SCF can convert the preferred stock, including accrued but unpaid dividends through June 30, 2000, at any time into shares of HWC common stock. In connection with the Combination, SCF will convert the preferred stock, including accrued but unpaid dividends through June 30, 2000, into shares of HWC common stock, which will be converted into 750,533 shares of our common stock.

In November 1999, HWC issued 2,650 shares of its Series B Convertible Preferred Stock to SCF for an aggregate purchase price of $2.7 million. The preferred stock accrues dividends at an annual rate of 6.5%. SCF can convert the preferred stock, including accrued but unpaid dividends through June 30, 2000, at any time into shares of HWC common stock. In connection with the Combination, SCF will convert the preferred stock, including accrued but unpaid dividends through June 30, 2000, into shares of HWC common stock, which will be converted into 952,700 shares of our common stock.

Sooner. In July 1998, Sooner issued to SCF a junior subordinated promissory note in the original principal amount of $15.1 million, 15,137 shares of common stock and 15,137 warrants to purchase common stock in return for $30.2 million from SCF. In May and June 1999, Sooner issued additional promissory notes to SCF in the aggregate principal amount of $6.3 million, 6,250 shares of common stock and 6,250 warrants to purchase common stock in return for $12.5 million from SCF. The notes mature on June 30, 2008 and accrue interest annually at the rate of 6%. As of June 30, 2000, the outstanding balance, including principal and accrued interest, was $23.6 million. We intend to pay the entire balance of the notes with proceeds from the offering. See "Use of Proceeds."

In 1998 and 1999, Sooner issued warrants to SCF to purchase shares of Sooner common stock. The warrants are exercisable into an aggregate of 21,387 shares of Sooner common stock at an exercise price of $1,000 per share, subject to adjustment upon the occurrence of specified events. In connection with the Combination, the SCF warrants will be exchanged on a cashless basis for shares of Sooner common stock, which will be converted into 2,705,363 shares of our common stock.

Other. In 1999, we sold all of the operating assets of CE Drilling and CE Mobile for aggregate consideration of $65.0 million. Simmons & Company International provided financial advisory services to us in connection with these transactions and received fees totaling $600,000.

REGISTRATION RIGHTS

Former Shareholders of Oil States, HWC, Sooner and PTI. Upon completion of the offering, we will enter into an amended and restated registration rights agreement with SCF, other stockholders of Oil States and the former shareholders of HWC and Sooner that held registration rights with respect to their shares of common stock of these companies. This agreement will give SCF the right, on five occasions, to demand that we register all or any portion of their shares of our common stock for sale under the Securities Act. SCF may not make a demand prior to the expiration of the 180 day lock-up period. The shares to be included in any demand registration by SCF must have an estimated aggregate gross offering price of at least $50.0 million. Despite a registration demand by SCF, we may delay filing of the registration statement to register its shares of our common stock for a maximum of 45 days from the date we receive the registration demand if:

- at the time we receive the registration demand, we are engaged in confidential negotiations or other confidential business activities that we would be required to disclose in the registration statement and that we would not otherwise be required to disclose, and our board of directors determines in good faith that such disclosure would not be in our best interests or the best interests of our stockholders; or

- prior to receiving the registration demand, our board of directors has determined to undertake a registered public offering of our securities and we have taken substantial steps and are proceeding with reasonable diligence to effect the offering.

In addition, SCF may not require us to file a registration statement within 180 days after the effectiveness of a registration statement related to a demand registration made by SCF. Further, if we propose to register any of

our common stock under the Securities Act, except for shares of common stock issued in connection with acquisitions and benefits plans, or if SCF exercises a demand, the other holders of registration rights under the registration rights agreement will have the right to include their shares of common stock in the registration, subject to limitations. The registration rights agreement also gives the former shareholders of PTI the right to register their shares of common stock in the registration, subject to the same limitations.

The agreement provides customary registration procedures. We have agreed to pay all costs and expenses, other than fees, discounts and commissions of underwriters, brokers and dealers and capital gains, income and transfer taxes, if any, related to the registration and sale of shares of our common stock by any holder of registration rights under the registration rights agreement in any registered offering. The rights of the holders of registration rights under the registration rights agreement are assignable under limited circumstances and terminate, other than the demand rights held by SCF, at any time when they and their affiliates own less than 2% of our outstanding common stock and are eligible to sell such common stock pursuant to Rule 144(k) under the Securities Act or, in the case of the former shareholders of PTI, when a registration statement for their benefit has been declared effective by the Securities and Exchange Commission. The demand rights held by SCF terminate on the tenth anniversary of the agreement.

The registration rights agreement contains customary indemnification and contribution provisions by us for the benefit of the selling stockholders and any underwriters. Each selling stockholder has agreed to indemnify us and any underwriter solely with respect to information provided by the stockholder, with such indemnification being limited to the net proceeds from the offering received by the stockholder.

Former Shareholders of PTI. We have agreed with the former shareholders of PTI that if any of our shares of common stock to be issued to them in exchange for the exchangeable shares of our Canadian subsidiary require us to take any action under any Canadian or United States law before those shares of common stock may be issued or in order that those shares of common stock may be freely traded after issuance, other than any restrictions on transfer by reason of a holder being a "control person" under Canadian law or an "affiliate" under United States law, we will, beginning after the first anniversary date of the closing of this offering or earlier under limited circumstances, take all such actions as are necessary and permitted by law.

CONFLICTS OF INTEREST

Generally, directors and officers have a fiduciary duty to manage their company in a manner beneficial to the company and its stockholders. Two of our directors, L.E. Simmons and Andrew L. Waite, are current directors or officers of L.E. Simmons & Associates, Incorporated, the ultimate general partner of SCF. An action beneficial to the general partner of SCF may be detrimental to our interests, which may create conflicts of interest. Although we have not adopted formal procedures to address actions by our board of directors when one or more directors have a conflict of interest, we anticipate that directors who have a conflict of interest in a matter would disclose to our other directors that there is a conflict. Depending on the facts and circumstances, our conflicted directors may or may not participate in discussions regarding the matter, and we anticipate that our conflicted directors would recuse themselves from voting on that matter. See "Risk Factors -- Risks Related to the Combination and Our Relationship with SCF."

PRINCIPAL STOCKHOLDERS

The following table sets forth, as of September 30, 2000, information regarding shares beneficially owned, giving effect to the Combination and as adjusted to reflect the sale of the common stock offered by this prospectus, by:

- each person who we know to be the beneficial owner of more than five percent of our outstanding shares of common stock;

- each of the named executive officers;

- each of our directors; and

- all current directors and executive officers as a group.

To our knowledge, except as indicated in the footnotes to this table or as provided by applicable community property laws, upon consummation of this offering, the persons named in the table have sole voting and investment power with respect to the shares of common stock indicated.

	BENEFICIAL OWNERSHIP		
		PERCENTAGE	
NAME AND ADDRESS OF BENEFICIAL OWNERS(1)	SHARES	BEFORE OFFERING	AFTER OFFERING
SCF-III, L.P. 600 Travis, Suite 6600 Houston, Texas 77002	19,712,341	58.2%	46.2%
SCF-IV, L.P. 600 Travis, Suite 6600 Houston, Texas 77002	6,480,076	19.1%	15.2%
L.E. Simmons(2)	26,192,417	77.3%	61.4%
Douglas E. Swanson	--	--	--
Cindy B. Taylor	--	--	--
Michael R. Chaddick(3)	39,712	*	*
Christopher E. Cragg(3)	17,650	*	*
Howard Hughes(3)	75,483	*	*
Sandy Slator(3)	62,885	*	*
Jay Trahan(3)	197,909	*	*
Robert W. Hampton(3)	82,369	*	*
Martin Lambert	--	--	--
Mark G. Papa	--	--	--
Gary L. Rosenthal(3)	15,170	*	*
Andrew L. Waite(4)	--	--	--
Stephen A. Wells(3)	18,678	*	*
All directors and executive officers as a group (14 persons)(2)(3)(4)	26,702,272	78.2%	62.1%

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* Less than one percent.

(1) Unless otherwise indicated, the address of each beneficial owner is c/o Oil States International, Inc., Three Allen Center, 333 Clay Street, Suite 3460, Houston, Texas 77002.

(2) The shares indicated as being beneficially owned by Mr. Simmons are owned directly by SCF-III, L.P. and SCF-IV, L.P. Mr. Simmons serves as Chairman of the Board and President of L.E. Simmons & Associates, Incorporated, the ultimate general partner of both SCF-III, L.P. and SCF-IV, L.P. As such, Mr. Simmons may be deemed to have voting and dispositive power over the shares owned by SCF-III, L.P. and SCF-IV, L.P.

(3) Includes shares that may be acquired within 60 days through the exercise of options to purchase shares of our common stock as follows: Messrs. Chaddick - 39,712; Cragg - 17,650; Hughes - 42,217; Slator - 37,731; Trahan - 104,012; Hampton - 43,338; Rosenthal - 1,040 and Wells - 2,383.

(4) Mr. Waite serves as Managing Director of L.E. Simmons & Associates, Incorporated, the ultimate general partner of both SCF-III, L.P. and SCF-IV, L.P. As such, Mr. Waite may be deemed to have voting and dispositive power over the shares beneficially owned by SCF-III, L.P. and SCF-IV, L.P. Mr. Waite disclaims beneficial ownership of the shares owned by SCF-III, L.P. and SCF-IV, L.P.

SELLING STOCKHOLDERS

The following table sets forth, as of September 30, 2000, information regarding shares beneficially owned by all selling stockholders, giving effect to the issuance of shares of Oil States common stock in the Combination and as adjusted to reflect the sale of the common stock offered by the prospectus.

To our knowledge, except as indicated in the footnotes to this table or pursuant to applicable community property laws, upon consummation of this offering, the persons named in the table have sole voting and investment power with respect to the shares of common stock indicated.

NAME AND ADDRESS OF BENEFICIAL OWNERS	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		NUMBER OF SHARES BEING OFFERED	SHARES BENEFICIALLY OWNED AFTER THE OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT

DESCRIPTION OF CAPITAL STOCK

After this offering, our authorized capital stock will consist of 200,000,000 shares of common stock, par value $.01 per share, and 25,000,000 shares of preferred stock, par value $.01 per share, of which one share has been designated as "Special Preferred Voting Stock." Upon completion of this offering, we will have 42,678,461 shares of common stock, including 3,821,459 shares of our common stock issuable upon exchange of the exchangeable shares, and one share of special preferred voting stock issued and outstanding, assuming no exercise of options to purchase shares of our common stock subsequent to the date of this prospectus and prior to the completion of this offering.

COMMON STOCK

Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Because holders of common stock do not have cumulative voting rights, the holders of a majority of the shares of common stock can elect all of the members of the board of directors standing for election, subject to the rights, powers and preferences of any outstanding series of preferred stock. Subject to the rights and preferences of any preferred stock that we may issue in the future, the holders of common stock are entitled to receive:

- dividends as may be declared by our board of directors; and

- all of our assets available for distribution to our common stockholders in liquidation, pro rata, based on the number of shares held.

There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and non-assessable. As of September 30, 2000, there were 41 holders of record of our common stock.

PREFERRED STOCK

Subject to the provisions of our certificate of incorporation and legal limitations, our board of directors has the authority, without further vote or action by the stockholders:

- to issue up to 25,000,000 shares of preferred stock in one or more series; and

- to fix the rights, preferences, privileges and restrictions of our preferred stock, including provisions related to dividends, conversion, voting, redemption, liquidation and the number of shares constituting the series or the designation of that series, which may be superior to those of the common stock.

Other than the share of special preferred voting stock to be issued in connection with the Combination as described below in "-- Special Preferred Voting Stock," there will be no shares of preferred stock outstanding upon the closing of the offering, and we have no present plans to issue any other preferred stock.

The issuance of shares of preferred stock by our board of directors as described above may adversely affect the rights of the holders of our common stock. For example, preferred stock may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. The issuance of shares of preferred stock may discourage third-party bids for our common stock or may otherwise adversely affect the market price of the common stock. In addition, the preferred stock may enable our board of directors to make more difficult or to discourage attempts to obtain control of our company through a hostile tender offer, proxy contest, merger or otherwise, or to make changes in our management.

EXCHANGEABLE SHARES

In the Combination, the outstanding common shares of PTI held by Canadian residents will ultimately be exchanged for exchangeable shares to be issued by PTI HoldCo, one of our wholly owned Canadian subsidiaries that, upon the closing of the Combination, will indirectly hold all the outstanding capital stock of PTI. The exchangeable shares may generally be exchanged at any time after the first anniversary of the closing of the Combination at the option of the holders for our common stock on a share-for-share basis subject to adjustment in the case of alterations to our common stock, plus the amount of any declared but unpaid dividends on our common stock. Upon the closing of the Combination, there will be 3,821,459 exchangeable shares outstanding, which will be exchangeable for a total of 3,821,459 shares of our common stock. If the single dissenting PTI shareholder revokes his election to dissent, there will be an additional 47,849 exchangeable shares issued in the Combination, resulting in a total of 3,869,308 exchangeable shares outstanding upon the closing of the Combination, which will be exchangeable for a total of 3,869,308 shares of our common stock. The following is a summary of the principal terms and rights of the exchangeable shares which affect us and the holders of our common stock.

Holders of exchangeable shares are entitled to:

- receive dividends equal to the dividends paid by us on shares of our common stock;

- provide directions to the holder of our special preferred voting stock as to the manner in which the special preferred voting stock should be voted on any matter on which holders of our common stock are entitled to vote. See "-- Special Preferred Voting Stock" below.

Subject to applicable law, exchangeable shares will be exchanged for shares of our common stock on a share-for-share basis, plus an amount equal to all declared and unpaid dividends on such exchangeable shares, whenever:

- the holders of exchangeable shares request us or PTI HoldCo to exchange or redeem their exchangeable shares;

- PTI HoldCo is liquidated, dissolved or wound-up;

- PTI HoldCo becomes insolvent or bankrupt, has a receiver appointed or a similar event occurs;

- we become involved in voluntary or involuntary liquidation, dissolution or winding-up proceedings;

- PTI HoldCo elects to redeem all of the exchangeable shares, provided the request is made after the fifth anniversary of the closing of the offering;

- PTI HoldCo elects to redeem all of the exchangeable shares, provided the request is made after either the third anniversary of the closing of the offering and the number of outstanding exchangeable shares is less than 10% of the number outstanding upon the closing of the Combination or the fourth anniversary of the closing of the offering and the number of outstanding exchangeable shares is less than 20% of the number outstanding upon the closing of the Combination;

- a change of control transaction occurs and the board of directors of PTI HoldCo determines in good faith and in its sole discretion, that it is not reasonable to substantially replicate the terms and conditions of the exchangeable shares in connection with the change of control transaction and that redemption of all of the outstanding exchangeable shares is commercially or legally necessary to enable the completion of the change of control transaction;

- the holders of exchangeable shares fail to pass a resolution regarding any matter on which they are entitled to vote as shareholders of PTI HoldCo and which has been proposed by the board of directors of PTI HoldCo, other than any resolution to amend the exchangeable share provisions, the support agreement or the voting and exchange trust agreement; or

- the holders of the exchangeable shares fail to take any action required to approve or disapprove any change to their rights if the approval or disapproval of such change would be required to maintain the economic or legal equivalence of the exchangeable shares and our common stock.

Whenever a holder of exchangeable shares has the right to require PTI HoldCo to redeem the holder's exchangeable shares or whenever PTI HoldCo has the right or is required to redeem the outstanding exchangeable shares, the exchangeable shares to be redeemed will be subject to the overriding right of our company or OSI ULC, one of our wholly owned Canadian subsidiaries, to purchase such exchangeable shares. The consideration to be paid by us or OSI ULC, as the case may be, will be identical to the consideration to be paid by PTI HoldCo upon any such redemption. We expect to exercise the overriding right to purchase the exchangeable shares whenever it arises.

Unless we take action to ensure that the holders of exchangeable shares receive an equivalent economic benefit, and subject to applicable law, we may not:

- issue or distribute assets, debt instruments or shares of, or securities convertible into, our common stock to the holders of the then outstanding shares of our common stock;

- effect a forward or reverse stock split or similar transaction;

- effect a merger, reorganization, consolidation or other transaction involving or affecting our common stock; or

- reclassify or otherwise change our common stock.

In the event of any proposed tender offer, share exchange offer, issuer bid, take-over bid or similar transaction affecting our common stock, we must use reasonable efforts to take all actions necessary or desirable to enable holders of exchangeable shares to participate in the transaction to the same extent and on an economically equivalent basis as the holders of our common stock. We have also agreed to take various actions to protect the rights of the holders of the exchangeable shares to receive the same dividends as are paid on our common stock and to exchange shares of our common stock for exchangeable shares.

SPECIAL PREFERRED VOTING STOCK

In connection with the acquisition of PTI, our board of directors authorized a class of preferred stock, referred to as "special preferred voting stock," consisting of one share. The special preferred voting stock will

be issued to Montreal Trust Company of Canada, which will hold the share as trustee for the benefit of the holders of the exchangeable shares described above. Except as otherwise required by law or our certificate of incorporation:

- the special preferred voting stock will be entitled to the number of votes attached to the number of shares of our common stock issuable upon the exchange of all the outstanding exchangeable shares;

- each holder of exchangeable shares will be able to direct the trustee to vote that number of votes that are attached to the number of shares of OSI common stock issuable upon the exchange of the exchangeable shares held by that holder;

- the special preferred voting stock may be voted in the election of directors and on all other matters submitted to a vote of our common stockholders; and

- the holder of the special preferred voting stock will not be entitled to receive dividends.

In the event of any liquidation, dissolution or winding up of our company, the holder of the special preferred voting stock will not be entitled to any of our assets available for distribution to stockholders. We may redeem the special preferred voting stock for a nominal amount when:

- the special preferred voting stock has no votes attached to it because there are no exchangeable shares outstanding that are not owned by us or our subsidiaries; and

- there are no shares of stock, debt, options or other agreements that could give rise to the issuance of any additional exchangeable shares to any person other than us or any of our subsidiaries.

ANTI-TAKEOVER PROVISIONS OF OUR CERTIFICATE OF INCORPORATION AND BYLAWS

Our certificate of incorporation and bylaws contain several provisions that could delay or make more difficult the acquisition of us through a hostile tender offer, open market purchases, proxy contest, merger or other takeover attempt that a stockholder might consider in his or her best interest, including those attempts that might result in a premium over the market price of our common stock.

Written Consent of Stockholders

Our certificate of incorporation provides that, on and after the date when SCF ceases to own a majority of the shares of our outstanding securities entitled to vote in the election of directors, any action by our stockholders must be taken at an annual or special meeting of stockholders, and stockholders cannot act by written consent. Until that date, any action required or permitted to be taken by our stockholders may be taken at a duly called meeting of stockholders or by the written consent of stockholders owning the minimum number of shares required to approve the action.

Special Meetings of Stockholders

Subject to the rights of the holders of any series of preferred stock, our bylaws provide that special meetings of the stockholders may only be called by the chairman of the board of directors or by the resolution of a majority of our board of directors.

Advance Notice Procedure for Director Nominations and Stockholder Proposals

Our bylaws provide that adequate notice must be given to nominate candidates for election as directors or to make proposals for consideration at annual meetings of stockholders. Notice of a stockholder's intent to nominate a director must be delivered to or mailed and received at our principal executive offices as follows:

- for an election to be held at the annual meeting of stockholders, not later than 120 calendar days prior to the anniversary date of the immediately preceding annual meeting of stockholders; and

- for an election to be held at a special meeting of stockholders, not later than the later of (1) 120 calendar days prior to the special meeting or (2) 10 calendar days following the public announcement of the special meeting.

Notice of a stockholder's intent to raise business at an annual meeting must be received at our principal executive offices not later than 120 calendar days prior to the anniversary date of the preceding annual meeting of stockholders.

These procedures may operate to limit the ability of stockholders to bring business before a stockholders meeting, including the nomination of directors and the consideration of any transaction that could result in a change in control and that may result in a premium to our stockholders.

Classified Board of Directors

Our certificate of incorporation divides our directors into three classes serving staggered three-year terms. As a result, stockholders will elect approximately one-third of the board of directors each year. This provision, when coupled with the provision of our restated certificate of incorporation authorizing only the board of directors to fill vacant or newly created directorships or increase the size of the board of directors and the provision providing that directors may only be removed for cause, may deter a stockholder from gaining control of our board of directors by removing incumbent directors or increasing the number of directorships and simultaneously filling the vacancies or newly created directorships with its own nominees.

RENOUNCEMENT OF BUSINESS OPPORTUNITIES

Our certificate of incorporation provides that, as long as SCF and its affiliates other than our company (the "SCF group") continues to own at least 20% of our common stock, we renounce any interest in specified business opportunities. In particular, our certificate of incorporation provides that if an opportunity in the oilfield services industry is presented to a member of the SCF Group or any person who is an officer, director or employee of any member of the SCF group, including any of those individuals who also serves as a director of our company (an "SCF director nominee"), no member of the SCF Group nor any of these individuals has any obligation to communicate or offer the opportunity to us and may pursue the opportunity as that entity or individual sees fit, unless:

- it was presented to an SCF director nominee solely in that person's capacity as a director of our company and no other member of the SCF Group independently received notice of or otherwise identified such opportunity or

- the opportunity was identified solely through the disclosure of information by or on behalf of our company.

Thus, for example, our certificate of incorporation provides that SCF and its affiliates, including SCF director nominees, may pursue opportunities in the oilfield services industry for their own account or present such opportunities to SCF's other portfolio companies. Our certificate of incorporation provides that SCF and its affiliates have no obligation to offer such opportunities to us, even if the failure to provide such opportunity would have a competitive impact on us.

These provisions of our certificate of incorporation may be amended only by an affirmative vote of holders of at least 80% of our outstanding common stock.

AMENDMENT OF THE BYLAWS

Our board of directors may amend or repeal the bylaws and adopt new bylaws. The holders of common stock may amend or repeal the bylaws and adopt new bylaws by a majority vote.

LIMITATION OF LIABILITY OF OFFICERS AND DIRECTORS

Our directors will not be personally liable to our company or our stockholders for monetary damages for breach of fiduciary duty as a director, except, if required by Delaware law, for liability:

- for any breach of the duty of loyalty to our company or our stockholders;

- for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;

- for unlawful payment of a dividend or unlawful stock purchases or redemptions; and

- for any transaction from which the director derived an improper personal benefit.

As a result, neither we nor our stockholders have the right, through stockholders' derivative suits on our behalf, to recover monetary damages against a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior, except in the situations described above.

DELAWARE TAKEOVER STATUTE

Under the terms of our certificate of incorporation and as permitted under Delaware law, we have elected not to be subject to Delaware's anti-takeover law in order to give our significant stockholders, including SCF, greater flexibility in transferring their shares of our common stock. This law provides that specified persons who, together with affiliates and associates, own, or within three years did own, 15% or more of the outstanding voting stock of a corporation could not engage in specified business combinations with the corporation for a period of three years after the date on which the person became an interested stockholder. The law defines the term "business combination" to encompass a wide variety of transactions with or caused by an interested stockholder, including mergers, asset sales and other transactions in which the interested stockholder receives or could receive a benefit on other than a pro rata basis with other stockholders. With the approval of our stockholders, we may amend our certificate of incorporation in the future to become governed by the anti-takeover law. This provision would then have an anti-takeover effect for transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our common stock. By opting out of the Delaware anti-takeover law, a transferee of SCF could pursue a takeover transaction that was not approved by our board of directors.

LISTING

We intend to file an application to have our common stock listed on the New York Stock Exchange under the symbol "OIS."

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is ChaseMellon Shareholder Services, L.L.C., and its telephone number is (800) 635-9270.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options, in the public market could adversely affect prevailing market prices. Sales of substantial amounts of our common stock in the public market after any restrictions on sale lapse could adversely affect the prevailing market price of our common stock and impair our ability to raise equity capital in the future.

Upon completion of the offering, 42,678,461 shares of our common stock will be outstanding, including 3,821,459 shares of common stock issuable upon exchange of the exchangeable shares. The shares sold in the offering, plus any shares issued upon exercise of the underwriters' over-allotment options, will be freely tradable without restriction under the Securities Act, unless purchased by our "affiliates" as that term is

defined in Rule 144 under the Securities Act or by a person who is subject to a lock-up agreement as described below.

Almost all of the shares outstanding upon completion of the offering, other than the shares sold in the offering, will be "restricted securities" within the meaning of Rule 144. Restricted securities may be sold in the public market only if the sale is registered or if it qualifies for an exemption from registration, such as under Rule 144 under the Securities Act, which is summarized below. Sales of restricted securities in the public market, or the availability of such shares for sale, could adversely affect the market price of our common stock.

Under Rule 144, beginning 90 days after the date of this prospectus, a person, or persons whose shares are aggregated, who has beneficially owned "restricted securities" for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which for these purposes does not include the exchangeable shares and therefore will equal approximately 388,570 shares immediately after the offering; and

- the average weekly trading volume of the common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale with the SEC.

Sales under Rule 144 are also subject to other requirements regarding the manner of sale, notice and availability of current public information about us.

Under Rule 144(k), a person who is not deemed to have been one of our "affiliates" at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. An aggregate of approximately 1,100,000 shares outstanding at the consummation of the offering may be sold immediately under Rule 144(k) without so complying. Of these shares, approximately 1,000,000 shares are subject to the lock-up provisions described below.

Because SCF is among our affiliates, subject to exercise of its registration rights described under "Related Party Transactions -- Registration Rights Agreement," the Rule 144 restrictions and requirements would be applicable to SCF's shares for as long as it retains affiliate status.

Any employee, officer or director of, or consultant to, Oil States who purchased his or her shares under a written compensatory plan or contract may be entitled to sell their shares in reliance on Rule 701 under the Securities Act. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell these shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. An aggregate of approximately 150,000 shares outstanding at the consummation of the offering may be sold under Rule 701 90 days after the completion of the offering. However, some of the shares that we have issued under Rule 701 are subject to lock-up agreements, and these shares will only become eligible for sale when the 180-day lock-up agreements expire.

Each of our company, our executive officers and directors, SCF and other stockholders has agreed that, without the prior written consent of Merrill Lynch & Co. on behalf of the underwriters, it will not, during the period ended 180 days after the date of this prospectus, sell shares of common stock or take other related actions, subject to limited exceptions, all as described under "Underwriting." These lock-up agreements cover an aggregate of shares.

Upon completion of the offering, we expect that options to purchase 2,025,255 shares of common stock will have been granted under our 2000 Equity Participation Plan. We intend to file a registration statement on Form S-8 under the Securities Act as soon as practicable to register shares of common stock reserved for issuance under that plan. This registration will permit the resale of these shares by nonaffiliates in the public

market without restriction under the Securities Act, upon completion of the lock-up period described above. Shares registered under the Form S-8 registration statement held by affiliates will be subject to Rule 144 volume limitations.

In addition, holders of 3,680,864 shares of our common stock have registration rights with respect to their shares. We have also agreed to file a registration statement, one year after the closing of the Combination, for the benefit of the shareholders of PTI who will receive a total of 3,821,459 exchangeable shares in the Combination. Registration of the 3,821,459 shares of our common stock issuable on exchange of these exchangeable shares would enable these shares to be freely tradable without registration under the Securities Act, unless held by an affiliate. See "Related Party Transactions -- Registration Rights."

MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS OF COMMON STOCK

The following is a general discussion of the material U.S. federal income and estate tax considerations with respect to the ownership and disposition of common stock applicable to Non-U.S. Holders. In general, a "Non-U.S. Holder" is any beneficial owner of common stock other than

- a citizen or resident of the United States,

- a corporation, partnership or other entity created or organized in the United States or under the laws of the United States or of any state thereof,

- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or

- a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

This discussion is based on current provisions of the Internal Revenue Code, Treasury Regulations promulgated under the Internal Revenue Code, judicial opinions, published positions of the Internal Revenue Service, and all other applicable authorities, all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of income and estate taxation or any aspects of state, local, or non-U.S. taxes, nor does it consider any specific facts or circumstances that may apply to a particular Non-U.S. Holder that may be subject to special treatment under the U.S. federal tax laws, such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, and U.S. expatriates.

Prospective investors are urged to consult their tax advisors regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of common stock.

DIVIDENDS

In general, dividends paid to a Non-U.S. Holder will be subject to U.S. withholding tax at a rate of 30% of the gross amount, or a lower rate prescribed by an applicable income tax treaty, unless the dividends are effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States. Dividends that are effectively connected with such a U.S. trade or business generally will not be subject to U.S. withholding tax if the Non-U.S. Holder files the required forms, including Internal Revenue Service Form 4224, Form W-8ECI, or any successor form, with the payor of the dividend, and generally will be subject to U.S. federal income tax on a net income basis, in the same manner as if the Non-U.S. Holder were a resident of the United States. An applicable treaty may also require the dividends attributable to a permanent establishment in the United States to be subject to United States tax on a net income basis. A Non-U.S. Holder that is a corporation may be subject to an additional branch profits tax at a rate of 30%, or such lower rate as may be specified by an applicable income tax treaty, on the repatriation from the United

States of its "effectively connected earnings and profits," subject to adjustments. To determine the applicability of a tax treaty providing for a lower rate of withholding under the currently effective Treasury Regulations, dividends paid to an address in a foreign country are presumed to be paid to a resident of that country absent knowledge to the contrary. Under Treasury Regulations (the "Final Regulations") generally effective for payments made after December 31, 2000, however, a Non-U.S. Holder will be required to satisfy certification requirements in order to claim a reduced rate of withholding under an applicable income tax treaty. In addition, under the Final Regulations, in the case of common stock held by a foreign partnership, the certification requirement would generally be applied to the partners of the partnership, unless the partnership agrees to become a "withholding foreign partnership", and the partnership would be required to provide specified information. The Final Regulations also provide "look-through" rules for tiered partnerships.

A Non-U.S. Holder of common stock that is eligible for a reduced rate of U.S. federal income tax withholding under a tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

GAIN ON SALE OR OTHER DISPOSITION OF COMMON STOCK

In general, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of the holder's shares of common stock so long as:

- the gain is not effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States;

- if the Non-U.S. Holder is an individual, the Non-U.S. Holder holds shares of common stock as a capital asset, and either is not present in the United States for 183 days or more in the taxable year of disposition or does not have a "tax home" in the United States for U.S. federal income tax purposes and meets other requirements;

- the Non-U.S. Holder is not subject to tax under the provisions of the Internal Revenue Code regarding the taxation of U.S. expatriates; and

- we are not a United States real property holding corporation.

We believe that we are not currently a United States real property holding corporation, and we do not expect to become one in the future based on our anticipated business operations.

ESTATE TAX

Common stock owned or treated as owned by an individual who is not a citizen or resident, as defined for U.S. federal estate tax purposes, of the United States at the time of death will be includible in the individual's gross estate for U.S. federal estate tax purposes and therefore may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

BACKUP WITHHOLDING, INFORMATION REPORTING AND OTHER REPORTING REQUIREMENTS

We must report annually to the Internal Revenue Service and to each non-U.S. Holder the amount of dividends paid to, and the tax withheld with respect to, each Non-U.S. Holder. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information also may be made available under the provisions of a specific treaty or agreement with the tax authorities in the country in which the Non-U.S. Holder resides or is established.

Under current law, U.S. backup withholding tax, which generally is imposed at the rate of 31% on applicable payments to persons that fail to furnish the information required under the U.S. information reporting requirements, and information reporting requirements generally will not apply to dividends paid on common stock to a Non-U.S. Holder at an address outside the United States. Backup withholding and information reporting generally will apply, however, to dividends paid on common stock to a Non-U.S. Holder

at an address in the United States if the holder fails to establish an exemption or to provide certification of its non-U.S. status and other required information to the payor.

Under current law, the payment of proceeds from the disposition of common stock to or through a U.S. office of a broker will be subject to information reporting and backup withholding, unless the beneficial owner, under penalties of perjury, certifies, among other things, its status as a Non-U.S. Holder or otherwise establishes an exemption. The payment of proceeds from the disposition of common stock to or through a non-U.S. office of a broker generally will not be subject to backup withholding and information reporting, except as noted below. In the case of proceeds from a disposition of common stock paid to or through a non-U.S. office of a broker that is

- a U.S. person,

- a "controlled foreign corporation" for U.S. federal income tax purposes, or

- a foreign person 50% or more of whose gross income from a specified period is effectively connected with a U.S. trade or business,

information reporting, but not backup withholding, will apply unless the broker has documentary evidence in its files that the owner is a Non-U.S. Holder and other conditions are satisfied, or the beneficial owner otherwise establishes an exemption, and the broker has no actual knowledge to the contrary.

Under the Final Regulations, the payment of dividends or the payment of proceeds from the disposition of common stock to a Non-U.S. Holder may be subject to information reporting and backup withholding unless the recipient satisfies the certification requirements of the Final Regulations by proving its non-U.S. status or otherwise establishes an exemption. Under the Final Regulations, the sale of common stock outside of the U.S. through a non-U.S. broker will also be subject to information reporting if the broker is a foreign partnership and at any time during its tax year:

- one or more of its partners are United States persons, as defined for U.S. federal income tax purposes, who in the aggregate hold more than 50% of the income or capital interests in the partnership, or

- the foreign partnership is engaged in a U.S. trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder can be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the Internal Revenue Service in a timely manner.

Each prospective Non-U.S. Holder of common stock should consult that holder's own tax adviser with respect to the federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of common stock.

UNDERWRITING

We intend to offer the shares in the U.S. and Canada through the U.S. underwriters and elsewhere through the international managers. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston Corporation and Simmons & Company International are acting as U.S. representatives of the U.S. underwriters named below. Subject to the terms and conditions described in a U.S. purchase agreement among us, the selling stockholders and the U.S. underwriters, and concurrently with the sale of 2,060,000 shares to the international managers, we and the selling stockholders have agreed to sell to the U.S. underwriters, and each of the U.S. underwriters has agreed to purchase from us and the selling stockholders, the number of shares listed opposite its name below.

U.S. UNDERWRITER	NUMBER OF SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Credit Suisse First Boston Corporation	
Simmons & Company International	
Total	8,240,000

We and the selling stockholders have also entered into an international purchase agreement with the international managers for sale of the shares outside the U.S. and Canada for whom Merrill Lynch International, Credit Suisse First Boston (Europe) Limited and Simmons & Company International are acting as lead managers. Subject to the terms and conditions in the international purchase agreement, and concurrently with the sale of 8,240,000 shares to the U.S. underwriters under the U.S. purchase agreement, we and the selling stockholders have agreed to sell to the international managers, and the international managers severally have agreed to purchase from us and the selling stockholders, an aggregate of 2,060,000 shares in the offering. The initial public offering price per share and the total underwriting discount per share are identical under the U.S. purchase agreement and the international purchase agreement.

The U.S. underwriters and the international managers have agreed to purchase all of the shares sold under the U.S. and international purchase agreements if any of these shares are purchased. If an underwriter defaults, the U.S. and international purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the U.S. underwriters and the international managers are conditioned on one another.

We, some of our subsidiaries and the selling stockholders have agreed to indemnify the U.S. underwriters and the international managers against liabilities under the Securities Act or to contribute to payments the U.S. underwriters and international managers may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreements, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Merrill Lynch will be facilitating Internet distribution for this offering to some of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet Web sites maintained by Merrill Lynch and Credit Suisse First Boston Corporation. Other than the prospectus in electronic format, the information on the Web sites of Merrill Lynch and Credit Suisse First Boston Corporation is not part of this prospectus.

COMMISSIONS AND DISCOUNTS

The U.S. representatives have advised us and the selling stockholders that the U.S. underwriters propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The U.S. underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to Oil States and the selling stockholders. The information assumes either no exercise or full exercise by the U.S. underwriters and the international managers of their over-allotment options.

	PER SHARE	WITHOUT OPTION	WITH OPTION
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to Oil States	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $3,050,000 and are payable by Oil States.

OVER-ALLOTMENT OPTION

We have granted an option to the U.S. underwriters to purchase up to 1,236,000 additional shares at the public offering price less the underwriting discount. The U.S. underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any over-allotments. If the U.S. underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreements, to purchase a number of additional shares proportionate to that U.S. underwriter's initial amount reflected in the above table.

We have also granted an option to the international managers, exercisable for 30 days from the date of this prospectus, to purchase up to 309,000 additional shares to cover any over-allotments on terms similar to those granted to the U.S. underwriters.

INTERSYNDICATE AGREEMENT

The U.S. underwriters and the international managers have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the intersyndicate agreement, the U.S. underwriters and the international managers may sell shares to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the intersyndicate agreement, the U.S. underwriters and any dealer to whom they sell shares will not offer to sell or sell shares to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, except in the case of transactions under the intersyndicate agreement. Similarly, the international managers and any dealer to whom they sell shares will not offer to sell or sell shares to U.S. persons or Canadian persons or to persons they believe intend to resell to U.S. or Canadian persons, except in the case of transactions under the intersyndicate agreement.

NO SALES OF SIMILAR SECURITIES

We, the selling stockholders, our executive officers and directors, current stockholders of Oil States and other stockholders receiving shares in the Combination have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,

- sell any option or contract to purchase any common stock,

- purchase any option or contract to sell any common stock,

- grant any option, right or warrant for the sale of any common stock, other than under our 2000 Equity Participation Plan,

- lend or otherwise dispose of or transfer any common stock,

- request or demand that we file a registration statement related to the common stock, or

- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

NEW YORK STOCK EXCHANGE LISTING

We intend to apply to list our common stock on the New York Stock Exchange under the symbol "OIS." In order to meet the requirements for listing on that exchange, the U.S. underwriters and the international managers have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us and the U.S. representatives and lead managers. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the U.S. representatives and the lead managers believe to be comparable to us,

- our financial information,

- the history of, and the prospects for, our company and the industry in which we compete,

- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues,

- the present state of our development, and

- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the U.S. underwriters may engage in transactions that stabilize the price of our common stock, such as bids or purchases to peg, fix or maintain that price.

The U.S. underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the U.S. underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters'

option to purchase additional shares from the issuer in the offering. The U.S. underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the U.S. underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. "Naked" short sales are any sales in excess of such option. The U.S. underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the U.S. underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the U.S. underwriters in the open market prior to the completion of the offering.

The U.S. underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the U.S. underwriters have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the U.S. underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters makes any representation that the U.S. underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

OTHER RELATIONSHIPS

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

LEGAL MATTERS

The validity of the issuance of the shares of common stock offered by this prospectus will be passed on for us by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters relating to the common stock offered by this prospectus will be passed on for the underwriters by Baker Botts L.L.P., Houston, Texas.

EXPERTS

Ernst & Young LLP, independent auditors, have audited the consolidated financial statements of Sooner Inc. as of June 30, 2000 and 1999 and for each of the two years ended June 30, 2000 and Sooner Pipe & Supply Corporation as of July 2, 1998 and for the period from August 1, 1997 to July 2, 1998, as set forth in their reports. We have included the financial statements of Sooner Inc. and Sooner Pipe & Supply Corporation in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

The financial statements of Oil States Industries, Inc. as of December 31, 1998 and 1999 and for the three years in the period ended December 31, 1999 included in this prospectus have been audited by Arthur Andersen LLP, independent public accountants, as stated in their report appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of HWC Energy Services, Inc., and subsidiaries as of December 31, 1999 and 1998 and for the two years then ended and the period from November 14, 1997 (inception) through December 31, 1997 included in this prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report dated July 14, 2000 and appearing on page F-78 with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said report.

The financial statements of PTI Group Inc. as of December 31, 1998 and 1999 and for the two years in the period ended December 31, 1999 and the 358 days in the period ended December 31, 1997 included in this prospectus have been audited by PricewaterhouseCoopers LLP, independent chartered accountants in Canada, as stated in their report appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act for the common stock being sold in this offering. This prospectus constitutes a part of that registration statement. This prospectus does not contain all of the information included in the registration statement and the exhibits and schedules to the registration statement because we have omitted some parts in accordance with the rules and regulations of the SEC. For further information about us and the common stock being sold in this offering, you should refer to the registration statement and the exhibits and schedules filed as a part of the registration statement. The registration statement, including related exhibits and schedules, may be inspected without charge at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of all or any part of the registration statement may be obtained after payment of fees prescribed by the SEC.

You may obtain information regarding the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site that contains reports, proxy and information statements and other information regarding registrants, including us, that file electronically with the SEC. The address of the site is www.sec.gov.

We intend to furnish holders of our common stock with annual reports containing audited financial statements certified by an independent public accounting firm and quarterly reports containing unaudited condensed financial information for the first three quarters of each fiscal year. We intend to furnish other reports as we may determine or as may be required by law.

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UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following tables set forth unaudited pro forma combined financial information for our company giving effect to:

- the combination of Oil States International, Inc., HWC Energy Services, Inc. and PTI Group Inc. (the "Controlled Group") as entities under the common control of SCF-III L.P., 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 conversion of the common stock held by the minority interests of each entity in the Controlled Group into shares of our common stock, based on the purchase method of accounting;

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

- our sale of 8,800,000 shares of common stock (the "Offering") and the application of the net proceeds to us as described in "Use of Proceeds."

The unaudited pro forma combined balance sheet as of September 30, 2000 was prepared based upon the unaudited historical financial statements of the Controlled Group and gives effect to:

- our acquisition of minority interests of the Controlled Group;

- our acquisition of Sooner Inc.;

- the proposed three-for-one reverse stock split of Oil States common stock; and

- our sale of shares in the Offering,

as if these transactions had occurred on September 30, 2000. The unaudited pro forma combined statements of operations for the years ended December 31, 1997 and 1998 were prepared based upon the historical financial statements of the Controlled Group, adjusted to conform accounting policies. The unaudited pro forma combined statements of operations for the year ended December 31, 1999 and the nine-month period ended September 30, 2000 were prepared based upon the historical financial statements of the Controlled Group, adjusted to conform accounting policies, and give effect to:

- our acquisition of minority interests of the Controlled Group;

- our acquisition of Sooner Inc.; and

- our sale of shares in the Offering,

as if these transactions had occurred on January 1, 1999.

The pro forma adjustments represent management's preliminary determination of purchase accounting adjustments and are based upon available information and assumptions that management considers reasonable under the circumstances. We will update or obtain appraisals for major assets, where appropriate, and will evaluate the recorded amounts of liabilities on the closing date balance sheet. The purchase accounting allocation is expected to be finalized within one year of the closing date. Consequently, the amounts reflected in the unaudited combined financial information are subject to change. Management does not expect that differences between the preliminary and final purchase price allocation will have a material impact on the combined company's financial position or results of operations. In addition, the unaudited pro forma combined financial statements do not reflect any cost savings or other financial synergies which may be realized in the future as a result of these transactions.

The unaudited pro forma 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 combined financial statements should be read in conjunction with the historical financial statements and notes thereto included elsewhere in this prospectus.

PRO FORMA COMBINED BALANCE SHEET

AT SEPTEMBER 30, 2000
(IN THOUSANDS)
(UNAUDITED)

	HISTORICAL			PRO FORMA		HISTORICAL
	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	COMBINING ADJUSTMENTS (NOTE 1)	COMBINED GROUP	SOONER INC.
Current assets						
Cash and cash equivalents	$ 1,240	$ 756	$ 3,288	$	$ 5,284	$ 2,487
Accounts receivable, net	27,709	14,841	13,817		56,367	21,562
Deferred taxes	--	--	--		--	708
Inventories	27,457	--	4,975		32,432	62,727
Prepaid expenses and other current assets	4,297	1,978	140		6,415	566
Total current assets	60,703	17,575	22,220	--	100,498	88,050
Accounts and notes receivable	--	--	--		--	1,585
Debt issuance costs, net of accumulated amortization	--	--	--		--	82
Property plant and equipment, net	39,493	52,025	48,902		140,420	4,647
Goodwill, net	44,323	32,704	27,801	(364)(A)	104,464	13,519
Investments, at cost	--	--	--		--	2,207
Other long term assets	1,777	565	--	364(A)	2,706	176
Total assets	$146,296	$102,869	$98,923	$ --	$348,088	$110,266

	PRO FORMA			
	SOONER INC. ADJUSTMENTS (NOTES 1(A) AND 2)	MINORITY INTEREST ADJUSTMENTS (NOTE 3)	OFFERING ADJUSTMENTS (NOTE 4)	COMBINED, ACQUISITIONS AND OFFERING
Current assets				
Cash and cash equivalents	$	$	$	$ 7,771
Accounts receivable, net				77,929
Deferred taxes				708
Inventories				95,159
Prepaid expenses and other current assets				6,981
Total current assets	--	--		188,548
Accounts and notes receivable				1,585
Debt issuance costs, net of accumulated amortization	(82)			
Property plant and equipment, net				145,067
Goodwill, net	103,800	87,100		308,883
Investments, at cost				2,207
Other long term assets	82			2,964
Total assets	103,800	87,100	$ --	$649,254

PRO FORMA COMBINED BALANCE SHEET -- (CONTINUED)

AT SEPTEMBER 30, 2000
(IN THOUSANDS)
(UNAUDITED)

	HISTORICAL			PRO FORMA		HISTORICAL	PRO FORMA
	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	COMBINING ADJUSTMENTS (NOTE 1)	COMBINED GROUP	SOONER INC.	SOONER INC. ADJUSTMENTS (NOTE 2)
Current liabilities							
Accounts payable and accrued liabilities.................	$ 33,391	$ 6,411	$ 6,942	$	$ 46,744	$ 31,574	$
Postretirement healthcare and other benefits..............	1,300	--	--		1,300	--	
Income taxes payable..........	538	73	4,547		5,158	778	
Current portion of long-term debt........................	26,218	7,533	8,502		42,253	535	
Other current liabilities.....	3,826	3,090	198		7,114	1,198	
Total current liabilities...........	65,273	17,107	20,189	--	102,569	34,085	--
Long term debt..................	40,608	31,004	24,569		96,181	48,298	
Deferred income taxes...........	672	10,893	9,343		20,908	--	
Postretirement healthcare and other benefits................	7,412	--	--		7,412	--	
Other liabilities...............	4,271	207	--		4,478	--	
Total liabilities.......	118,236	59,211	54,101	--	231,548	82,383	--
Minority interest...............	138	--	--	35,567(B)	35,705	--	
Redeemable preferred stock......	20,150	5,143	--		25,293	--	
Stockholders' equity							
Convertible preferred stock...	1,625	--	--		1,625	--	
Common stock..................	272	38,051	22,102		60,425	--	79
Additional paid-in capital....	55,191	--	--	(34,473)(B)	20,718	26,176	105,428
Retained earnings (deficit)...	(47,484)	419	24,938	(1,094)(B)	(23,221)	1,707	(1,707)
Cumulative translation adjustments.................	(1,832)	45			(1,787)	--	
Accumulated other comprehensive loss..........	--	--	(2,218)		(2,218)	--	
Total stockholders' equity................	7,772	38,515	44,822	(35,567)	55,542	27,883	103,800
Total liabilities and stockholders' equity................	$146,296	$102,869	$98,923	$ --	$348,088	$110,266	$103,800

	PRO FORMA		
	MINORITY INTEREST ADJUSTMENTS (NOTE 3)	OFFERING ADJUSTMENTS (NOTE 4)	COMBINED, ACQUISITIONS AND OFFERING
Current liabilities			
Accounts payable and accrued liabilities.................	$	$ (5,971)(A)	$ 72,347
Postretirement healthcare and other benefits..............			1,300
Income taxes payable..........			5,936
Current portion of long-term debt........................		(24,987)(A)	17,801
Other current liabilities.....			8,312
Total current liabilities...........	--	(30,958)	105,696
Long term debt..................		(80,661)(A)	63,818
Deferred income taxes...........		(11,289)(E)	9,619
Postretirement healthcare and other benefits................			7,412
Other liabilities...............			4,478
Total liabilities.......	--	(122,908)	191,023
Minority interest...............	(35,567)		138
Redeemable preferred stock......		(25,293)(AB)	--
Stockholders' equity			
Convertible preferred stock...		(1,625)(A)	--
Common stock..................	72	(60,149)(ABG)	427
Additional paid-in capital....	121,501	198,686(ABGH)	472,509
Retained earnings (deficit)...	1,094	11,289(E)	(10,838)
Cumulative translation			

adjustments.................			(1,787)
Accumulated other comprehensive loss..........			(2,218)
Total stockholders' equity................	122,667	148,201	458,093
Total liabilities and stockholders' equity................	$ 87,100	$ --	$649,254

PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)
(UNAUDITED)

	HISTORICAL			PRO FORMA		HISTORICAL
	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	COMBINING ADJUSTMENTS (NOTE 1)	COMBINED GROUP	SOONER INC.
Revenue	$84,117	$56,391	$83,401	$	$223,909	$213,495
Expenses						
Costs of sales	68,815	34,251	56,581	(3,186)(A)	156,461	192,856
Selling, general and administrative	18,959	9,728	4,865	(2,627)(A)	30,925	5,864
Depreciation and amortization	--	5,735	5,006	5,813(A)	16,554	1,225
Other expense (income)	57	--	--		57	
Operating income (loss)	(3,714)	6,677	16,949	--	19,912	13,550
Interest income	92	136	--		228	338
Interest expense	(3,898)	(2,563)	(2,312)		(8,773)	(3,082)
Other income (expense)	--	40	--		40	--
Earnings before income taxes	(7,520)	4,290	14,637	--	11,407	10,806
Income tax (expense) benefit	(549)	(1,770)	(6,097)		(8,416)	(772)
Net Income (loss) before minority interests	(8,069)	2,520	8,540	--	2,991	10,034
Minority interests	(13)	--	--	(2,860)(C)	(2,873)	--
Net income (loss)	$(8,082)	$ 2,520	$ 8,540	$(2,860)	$ 118	$ 10,034
Net income (loss) per common share						
Basic						
Diluted						
Average shares outstanding (in thousands)						
Basic						
Diluted						

	PRO FORMA			
	SOONER INC. ADJUSTMENTS (NOTE 2)	MINORITY INTEREST ADJUSTMENTS (NOTE 3)	OFFERING ADJUSTMENTS (NOTES 3 AND 4)	COMBINED, ACQUISITIONS AND OFFERING
Revenue	$	$	$	$437,404
Expenses				
Costs of sales				349,317
Selling, general and administrative			485(D)	37,274
Depreciation and amortization	5,190	3,270		26,239
Other expense (income)				57
Operating income (loss)	(5,190)	(3,270)	(485)	24,517
Interest income				566
Interest expense			5,737(C)	(6,118)
Other income (expense)				40
Earnings before income taxes	(5,190)	(3,270)	5,252	19,005
Income tax (expense) benefit			4,903(I)	(4,285)
Net Income (loss) before minority interests	(5,190)	(3,270)	10,155	14,720
Minority interests	--	--	2,860	(13)
Net income (loss)	$(5,190)	$(3,270)	$13,015	$ 14,707
Net income (loss) per common share				
Basic				$ 0.34
Diluted				$ 0.34
Average shares outstanding (in thousands)				
Basic				42,678
Diluted				43,397

PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1999
(IN THOUSANDS)
(UNAUDITED)

	HISTORICAL			PRO FORMA			
	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	COMBINING ADJUSTMENTS (NOTE 1)	COMBINED GROUP	GROUP ACQUISITION ADJUSTMENTS (NOTE 5)	COMBINED GROUP WITH ACQUISITIONS
Revenue	$154,330	$42,274	$70,506	$	$267,110	$8,296	$275,406
Expenses							
Costs of sales	126,751	26,848	46,160	(4,937)(A)	194,822	4,639	199,461
Selling, general and administrative	27,819	9,364	4,023	(2,539)(A)	38,667	222	38,889
Depreciation and amortization	--	6,543	6,256	7,476(A)	20,275	809	21,084
Other expense (income)	2,448	--	--		2,448	--	2,448
Operating income (loss)	(2,688)	(481)	14,067	--	10,898	2,626	13,524
Interest income	264	36	--		300		300
Interest expense	(7,077)	(2,565)	(3,154)		(12,796)	(410)	(13,206)
Other income (expense)	(1,309)	12	--		(1,297)		(1,297)
Earnings before income taxes	(10,810)	(2,998)	10,913	--	(2,895)	2,216	(679)
Income tax (expense) Benefit	(1,145)	753	(4,262)		(4,654)	(753)	(5,407)
Net income (loss) before minority interests	(11,955)	(2,245)	6,651	--	(7,549)	1,463	(6,086)
Minority interests	(31)	--	--	641(C)	610	--	610
Net income (loss) from continuing operations attributable to common shares	$(11,986)	$(2,245)	$ 6,651	$ 641	$(6,939)	$1,463	$ (5,476)
Net income (loss) per common share Basic							
Average shares outstanding (in thousands) Basic							

	HISTORICAL	PRO FORMA				
	SOONER INC.	SOONER INC. ADJUSTMENTS (NOTE 2)	SOONER INC. ACQUISITION ADJUSTMENTS (NOTE 6)	MINORITY INTEREST ADJUSTMENTS (NOTE 3)	OFFERING ADJUSTMENTS (NOTES 3 AND 4)	COMBINED, ACQUISITIONS AND OFFERING
Revenue	$159,256	$	$52,718	$	$	$487,380
Expenses						
Costs of sales	148,847		52,301			400,609
Selling, general and administrative	7,297		1,727		945(D)	48,858
Depreciation and amortization	1,058	6,920	234	4,360		33,656
Other expense (income)	--		--			2,448
Operating income (loss)	2,054	(6,920)	(1,544)	(4,360)	(945)	1,809
Interest income	--					300
Interest expense	--				7,848(C)	(5,358)
Other income (expense)	(3,636)					(4,933)
Earnings before income taxes	(1,582)	(6,920)	(1,544)	(4,360)	6,903	(8,182)
Income tax (expense) Benefit	(627)		540		9,043	3,549
Net income (loss) before minority interests	(2,209)	(6,920)	(1,004)	(4,360)	15,946	(4,633)
Minority interests	--	--	--	--	(641)	(31)
Net income (loss) from continuing operations attributable to common shares	$ (2,209)	$(6,920)	$(1,004)	$(4,360)	$15,305	$ (4,664)
Net income (loss) per common share Basic						$ (0.11)
Average shares outstanding						

(in thousands)	
Basic....................	42,678
	========

PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1998
(IN THOUSANDS)
(UNAUDITED)

	HISTORICAL			PRO FORMA	
	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	COMBINING ADJUSTMENTS (NOTE 1)	COMBINED
Revenue	$229,984	$42,616	$86,434	$ --	$359,034
Expenses					
Cost of sales	180,203	27,885	58,030	(4,351)(A)	261,767
Selling, general & administrative	36,171	7,408	8,114	(3,388)(A)	48,305
Depreciation and amortization	--	4,650	5,812	7,739(A)	18,201
Other expense (income)	(335)	--	5,263	--	4,928
Operating income	13,945	2,673	9,215	--	25,833
Interest income	323	235	--	--	558
Interest expense	(9,616)	(2,507)	(3,736)	--	(15,859)
Other (income) expense	--	115	--	--	115
Earnings before income tax	4,652	516	5,479	--	10,647
Income tax expense	(3,711)	(550)	(5,484)		(9,745)
Net income from continuing operations before minority interest, discontinued operations and extraordinary loss	941	(34)	(5)	--	902
Minority interest	(31)	--	--	3,019(C)	2,988
Net income from continuing operations before extraordinary loss	910	(34)	(5)	3,019	3,890
Income from discontinued operations	1,733	--	--	--	1,733
Estimated loss on sales of discontinued operations	(22,099)	--	--	--	(22,099)
Net income before extraordinary loss	(19,456)	(34)	(5)	3,019	(16,476)
Extraordinary loss on debt restructuring	(617)	--	--	--	(617)
Net loss	(20,073)	(34)	(5)	3,019	(17,093)
Preferred dividends	--	--	--	--	--
Net loss attributable to common shares	$(20,073)	$ (34)	$ (5)	$ 3,019	$(17,093)

PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1997
(IN THOUSANDS)
(UNAUDITED)

	HISTORICAL			PRO FORMA	
	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	COMBINED ADJUSTMENTS (NOTE 1)	COMBINED
Revenue	$113,925	$7,459	$94,875	$ --	$216,259
Expenses					
Cost of sales	84,249	4,561	64,894	(2,692)(A)	151,012
Selling, general & administrative	19,783	827	6,176	(3,068)(A)	23,718
Depreciation and amortization	--	304	2,909	5,760(A)	8,973
Other expense (income)	(122)	--	--	--	(122)
Operating income	10,015	1,767	20,896	--	32,678
Interest income	120	12	--	--	132
Interest expense on long-term debt	(6,628)	(225)	(1,989)	--	(8,842)
Other (income) expense	--	(368)	--	--	(368)
Earnings before income taxes	3,507	1,186	18,907	--	23,600
Income tax expense	(3,148)	(642)	(7,529)	--	(11,319)
Net income from continuing operations before minority interest and discontinued operations	359	544	11,378	--	12,281
Minority interest	(1,099)	--	--	(5,770)(C)	(6,869)
Net income from continuing operations	(740)	544	11,378	(5,770)	5,412
Income from discontinued operations	9,386	--	--	--	9,386
Net income	8,646	544	11,378	(5,770)	14,798
Preferred dividends	--	--	--	--	--
Net income attributable to common shares	$ 8,646	$ 544	$11,378	$(5,770)	$ 14,798

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The reorganization accounting method, which yields results similar to the pooling of interest method, has been used in the preparation of the unaudited pro forma combined financial statements to reflect the combination of entities in the Controlled Group. Under this method of accounting, the historical financial statements of HWC Energy Services, Inc. and PTI Group Inc. are combined with Oil States International, Inc. as of September 30, 2000, for each year in the three-year period ended December 31, 1999 and for the nine-month period ended September 30, 2000, in each case from the date each became controlled by SCF-III, L.P. (November 14, 1997 for HWC and January 8, 1997 for PTI). The pro forma adjustments below include those necessary to conform accounting policies, as if these companies had been combined from the date of common control.

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, estimated at the mid-range of the expected initial public offering price 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. The estimated fair values of assets and liabilities are preliminary and subject to change. For purposes of the pro forma 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 combined balance sheet as of September 30, 2000 and statements of operations for the year ended December 31, 1999 and the nine-month period ended September 30, 2000 have been adjusted for the effects of purchase accounting, as described below.

The purchase method of accounting also has been used to reflect the acquisition of the outstanding common stock of Sooner Inc. concurrent with the closing of the Offering. The purchase price is based on the fair value of the shares of Sooner Inc., estimated at the mid-range of the expected initial public offering price per share. The excess of the purchase price over the fair value of the assets and liabilities of Sooner Inc. 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 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 combined balance sheet as of September 30, 2000 and statements of operations for the year ended December 31, 1999 and the nine-month period ended September 30, 2000 includes the unaudited historical financial statements of Sooner Inc., converted to a calendar year end and adjusted for the effects of purchase accounting, as presented below.

NOTE 1 -- COMBINING ADJUSTMENTS

(A) To reclassify Oil States International, Inc. debt issuance costs for purposes of the unaudited pro forma combined balance sheet and depreciation and amortization for purposes of the unaudited pro forma combined statement of operations to conform to the financial presentation of the Controlled Group.

(B) To record minority interest, as follows (in thousands):

	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	TOTAL
Retained earnings	$(7,646)	$ 67	$ 8,672	$ 1,094
Additional paid-in capital	21,145	7,651	5,677	34,473
	$13,499	$7,718	$14,349	$35,567

(C) To reflect the minority interest in (income) loss and related tax effect of the Controlled Group for each of the periods presented below (in thousands):

	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	TOTAL
Year Ended December 31, 1997	$ (959)	$ (82)	$(4,729)	$(5,770)
Year Ended December 31, 1998	$3,011	$ 6	$ 2	$ 3,019
Year Ended December 31, 1999	$3,019	$ 430	$(2,808)	$ 641
Nine months ended September 30, 2000	$1,287	$(483)	$(3,664)	$(2,860)

NOTE 2 -- ACQUISITION OF SOONER INC.

To reflect the acquisition of all outstanding common shares of Sooner Inc. in exchange for 7,597,281 shares of Oil States International, Inc. Common Stock valued at the estimated offering price per share of $17.00 (in millions):

Purchase price	$131.7(1)	
Less: Fair value of net assets acquired	27.9	
Goodwill		$103.8
Amortization for the nine month period ended September 30, 2000		$ 5.19
Amortization for the twelve month period ended December 31, 1999		$ 6.92

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(1) The purchase price for Sooner includes the estimated fair value of Sooner Inc. stock options ($2.5 million) to be converted into Oil States International, Inc. stock options.

NOTE 3 -- ACQUISITION OF MINORITY INTERESTS

To reflect the acquisition of the minority interest of each company in the Controlled Group in exchange for shares of Oil States International, Inc. Common Stock and elimination of the historical amounts reflected for the combined group (in millions, except share information):

	OIL STATES INTERNATIONAL, INC.	HWC ENERGY SERVICES, INC.	PTI GROUP INC.	COMBINED
Common Stock issued to minority interests	1,449,676	1,515,257	4,252,724	7,217,657
Estimated offering price per share	$ 17.00	$ 17.00	$ 17.00	$ 17.00
Purchase price of the minority interests	24.6	25.8	72.3	122.7
Minority interests in fair value of net assets acquired	13.5	7.7	14.3	35.6
Additional goodwill	$ 11.1	$ 18.1	$ 57.9	$ 87.1
Amortization of the additional goodwill for the nine month period ended September 30, 2000	$ .42	$ .68	$ 2.17	$ 3.27
Amortization of the additional goodwill for the twelve month period ended December 31, 1999	$ .56	$ .90	$ 2.90	$ 4.36

NOTE 4 -- OFFERING

(A) To reflect the sale of 8,800,000 shares of Oil States International, Inc. Common Stock in the Offering with anticipated net proceeds of $136.8 million. Net proceeds will be used to reduce outstanding subordinated debt by $76.5 million, redeem preferred stock of $21.8 million, pay accrued interest on

subordinated debt and accrued dividends on preferred stock aggregating $6.0 million, and repurchase common stock from non-accredited shareholders and shareholders holding pre-emptive stock purchase rights for $3.4 million. The balance of the proceeds were assumed to repay $29.1 million of borrowings outstanding under bank lines of credit.

(B) To reflect the conversion of $5.1 million of HWC preferred stock into Oil States International, Inc. Common Stock.

(C) To adjust interest expense for debt repaid with Offering proceeds.

(D) 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.

(E) To adjust deferred income tax liabilities for the impact of the Combination on the valuation allowance applied to net operating losses. A portion of the previously reserved net operating losses of Oil States International are being utilized to reduce deferred tax liabilities of the acquired companies due to expected tax benefits to be derived from the combination of entities.

(F) To eliminate preferred stock dividends due to the elimination of the preferred stock (see A above).

(G) To adjust for the par value of $.01 of Oil States International, Inc. Common Stock and reflect the effect of the three for one reverse stock split.

(H) To record transaction costs associated with the Offering.

(I) To adjust the income tax expense for the elimination of deferred taxes due to the formation of the consolidated group.

A summary of the effect of these adjustments on common stock and additional paid-in capital follows:

		COMMON STOCK	ADDITIONAL PAID-IN CAPITAL
(A)	Sale of stock in offering	$ 88	$136,738
(A)	Record repurchase of shares	(6)	(3,426)
(B)	Conversion of HWC preferred	18	5,125
(G)	Adjust par value and reflect three-for-one reverse split	(60,249)	60,249
		$(60,149)	$198,686

NOTE 5 -- GROUP ACQUISITIONS

To reflect the following acquisitions as if such acquisitions had occurred on January 1, 1999.

On March 31, 1999 HWC Energy Services, Inc. acquired all of the outstanding stock of C&H Rental Tools, Inc., and C&H Specialty Company, Inc. (collectively, C&H). C&H provided rental equipment for drilling and workover operations in Louisiana and offshore in the Gulf of Mexico. We paid cash of approximately $2.4 million and $820,000 in principal amount of subordinated promissory notes. Funding for the transaction was received from the issuance of preferred stock.

On November 30, 1999 HWC Energy Services, Inc. acquired 12 snubbing units and related equipment from Schlumberger and Target. Consideration paid for the acquisitions included $3.7 million of cash and subordinated notes in aggregate principal amount of $4.5 million. Funding for the transactions was received from the issuance of preferred stock.

Details of the pro forma adjustments for HWC are as follows (in thousands):

	SCHLUMBERGER LTD.	TARGET	C&H RENTALS, INC.	TOTAL
Revenue	$6,025	$894	$1,377	$8,296
Expenses				
Cost of sales	3,324	528	787	4,639
Selling, general & administrative	--	222	--	222
Other expense (income)				--
Depreciation and amortization	530	158	121	809
Operating income (loss)	2,171	(14)	469	2,626
Interest expense	(341)	(56)	(13)	(410)
Earnings (loss) from continuing operations before income taxes	1,830	(70)	456	2,216
Income tax (expense) benefit	(622)	24	(155)	(753)
Income from continuing operations	$1,208	$(46)	$ 301	$1,463

The Schlumberger and Target acquisitions consisted of asset purchases. The C&H acquisition was a stock purchase. The difference between the C&H purchase price and the fair market value of the assets and liabilities acquired was not material to the combined group.

NOTE 6 -- SOONER INC. ACQUISITION ADJUSTMENT

To reflect the acquisitions by Sooner Inc. in May and June 1999 of the tubular product distribution businesses from Continental Emsco, Wilson Supply and National-Oilwell, Inc. Total consideration paid for these acquisitions was $36.6 million.

Details of the pro forma adjustments for Sooner Inc. are as follows (in thousands):

	CONTINENTAL EMSCO	WILSON SUPPLY	NATIONAL-OILWELL, INC.	TOTAL
Revenue	$11,639	$18,705	$22,374	$52,718
Expenses				
Costs of sales	11,544	17,795	22,962	52,301
Selling, general & administrative	400	650	677	1,727
Depreciation and amortization(1)	68	83	83	234
Operating income (loss)	(373)	177	(1,348)	(1,544)
Income tax (expense) benefit	131	(62)	472	540
Net Income (loss)	$ (242)	$ 115	$ (876)	$(1,004)

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(1) Substantially all of this adjustment results from incremental amortization of goodwill recorded for these acquisitions as if they occurred on January 1, 1999.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,240	$ 1,537
Accounts receivable, net	27,709	33,315
Costs and estimated earnings in excess of billings on uncompleted contracts	1,169	5,838
Inventories, net	27,457	25,566
Prepaid expenses and other current assets	3,128	1,433
Total current assets	60,703	67,689
PROPERTY, PLANT, AND EQUIPMENT, net	39,493	42,430
INTANGIBLE ASSETS, net	44,323	45,593
OTHER NONCURRENT ASSETS	1,777	2,006
Total assets	$146,296	$157,718
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 13,705	$ 11,288
Accrued liabilities	19,686	32,291
Billings in excess of costs and estimated earnings on uncompleted contracts	3,826	5,359
Postretirement healthcare and other benefits	1,300	1,300
Current portion of long-term debt and capital lease obligations	26,218	2,963
Income taxes payable	538	--
Total current liabilities	65,273	53,201
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	40,608	52,542
DEFERRED INCOME TAXES	672	704
OTHER LIABILITIES:		
Postretirement healthcare and other benefits	7,412	7,741
Other noncurrent liabilities	4,271	4,597
MINORITY INTEREST	138	225
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE PREFERRED STOCK	20,150	20,150
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $.0001 par value: Series A, authorized 25,000,000 shares, issued 16,250 shares at liquidation value of $100	1,625	1,625
Common stock, $.01 par value: Authorized 200,000,000 shares, issued 27,154,672 shares at September 30, 2000 and 22,363,245 shares at December 31, 1999	272	224
Paid-in capital	55,191	56,251
Accumulated deficit	(47,484)	(39,402)
Cumulative translation adjustment	(1,832)	(140)
Total stockholders' equity	7,772	18,558
Total liabilities and stockholders' equity	$146,296	$157,718

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
REVENUES:		
Product	$60,764	$91,880
Service and other	23,353	26,179
	84,117	118,059
COST OF GOODS SOLD:		
Product	50,091	76,507
Service and other	18,724	19,706
	68,815	96,213
Gross profit	15,302	21,846
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	18,959	21,670
OTHER (INCOME) EXPENSE	57	(21)
Operating (loss) income	(3,714)	197
INTEREST EXPENSE	(3,898)	(5,915)
INTEREST INCOME	92	188
OTHER EXPENSE	--	(601)
Loss from continuing operations before income taxes, minority interest, discontinued operations and extraordinary item	(7,520)	(6,131)
INCOME TAX (PROVISION) BENEFIT	(549)	(1,135)
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES	(13)	(26)
Loss from continuing operations before discontinued operations and extraordinary item	(8,082)	(7,292)
DISCONTINUED OPERATIONS:		
Realized loss on sale of discontinued operations	--	(701)
EXTRAORDINARY LOSS ON DEBT RESTRUCTURING, net of income tax benefit of $0	--	(927)
NET LOSS	$(8,082)	$(8,920)
LOSS PER SHARE -- BASIC AND DILUTED:		
Loss from continuing operations before discontinued operations and extraordinary item	$ (0.34)	$ (0.37)
Discontinued operations	--	(0.03)
Extraordinary item	--	(0.04)
Net loss	$ (0.34)	$ (0.44)
WEIGHTED AVERAGE SHARES OUTSTANDING -- BASIC AND DILUTED	26,417	22,338

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
NET LOSS	$(8,082)	$(8,920)
OTHER COMPREHENSIVE LOSS:		
Foreign currency translation adjustment	(1,692)	(183)
COMPREHENSIVE LOSS	$(9,774)	$(9,103)

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8,082)	$ (8,920)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities --		
Minority interest in (income) loss of consolidated subsidiaries, net of distributions	(87)	26
Depreciation and amortization	4,926	5,628
Provision for losses on receivables	326	235
Deferred income tax provision	--	202
Gain on disposal of assets	--	(26)
Loss from discontinued operations	--	701
Loss on sale of businesses	--	267
Loss on sale of marketable securities	--	334
Extraordinary loss on debt restructuring	--	927
Other non-cash items	111	336
Changes in operating assets and liabilities --		
Accounts receivable	3,569	17,455
Net change in billings, costs, and estimated earnings on uncompleted contracts	3,160	(5,307)
Inventories	(2,564)	4,289
Accounts payable and accrued liabilities	121	(13,843)
Prepaid expenses and other	(1,144)	270
Net cash provided by operating activities	336	2,574
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions, excluding capitalized lease assets	(1,771)	(1,887)
Proceeds from sale of discontinued operations	--	102,439
Proceeds from sale of other businesses	--	1,826
Proceeds from sale of marketable securities	--	24,408
Other, net	84	221
Net cash provided by (used in) investing activities	(1,687)	127,007
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under bank debt	76,396	18,173
Payments on bank debt	(64,311)	(139,098)
Other debt payments	--	(450)
Payments on capitalized lease obligations	(307)	(395)
Advance from affiliates	580	--
Preferred stock dividends	(502)	(1,318)
Other, net	(439)	(1,277)
Net cash provided by (used in) financing activities	11,417	(124,365)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	64	6
NET INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	10,130	5,222
NET CASH USED IN DISCONTINUED OPERATIONS	(10,427)	(2,860)
CASH AND CASH EQUIVALENTS, beginning of period	1,537	2,624
CASH AND CASH EQUIVALENTS, end of period	$ 1,240	$ 4,986

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL

The consolidated condensed financial statements included herein are unaudited; however, they include all adjustments of a normal recurring nature, which, in the opinion of management, are necessary to present fairly the Consolidated Balance Sheet of Oil States International, Inc. (Oil States) and its wholly and majority-owned subsidiaries (collectively, the Company) at September 30, 2000, the Consolidated Statements of Operations for the nine months ended September 30, 2000 and 1999, the Consolidated Statements of Comprehensive Loss for the nine months ended September 30, 2000 and 1999, and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2000 and 1999. Although management believes that the disclosures in these financial statements are adequate to make the interim information presented not misleading, information relating to the Company's organization and footnote disclosures normally included in annual audited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 1999 and notes thereto. The results of operations and the cash flows for the nine-month period ended September 30, 2000 are not necessarily indicative of the results to be expected for the entire year.

On July 31, 2000, the Company authorized and approved the terms and conditions of the Combination Agreement between the Company, HWC Energy Services, Inc., Merger Sub-HWC, Inc., Sooner, Inc., Merger Sub-Sooner, Inc. and PTI Group Inc.

2. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS

Additional information regarding selected balance sheet accounts at September 30, 2000 and December 31, 1999 is presented below (in thousands):

	2000	1999
Accounts receivable --		
Trade	$27,531	$31,832
Other	1,848	3,142
Allowance for doubtful accounts	(1,670)	(1,659)
	$27,709	$33,315

	2000	1999
Inventories --		
Raw materials	$ 9,311	$ 9,498
Work in process	13,046	9,870
Finished goods and purchased products	10,134	10,818
Total inventories	32,491	30,186
Inventory reserves	(5,034)	(4,620)
	$27,457	$25,566

3. LONG-TERM DEBT

On March 1, 2000, the Company entered into a new credit agreement (the 2000 Agreement) providing for borrowings totaling $25.9 million for US operations. From the proceeds of the initial borrowings, all US borrowings under the Company's prior credit facility were repaid. The 2000 Agreement provides for $4.9 million of term advances and up to $21.0 million of borrowings on a revolving basis to the Company. The 2000 Agreement provides for the issuance of letters of credit, such issuance reducing the amount available for borrowing under the revolving portion of the facility. At September 30, 2000, $3.2 million was available to borrow under the revolving portion of the 2000 Agreement. Revolving credit loans of $5.5 million and term

advances of $4.4 million were outstanding under this facility at September 30, 2000. There were also $3.8 million in letters of credit outstanding at September 30, 2000. The 2000 Agreement has a scheduled termination date of March 1, 2003. The term advances are payable in 59 monthly principal installments of $81,740 with the remainder due March 1, 2003. Borrowings under the 2000 Agreement carry variable interest rates payable monthly based upon prime, or eurodollar rate plus 2.25%, for the revolving loans and prime plus 0.25%, or eurodollar rate plus 2.5%, for the term loans. The commitment fee on the unused portion of the revolving facility is 0.375% per annum. The 2000 Agreement is secured by substantially all of the Company's assets and contains customary representations and warranties and events of default. The 2000 Agreement also requires compliance with a number of affirmative, negative, and financial covenants, including a limitation on the incurrence of indebtedness and a requirement that the Company maintain a specified net worth.

On March 3, 2000, the Company entered into a new overdraft credit facility providing for borrowings totaling L5.0 million for UK operations, which converted to approximately $7.9 million. Revolving credit loans under this facility were $6.3 million at September 30, 2000. Interest is payable quarterly at a margin of 1.90% per annum over the bank's variable base rate. All borrowings under this facility are payable on demand. The UK facility is renewable with a scheduled review date of March 2, 2001. The Company intends to renew this facility at that time.

On July 29, 2000 and July 31, 2000, the Company renegotiated terms with the holders of subordinated debt totaling $7.0 million and $7.0 million, respectively. Original maturities of the subordinated debt extending through February 2003 were accelerated to the earlier of April 30, 2001 or upon the occurrence of a registered public offering of capital stock, in exchange for the holders waiving their rights to scheduled maturities of principal and interest which were due prior to April 30, 2001. Additionally, scheduled principal payments on other long-term debt totaling $15.5 million become due during 2001.

Management's current projections indicate that there will not be sufficient cash flow from operations to fund these obligations. Management is currently developing a plan whereby the Company will be combined with other companies under common majority ownership, and the stock of the combined company would be sold in an initial public offering. The proceeds of the offering would be used, in part, to reduce the existing debt obligations. If management is unsuccessful in that effort, then management's plans would be to restructure its debt obligations as well as generate additional cash flow through asset sales.

4. REDEEMABLE PREFERRED, CONVERTIBLE PREFERRED AND COMMON STOCK

On July 21, 2000, the Company obtained a waiver from the holder of the Series A Cumulative Preferred Stock totaling $14.4 million, extending the optional redemption date to the earlier of April 30, 2001 or upon the occurrence of a registered public offering of capital stock.

On July 31, 2000, the Company authorized the amendment of the provisions of its Series A Convertible Cumulative Preferred Stock to permit the Company to redeem such stock at any time upon three days' notice at its stated liquidation value of $100 per share, plus accrued dividends, and to provide that the Company must redeem such stock upon the earlier of the date that is six months from the completion of a registered public offering of the Company's capital stock or the date of the Company's first annual shareholders' meeting after such completion.

On July 31, 2000, the Company authorized the amendment of its Certificate of Incorporation to increase the total number of shares of capital stock it has the authority to issue to 225 million shares, consisting of 25 million shares of preferred stock, par value $0.0001 per share and 200 million shares of common stock, par value $0.01 per share, to cancel and retire its Class B Common Stock, none of which is currently outstanding, and to redesignate all of its Class A Common Stock as "Common Stock."

5. INCOME (LOSS) PER SHARE

In thousands, except per share amounts:

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
Loss from continuing operations before discontinued operations and extraordinary item	$(8,082)	$(7,292)
Less: Preferred stock dividends	(1,012)	(982)
Loss available to common shareholders from continuing operations before discontinued operations and extraordinary item	$(9,094)	$(8,274)
Loss per share -- basic and diluted:		
Loss from continuing operations before discontinued operations and extraordinary item	$ (0.34)	$ (0.37)
Discontinued operations	--	(0.03)
Extraordinary item	--	(0.04)
Net loss	$ (0.34)	$ (0.44)
Weighted average shares outstanding -- basic and diluted	26,417	22,338

Basic loss per share amounts are based on the weighted average number of common shares outstanding during the period. Diluted income per share would include additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued, however no additional common shares were included in the calculation of diluted income per share as the effect of the outstanding securities was anti-dilutive. Excluded from the computation of diluted earnings per share are securities outstanding at September 30, 2000 and 1999 that could potentially dilute basic earnings per share of 1.2 million shares and 1.5 million shares of common stock, respectively.

The Company issued 1,072,828 shares of the Company's Class A common stock at a purchase price of $10 per share pursuant to offerings to its existing stockholders, on a pro-rata basis, in January and March 1998. Each stockholder that purchased stock pursuant to those offerings was to receive additional shares in the event that there was no initial public offering of the Company's stock in 1998 and an earnings-per-share threshold was not reached. The formula for determining the number of additional shares to be issued, which was based on the Company's 1998 earnings per share, could not be properly calculated due to the Company's negative earnings per share in 1998. As an alternative, in December 1999, the Board of Directors approved the issuance of four additional shares for each share purchased in connection with the January and March 1998 stock offerings. In addition, the stockholders that did not purchase stock pursuant to those offerings were offered the right to purchase a pro-rata portion of additional shares in accordance with their stock holdings at a share price of $2 per share plus a 12% annual interest factor taken into consideration from the time of those offerings. In February 2000, the Company issued 4,291,427 of additional shares related to those offerings. Those offerings are also subject to preemptive rights in favor of the holders of the Company's Series A and Series B Exchangeable Preferred Stock to purchase Class A common stock at fair value. To date, no Class A common stock has been issued pursuant to those rights as they relate to the offerings in 1998. The Company does not expect that the amount of additional shares to be issued pursuant to such preemptive rights will be material to the Company's financial position.

Effective December 31, 1997, the Company acquired all options to purchase the common stock of CE Franklin Ltd. held by three of its stockholders in exchange for 500,000 shares of its Class A common stock

at an aggregate value of $5 million. The aggregate consideration paid by such stockholders in November 1995 for such options was $2 million. The number of shares issued to these stockholders was to be increased in the event that there was no initial public offering of the Company's stock in 1998 and an earning-per-share threshold was not reached. The formula for determining the number of additional shares to be issued, which was based on the Company's 1998 earnings per share, could not be properly calculated due to the Company's negative earnings per share in 1998. As an alternative, the Company issued 500,000 additional shares to these stockholders in March 2000.

6. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for the nine months ended September 30, 2000 and 1999, for interest and income taxes was as follows (in thousands):

	2000	1999
Interest	$1,621	$6,457
Income taxes, net of refunds	(37)	2,562

The following noncash transactions have been excluded from the consolidated statements of cash flows for the nine months ended September 30, 2000 and 1999 (in thousands):

	2000	1999
Assets financed through capital lease obligations	$39	$80

7. 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: Elastomer Products, Engineered and Industrial Products, Marine Construction, and Marine Winches. Elastomer Products manufactures well servicing and production components and provides elastomer molding. Engineered and Industrial Products provides technically advanced solutions for drilling, production, and structural projects including flex joints, Merlin connectors, and elastaflex clutches. Marine Construction provides products and services for fixed platform installation and decommissioning and pipeline construction including rotary selector valves and concrete mats. Marine Winches designs and manufactures deep water mooring systems for offshore drilling vessels, floating production systems and barges. They also design and refurbish a complete line of marine winches and other deck machinery for the offshore service boat industry. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired as a unit, and the management at the time of the acquisition was retained.

Financial information by industry segment for the nine months ended September 30, 2000 and 1999, is summarized below in thousands. The Company evaluates performance and allocates resources based on EBITDA, which is calculated as operating income adding back depreciation and amortization. Calculations of EBITDA should not be viewed as a substitute to calculations under generally accepted accounting principles,

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

in particular operating income and net income. In addition, EBITDA calculations by one company may not be comparable to another company.

	ELASTOMER PRODUCTS	ENGINEERED AND INDUSTRIAL PRODUCTS	MARINE CONSTRUCTION	MARINE WINCHES	CORPORATE AND ELIMINATIONS	TOTAL
2000						
Revenues from unaffiliated customers	$7,845	$40,202	$23,428	$12,642	$ --	$ 84,117
EBITDA	1,117	4,362	2,738	(3,116)	(3,889)	1,212
Depreciation and amortization	(163)	(1,576)	(1,686)	(1,052)	(449)	(4,926)
Operating income (loss)	954	2,786	1,052	(4,168)	(4,338)	(3,714)
Capital expenditures	9	1,072	350	243	97	1,771
1999						
Revenues from unaffiliated customers	$5,889	$54,092	$23,570	$34,508	$ --	$118,059
EBITDA	715	11,082	(600)	(1,693)	(3,679)	5,825
Depreciation and amortization	(180)	(1,959)	(1,852)	(1,194)	(443)	(5,628)
Operating income (loss)	535	9,123	(2,452)	(2,887)	(4,122)	197
Capital expenditures	63	455	1,055	217	97	1,887

Financial information by geographic segment for the nine months ended September 30, 2000 and 1999, is summarized below in thousands. Revenues in the US include export sales. Revenues are attributable to countries based on the location of the entity selling the products or performing the services.

	UNITED STATES	UNITED KINGDOM	SINGAPORE	TOTAL
Revenues from unaffiliated customers				
2000	$58,729	$22,621	$2,767	$ 84,117
1999	93,954	21,385	2,720	118,059

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Oil States International, Inc.:

We have audited the accompanying consolidated balance sheets of Oil States International, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of CE Franklin Ltd., a majority-owned subsidiary, which represented 6% and 5% of total consolidated assets in 1998 and 1997, respectively. CE Franklin Ltd. was sold on May 28, 1999, and was classified as discontinued operations prior to its sale. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CE Franklin Ltd., is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 20, on July 21, 2000, the Company obtained a waiver from the holder of the Series A Cumulative Preferred Stock totaling $14.4 million, extending the optional redemption date to the earlier of April 30, 2001 or upon the occurrence of a registered public offering of capital stock. On July 29, 2000 and July 31, 2000, the Company renegotiated terms with the holders of subordinated debt totaling $7.0 million and $7.0 million, respectively. Original maturities of the subordinated debt extending through February 2003 were accelerated to the earlier of April 30, 2001 or upon the occurrence of a registered public offering of capital stock, in exchange for the holders waiving their rights to scheduled maturities of principal and interest which were due prior to April 30, 2001. Additionally, scheduled principal payments on other long-term debt totaling $15.5 million become due during 2001. Management's current projections indicate that there will not be sufficient cash flow from operations to fund these obligations. Management is currently developing a plan whereby the Company will be combined with other companies under common majority ownership, and the stock of the combined company would be sold in an initial public offering. The proceeds of the offering would be used, in part, to reduce the existing debt obligations. If management is unsuccessful in that effort, then management's plans would be to restructure its debt obligations as well as generate additional cash flow through asset sales.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Oil States International, Inc., and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Dallas, Texas
July 31, 2000

AUDITORS' REPORT

To the Shareholders of CE Franklin Ltd.:

We have audited the consolidated balance sheets of CE Franklin Ltd. as at December 31, 1998 and 1997 and the consolidated statements of operations, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1998 and 1997 and the results of its operations, the changes in shareholders' equity and the changes in its cash flows for each of the years in the three-year period ended December 31, 1998 in accordance with accounting principles generally accepted in Canada.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants

Calgary, Alberta, Canada
January 29, 1999

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
REVENUES:			
Product	$120,950	$177,264	$88,373
Service and other	33,380	52,720	25,552
	154,330	229,984	113,925
COST OF GOODS SOLD:			
Product	101,340	144,115	68,291
Service and other	25,411	36,088	15,958
	126,751	180,203	84,249
Gross profit	27,579	49,781	29,676
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	27,819	36,171	19,783
OTHER EXPENSE (INCOME)	2,448	(335)	(122)
Operating (loss) income	(2,688)	13,945	10,015
INTEREST EXPENSE	(7,077)	(9,616)	(6,628)
INTEREST INCOME	264	323	120
OTHER EXPENSE	(1,309)	--	--
(Loss) income from continuing operations before income taxes, minority interest, discontinued operations, and extraordinary item	(10,810)	4,652	3,507
INCOME TAX PROVISION	(1,145)	(3,711)	(3,148)
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES	(31)	(31)	(1,099)
(Loss) income from continuing operations before discontinued operations and extraordinary item	(11,986)	910	(740)
DISCONTINUED OPERATIONS:			
Income from discontinued operations (net of income tax expense of $549 and $7,813 in 1998 and 1997)	--	1,733	9,386
Estimated and realized losses on sales of discontinued operations including pretax provision of $12,977 in 1998 for operating losses during phaseout period (net of income tax expense of $215 in 1999 and income tax benefit of $115 in 1998)	(6,416)	(22,099)	--
EXTRAORDINARY LOSS ON DEBT RESTRUCTURING, net of income tax benefit of $0 in 1999 and $75 in 1998	(927)	(617)	--
NET (LOSS) INCOME	$(19,329)	$(20,073)	$ 8,646
INCOME (LOSS) PER SHARE -- BASIC AND DILUTED:			
Loss from continuing operations before discontinued operations and extraordinary item	$ (0.59)	$ (0.01)	$ (0.11)
Discontinued operations	(0.29)	(0.93)	0.53
Extraordinary item	(0.04)	(0.03)	--
Net (loss) income	$ (0.92)	$ (0.97)	$ 0.42
WEIGHTED AVERAGE SHARES OUTSTANDING -- BASIC AND DILUTED	22,362	22,056	17,808

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 31, 1999	DECEMBER 31, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,537	$ 2,624
Accounts receivable, net	33,315	48,291
Costs and estimated earnings in excess of billings on uncompleted contracts	5,838	735
Inventories, net	25,566	36,353
Net assets of discontinued operations held for sale	--	129,539
Prepaid expenses and other current assets	1,433	3,861
Total current assets	67,689	221,403
PROPERTY, PLANT, AND EQUIPMENT, net	42,430	50,476
INTANGIBLE ASSETS, net	45,593	47,401
OTHER NONCURRENT ASSETS	2,006	4,716
Total assets	$157,718	$323,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 11,288	$ 26,027
Accrued liabilities	32,291	30,460
Billings in excess of costs and estimated earnings on uncompleted contracts	5,359	10,330
Postretirement healthcare and other benefits	1,300	1,765
Current portion of long-term debt and capital lease obligations	2,963	120,804
Income taxes payable	--	1,570
Total current liabilities	53,201	190,956
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	52,542	59,040
DEFERRED INCOME TAXES	704	847
OTHER LIABILITIES:		
Postretirement healthcare and other benefits	7,741	7,903
Other noncurrent liabilities	4,597	4,851
MINORITY INTEREST	225	194
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE PREFERRED STOCK	20,150	20,150
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $.0001 par value:		
Class A, authorized and issued 16,250 shares at liquidation value of $100	1,625	1,625
Common stock, $.01 par value:		
Class A, authorized 30,000,000 shares, issued 22,363,245 shares at December 31, 1999, and 22,361,350 shares at December 31, 1998	224	224
Class B, authorized 1,150,000 shares but none issued	--	--
Paid-in capital	56,251	58,052
Accumulated deficit	(39,402)	(20,073)
Cumulative translation adjustment	(140)	385
Treasury stock, 23,422 Class A common shares at cost at December 31, 1998	--	(158)
Total stockholders' equity	18,558	40,055
Total liabilities and stockholders' equity	$157,718	$323,996

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)

	PREFERRED STOCK	COMMON STOCK	PAID-IN CAPITAL	ACCUMULATED DEFICIT	CUMULATIVE TRANSLATION ADJUSTMENT	TREASURY STOCK	COMPREHENSIVE INCOME (LOSS)	TOTAL
BALANCE, December 31, 1996......	$ --	$168	$ 36,958	$ (4,678)	$ 521	$ --		$ 32,969
Net income....................	--	--	--	8,646	--	--	$ 8,646	
Currency translation adjustment..................	--	--	--	--	(2,201)	--	(2,201)	
Comprehensive income..........							$ 6,445	6,445
Issuance of shares............	1,625	38	31,361	--	--	--		33,024
Shares issued for CE Franklin options.....................	--	5	2,995	(3,000)	--	--		--
Preferred stock dividends.....	--	--	(254)	(968)	--	--		(1,222)
BALANCE, December 31, 1997......	1,625	211	71,060	--	(1,680)	--		71,216
Net loss......................	--	--	--	(20,073)	--	--	$(20,073)	
Currency translation adjustment..................	--	--	--	--	2,065	--	2,065	
Comprehensive loss............							$(18,008)	(18,008)
Issuance of shares............	--	13	13,222	--	--	--		13,235
Preferred stock dividends.....	--	--	(1,230)	--	--	--		(1,230)
Common stock dividend.........	--	--	(25,000)	--	--	--		(25,000)
Purchase of Class A common stock held in treasury at cost........................	--	--	--	--	--	(158)		(158)
BALANCE, December 31, 1998......	1,625	224	58,052	(20,073)	385	(158)		40,055
Net loss......................	--	--	--	(19,329)	--	--	$(19,329)	
Currency translation adjustment..................	--	--	--	--	(525)	--	(525)	
Comprehensive loss............							$(19,854)	(19,854)
Issuance of shares from treasury....................	--	--	(493)	--	--	789		296
Preferred stock dividends.....	--	--	(1,308)	--	--	--		(1,308)
Purchase of Class A common stock held in treasury at cost........................	--	--	--	--	--	(631)		(631)
BALANCE, December 31, 1999......	$1,625	$224	$ 56,251	$(39,402)	$ (140)	$ --		$ 18,558

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (19,329)	$ (20,073)	$ 8,646
Adjustments to reconcile net (loss) income from continuing operations to net cash provided by (used in) operating activities --			
Minority interest in loss (income) of consolidated subsidiaries, net of distributions	31	(89)	1,099
Depreciation and amortization	7,476	7,739	5,760
Provision for losses on receivables	836	1,107	517
Deferred income tax (benefit) provision	(143)	(103)	388
Loss (gain) on disposal of assets	2,457	(52)	(38)
Net loss (income) from discontinued operations	6,416	20,366	(9,386)
Loss on sale of other businesses	975	--	--
Loss on sale of marketable securities	334	--	--
Extraordinary loss on debt restructuring	927	617	--
Other non-cash items	405	253	938
Changes in operating assets and liabilities, net of effect from acquired and divested businesses --			
Accounts receivable	12,775	(20,058)	(11,457)
Net change in billings, costs, and estimated earnings on uncompleted contracts	(9,085)	(10,575)	8,684
Inventories	9,576	(2,341)	(10,578)
Accounts payable and accrued liabilities	(13,837)	6,709	16,824
Prepaid expenses and other	1,789	(1,338)	(7,370)
Net cash provided by (used in) operating activities	1,603	(17,838)	4,027
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of businesses, net of cash acquired	--	(8,514)	(13,645)
Property additions, excluding capitalized lease assets	(2,638)	(18,124)	(4,076)
Proceeds from sale of discontinued operations	102,439	--	--
Proceeds from sale of other businesses	1,976	--	--
Proceeds from sale of marketable securities	24,408	--	--
Other, net	560	(303)	168
Net cash provided by (used in) investing activities	126,745	(26,941)	(17,553)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under bank debt	31,559	240,829	51,328
Payments on bank debt	(152,830)	(202,779)	(33,631)
Other debt (payments) borrowings, net	(450)	(11,249)	24,721
Payments on capitalized lease obligations	(505)	(285)	(1,227)
Preferred stock dividends	(1,568)	(1,230)	(1,222)
Issuance of common stock	46	13,235	18,225
Other, net	(1,556)	--	--
Net cash (used in) provided by financing activities	(125,304)	38,521	58,194
EFFECT OF EXCHANGE RATE CHANGES ON CASH	28	107	(171)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	3,072	(6,151)	44,497
NET CASH USED IN DISCONTINUED OPERATIONS	(4,159)	(3,142)	(37,222)
CASH AND CASH EQUIVALENTS, beginning of year	2,624	11,917	4,642
CASH AND CASH EQUIVALENTS, end of year	$ 1,537	$ 2,624	$ 11,917

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Oil States International, Inc. (Oil States) and its wholly and majority-owned subsidiaries (collectively, the Company). On July 20, 2000, an amendment to the Certificate of Incorporation for CONEMSCO, Inc. was filed with the State of Delaware to change the corporate name from CONEMSCO, Inc. to Oil States International, Inc. Oil States' subsidiaries include CECO Holdings, Inc. (CECO) and CECO's wholly-owned subsidiaries: Oil States Industries, Inc. and its subsidiaries (collectively, OSI) and Continental Emsco Company and its subsidiaries (collectively, Continental Emsco). OSI's wholly-owned subsidiaries are Oil States MCS, Inc., Oil States HydroTech Systems, Inc., Oil States Subsea Ventures, Inc., Oil States Skagit SMATCO, Inc., Oil States Industries (UK) Limited (OSI-UK), Oil States Industries (Asia) Pte. Ltd., and Oil States Industries do Brasil Instalacoes Maritimas Ltda. OSI also owns a 60% interest in Elastomeric Actuators, Inc., a joint venture with a third party. OSI-UK's wholly-owned subsidiaries include Oil States MCS Limited (MCS Limited), and Oil States Klaper Limited. All significant intercompany accounts and transactions between the consolidated entities have been eliminated in the accompanying consolidated financial statements.

The Company's controlling stockholder is SCF-III, L.P. (SCF). SCF is a private equity investment partnership fund which specializes in the growth and development of established companies serving the energy industry. SCF's ultimate general partner is L.E. Simmons & Associates, Incorporated, based in Houston, Texas.

The Company is a leading designer and manufacturer of a diverse range of products for offshore platforms, subsea pipelines, and defense and general industrial applications. Major product lines include flexible bearings, advanced connectors, mooring systems, winches, services for installing and removing offshore platforms, downhole production equipment, and custom molded products. Sales are made primarily to major oil companies, large and small independent oil and gas companies, drilling contractors, and well service and workover operators.

During 1999, the Company sold all of the operating assets of CE Distribution Services, Inc. (CE Distribution), CE Drilling Products, Inc. (CE Drilling), CE Mobile Equipment, Inc. (CE Mobile), and its 51.8% investment in CE Franklin, Ltd. (CE Franklin). Accordingly, for the periods presented, the results of CE Distribution, CE Drilling, CE Mobile, and CE Franklin are shown as discontinued operations. Charges for the estimated and realized losses on sale of discontinued operations of $6.4 million and $22.1 million were recorded during 1999 and 1998, respectively (see Note 17). The 1998 charge of $22.1 million includes losses from operations of $13.0 million. During the year ended December 31, 1999, the Company sold two wholly-owned subsidiaries: H.O. Mohr Research and Engineering, Inc. (H.O. Mohr) and Oil States Martec Crane Services, Inc. (Martec).

During 1998, the Company completed acquisitions of Subsea Ventures, Inc. (SVI), subsequently renamed Oil States Subsea Ventures, Inc., and Klaper (UK) Limited (Klaper), subsequently renamed Oil States Klaper Limited. In addition, all Class B common stock shares were exchanged, on a one-for-one basis, for Class A common stock shares of the Company.

During 1997, the Company completed acquisitions of HydroTech Systems, Inc. (HydroTech) subsequently renamed Oil States HydroTech Systems, Inc. and SMATCO Industries, Inc. (SMATCO) subsequently renamed Oil States Skagit SMATCO, Inc. On December 22, 1997, the Company purchased from Huntfield Trust Limited (Huntfield) its 25 percent stock ownership in OSI, a subsidiary in which the Company already owned the remaining 75 percent. The Company issued 1.0 million shares of its Class A common stock to Huntfield in consideration for the OSI stock.

As discussed in Note 20, on July 21, 2000, the Company obtained a waiver from the holder of the Series A Cumulative Preferred Stock totaling $14.4 million, extending the optional redemption date to the earlier of April 30, 2001 or upon the occurrence of a registered public offering of capital stock. On July 29,

2000 and July 31, 2000, the Company renegotiated terms with the holders of subordinated debt totaling $7.0 million and $7.0 million, respectively. Original maturities of the subordinated debt extending through February 2003 were accelerated to the earlier of April 30, 2001 or upon the occurrence of a registered public offering of capital stock, in exchange for the holders waiving their rights to scheduled maturities of principal and interest which were due prior to April 30, 2001. Additionally, scheduled principal payments on other long-term debt totaling $15.5 million become due during 2001. Management's current projections indicate that there will not be sufficient cash flow from operations to fund these obligations. Management is currently developing a plan whereby the Company will be combined with other companies under common majority ownership, and the stock of the combined company would be sold in an initial public offering. The proceeds of the offering would be used, in part, to reduce the existing debt obligations. If management is unsuccessful in that effort, then management's plans would be to restructure its debt obligations as well as generate additional cash flow through asset sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments, receivables, payables, and debt instruments. The Company believes that the carrying values of these instruments on the accompanying consolidated balance sheets approximate their fair values.

Inventories

Inventories consist of oilfield products, manufactured equipment, and spare parts for manufactured equipment. Inventories include raw materials, work in process, finished goods, labor, and manufacturing overhead. Approximately 28% and 35% of inventories at December 31, 1999 and 1998, respectively, is valued at the lower of cost or market with cost determined by the last-in, first-out (LIFO) method. Cost for the remaining inventories is determined on an average cost or specific-identification method. If the LIFO method had not been used for particular inventories, total inventories would have been approximately $522,000 higher than reported at December 31, 1999 and 1998. During 1999, the Company experienced a reduction in inventories carried on a LIFO basis. The cost of these liquidated LIFO inventories did not differ from the current cost by a material amount.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Intangible Assets

Deferred financing costs are amortized on a straight-line basis over the lives of the respective credit agreements. Noncompete agreements are amortized on a straight-line basis over the lives of the respective agreements. Goodwill represents the excess of the purchase price for acquired businesses over the allocated value of the related net assets. Goodwill is amortized on a straight-line basis over a 40-year life.

Impairment of Long-Lived Assets

In compliance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", the recoverability of the carrying values of property, plant and equipment, goodwill, and other intangible assets is assessed at a minimum annually, or whenever, in management's judgment, events or changes in circumstances indicate that the carrying value of such assets may not be recoverable based on estimated future cash flows. Based on the Company's review, the carrying value of its assets are recoverable and no impairment losses have been recorded for the periods presented.

Foreign Currency

The functional currency for the Company's foreign subsidiaries is the local currency. The financial statements of foreign subsidiaries are translated into US dollars at current rates, except for sales, costs, and expenses, which are translated at average rates during each reporting period. The cumulative effects of translating the balance sheet accounts from the functional currency into the US dollar are included in cumulative translation adjustments in the accompanying Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss).

Revenue and Cost Recognition

Revenue from the sale of products is recognized upon shipment to the customer or when all significant risks of ownership have passed to the customer, except for significant fabrication projects built to customer specifications that have a production cycle greater than six months. Revenues from such contracts are recognized under the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract (cost-to-cost method). Management believes this method is the most appropriate measure of progress on large fabrication contracts. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Cost of goods sold includes all direct material and labor costs and those costs related to contract performance, such as indirect labor, supplies, tools, and repairs. Selling, general, and administrative costs are charged to expense as incurred.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents customer billings in excess of revenues recognized.

Income Taxes

The Company follows the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under this method, deferred income taxes are recorded based upon the differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets or liabilities are recovered or settled. The Company's earnings from foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no provision for US federal and state income taxes has been made for these earnings. Upon distribution of foreign subsidiary earnings in the form of dividends or

otherwise, the Company would be subject to both US income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries.

In accordance with SFAS No. 109, the Company records a valuation reserve in each reporting period when management believes that it is more likely than not that any deferred tax asset created will not be realized, due to historical and anticipated results of operations. Management will evaluate the appropriateness of the reserve in the future based upon the operating results of the Company.

Receivables and Concentration of Credit Risk

Based on the nature of its customer base, the Company does not believe that it has any significant concentrations of credit risk other than its concentration in the oil and gas industry. The Company performs periodic credit evaluations of its customers' financial condition and, generally, the Company does not require significant collateral from its domestic customers. However, export sales are generally collateralized by bank letters of credit. At December 31, 1999, one customer trade receivable accounted for 12.9% of the total trade receivable balance.

Reclassifications

Certain amounts in prior years' consolidated financial statements have been reclassified to conform with the current year presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of a few such estimates include the costs associated with the disposal of discontinued operations, including potential future adjustments as a result of contractual agreements, revenue and income recognized on the percentage-of-completion method, and the valuation allowance recorded on net deferred tax assets. Actual results could differ from those estimates.

Recent Accounting Standards

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133 -- "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS No. 137 -- "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133 -- an amendment of FASB Statement No. 133," which defers the effective date of SFAS No. 133 for one year. In June 2000, the FASB issued SFAS No. 138 -- "Accounting for Certain Derivative Instruments and Certain Hedging Activities -- an Amendment of FASB Statement No. 133," which amended SFAS 133. The Company must implement SFAS No. 133 and 138 for fiscal year 2000 and has not yet made a determination of their impact on the financial statements.

3. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS

Additional information regarding selected balance sheet accounts at December 31, 1999 and 1998, is presented below:

	1999	1998
	(IN THOUSANDS)	
Accounts receivable --		
Trade	$31,832	$48,303
Other	3,142	1,231
Allowance for doubtful accounts	(1,659)	(1,243)
	$33,315	$48,291

Provision for losses on receivables was $836,000, $1.1 million, and $517,000 for the years ended December 31, 1999, 1998, and 1997, respectively.

	1999	1998
	(IN THOUSANDS)	
Inventories --		
Raw materials	$ 9,498	$10,571
Work in process	9,870	16,176
Finished goods and purchased products	10,818	14,160
Total inventories	30,186	40,907
Inventory reserves	(4,620)	(4,554)
	$25,566	$36,353

	ESTIMATED USEFUL LIFE	1999	1998
		(IN THOUSANDS)	
Property, plant, and equipment --			
Land and land improvements	7-20 years	$ 3,074	$ 3,003
Buildings and leasehold improvements	2-40 years	15,742	15,498
Machinery and equipment	2-29 years	34,831	39,145
Computer and office equipment	1-10 years	4,466	4,119
Vehicles	2-5 years	1,352	1,373
Total property, plant, and equipment		59,465	63,138
Less -- Accumulated depreciation		(17,035)	(12,662)
		$ 42,430	$ 50,476

Depreciation expense was $6.0 million, $6.3 million, and $3.6 million for the years ended December 31, 1999, 1998, and 1997, respectively.

	1999	1998
	(IN THOUSANDS)	
Intangible assets --		
Excess of costs over net assets of businesses acquired (net of accumulated amortization of $2,857 and $1,706 at December 31, 1999 and 1998, respectively)	$44,977	$46,064
Other identified intangibles (net of accumulated amortization of $708 and $636 at December 31, 1999 and 1998, respectively)	616	1,337
	$45,593	$47,401

Other identified intangibles include deferred financing costs, covenants not to compete, and intellectual property. Amortization expense was $1.5 million, $1.4 million, and $2.2 million for the years ended December 31, 1999, 1998, and 1997, respectively. Amortization of the deferred financing costs of $405,000, $253,000, and $938,000 for the years ended December 31, 1999, 1998, and 1997, respectively, was included in interest expense.

	1999	1998
	(IN THOUSANDS)	
Accrued liabilities --		
Accrued losses associated with discontinued operations....	$13,237	$ 9,237
Accrued payroll related costs............................	3,900	4,271
Accrued insurance..	3,372	3,859
Accrued interest...	3,187	2,949
Warranty reserve...	2,206	1,689
Other..	6,389	8,455
	$32,291	$30,460

The accrued losses associated with discontinued operations primarily includes accruals for purchase price adjustments and outstanding claims. Subsequent to December 31, 1999, approximately $8.7 million has been paid for purchase price adjustments (see Note 17).

4. ACQUISITIONS AND DISPOSITIONS

Acquisitions

On July 15, 1997, the Company acquired 100% of the stock of HydroTech located in Houston, Texas, for consideration totaling $11.6 million in cash and preferred stock. HydroTech is a full-service provider of engineered products to the offshore pipeline industry. HydroTech designs, manufactures, tests, and installs many of its products for its customers. The HydroTech acquisition was accounted for using the purchase method of accounting.

Accordingly, the purchase price was allocated to the net assets acquired based on their estimated fair values with the balance of the purchase price, $7.1 million, included in intangibles. During 1998, the Company repurchased specified preferred stock under the terms of the acquisition agreement, which reduced the total consideration paid by $2.5 million (see Note 9).

On July 31, 1997, the Company acquired 100% of the stock of SMATCO located in Houma, Louisiana, for consideration totaling $16.7 million comprised of cash, notes payable and convertible preferred stock. SMATCO designs and manufactures a complete line of marine winches for the offshore service boat industry. The SMATCO purchase was accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated to the net assets acquired based on their estimated fair values with the balance of the purchase price, $15.2 million, included in intangibles.

On February 27, 1998, the Company acquired 100% of the stock of SVI for consideration totaling $12.5 million in cash, debt, and common stock. SVI is a Houston, Texas-based company that manufactures and services auxiliary structures for subsea blowout preventors and subsea production systems. The SVI purchase was accounted for using the purchase method of accounting. Accordingly, the purchase price paid was allocated to the net assets acquired based on their estimated fair values with the balance of the purchase price, $8.4 million, included in intangibles.

On April 1, 1998, the Company acquired a portion of the assets and liabilities of Klaper, a company located in the United Kingdom (UK), for a purchase price of $5.7 million. Klaper provides repair and maintenance services for blowout preventors and drilling risers used in offshore marine drilling. The Klaper

purchase was accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated to the net assets acquired based on their estimated fair values with the balance of the purchase price, $2.8 million, included in intangibles.

The following unaudited pro forma supplemental information presents consolidated results of operations as if the Company's prior year acquisitions had occurred on January 1, 1997 (in thousands, except per share amounts):

	1998	1997
Sales	$233,880	$156,167
Income (loss) from continuing operations	816	(1,853)
Income (loss) per share -- basic and diluted	(0.02)	(0.17)

Dispositions

On April 30, 1999, the Company sold the stock of H.O. Mohr for $1.7 million in cash. The transaction resulted in a gain on sale of $160,000.

On July 1, 1999, the Company sold all the operating assets of Martec for $100,000 in cash and $726,000 in notes receivable. The Company collected $180,000 and reserved the remaining balance of the notes as it appears that full collectibility is doubtful. The transaction resulted in a loss on sale of $1.1 million.

See Note 17 related to the disposition of businesses reported as discontinued operations.

5. LONG-TERM DEBT

As of December 31, 1999 and 1998, long-term debt consisted of the following (in thousands):

	1999	1998
US revolving credit facilities, weighted average rate of 7.9% and 6.9% for 1999 and 1998, respectively	$ --	$ 87,000
US term loans, weighted average rate of 7.3% and 8.4% for 1999 and 1998, respectively	--	30,800
UK revolving credit facilities, weighted average rate of 7.9% and 8.8% for 1999 and 1998, respectively	4,539	3,254
UK term loans, weighted average rate of 7.6% and 9.2% for 1999 and 1998, respectively	--	4,341
Subordinated debt	14,000	16,404
Subordinated note payable to shareholders	25,000	25,000
Subordinated note payable to Hunting	10,949	10,949
Other debt	100	721
Total debt	54,588	178,469
Less- Current maturities	(2,600)	(120,217)
Total long-term debt	$51,988	$ 58,252

Bank Debt

On March 31, 1998, the Company entered into a new credit agreement (the 1998 Agreement) with a consortium of lenders providing for borrowings totaling $175.0 million. The 1998 Agreement provided for $35.0 million of term advances and up to $120.0 million of borrowings on a revolving basis to the Company. The 1998 Agreement also provided for $5.0 million of term advances and up to $15.0 million of borrowings on a revolving basis to UK operations. The loans to UK operations are denominated and payable in British

pounds. The 1998 Agreement provided for the issuance of letters of credit, such issuance reducing the amount available for borrowing under the revolving portion of the credit facility. The 1998 Agreement also contained several additional options to borrow funds for temporary cash management purposes. The 1998 Agreement had a scheduled termination date of June 30, 2000.

The term advances under the 1998 Agreement contained required repayments of $1.6 million per calendar quarter, beginning on June 30, 1998. Borrowings under the 1998 Agreement carried variable interest rates based upon prime, eurodollar, or sterling rates plus a spread based upon the Company's senior debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio. The commitment fee on the unused portion of the facility was 0.375% at December 31, 1999, and was subject to change based upon the Company's senior debt to EBITDA ratio. Borrowings under the 1998 Agreement were secured by a security interest in substantially all accounts receivable and inventory of the Company in the US and the UK and a pledge of the stock of specified subsidiaries. Among other requirements, the Company was required to maintain financial ratios and meet net worth and indebtedness tests specified in the 1998 Agreement.

In 1999, the Company and the banks party thereto entered into three separate amendments (the 1999 Amendments) to the 1998 Agreement. The 1999 Amendments resulted in, but were not limited to, the following actions. The banks agreed to forbear from exercising, through March 31, 2000, any of their rights as a result of the Company's failure to comply with all of the financial covenants set forth in the 1998 Agreement. The scheduled termination date of the 1998 Agreement was also changed to March 31, 2000. The interest rate was increased to the bank base rate plus 0.5%. The lending commitments were incrementally reduced to $15.0 million of borrowings on a revolving basis to US operations and $10.0 million of borrowings to UK operations. Substantially all of the Company's fixed assets were pledged as additional security for the borrowings. The divestiture transactions discussed in Note 15 were approved and guidelines were established for payment of debt with the proceeds of the divestitures and the sales of the marketable securities. As a result of the divestitures and sales of the marketable securities, all of the Company's US borrowings and the UK term borrowings under the 1998 Agreement were paid in full by September 1999.

On March 1, 2000, the Company entered into a new credit agreement (the 2000 Agreement) providing for borrowings totaling $25.9 million for US operations. From the proceeds of the initial borrowings, all US borrowings during 2000 under the 1998 Agreement described above were repaid on March 1, 2000. The 2000 Agreement provides for $4.9 million of term advances and up to $21.0 million of borrowings on a revolving basis to the Company. The 2000 Agreement provides for the issuance of letters of credit, such issuance reducing the amount available for borrowing under the revolving portion of the facility. On March 1, 2000, $12.4 million was available to borrow under the revolving portion of the 2000 Agreement. The 2000 Agreement has a scheduled termination date of March 1, 2003. The term advances are payable in 59 monthly principal installments of $81,740 with the remainder due March 1, 2003. Borrowings under the 2000 Agreement carry variable interest rates payable monthly based upon prime, or eurodollar rate plus 2.25%, for the revolving loans and prime plus 0.25%, or eurodollar rate plus 2.5%, for the term loans. The commitment fee on the unused portion of the revolving facility is 0.375% per annum. The 2000 Agreement is secured by substantially all of the Company's assets and contains customary representations and warranties and events of default. The 2000 Agreement also requires compliance with a number of affirmative, negative, and financial covenants, including a limitation on the incurrence of indebtedness and a requirement that the Company maintain a specified net worth.

On March 3, 2000, the Company entered into a new overdraft credit facility providing for borrowings totaling L5.0 million for UK operations, which converted to approximately $7.9 million. Interest is payable quarterly at a margin of 1.90% per annum over the bank's variable base rate. All borrowings under this facility are payable on demand. The UK facility is renewable with a scheduled review date of March 2, 2001. The Company intends to renew this facility at that time.

In conjunction with executing the 1998 Agreement on March 31, 1998, the Company recognized an extraordinary charge, net of tax benefit, of $617,000. In conjunction with executing the 1999 Amendments during the year, the Company recognized an extraordinary charge of $927,000. These extraordinary charges are due to the write-off of deferred financing costs related to the Company's credit facilities.

Subordinated and Other Affiliated Debt

The Company has subordinated notes payable to Hunting Oilfield Services (International), Ltd. (Hunting), a related party of the Company, totaling $10.9 million. $10.4 million is due on May 17, 2001, and the remaining $500,000 is due September 30, 2001. These notes carry an interest rate of 7.75% in 1998, 8.25% in 1999, and 8.50% thereafter. Accrued interest is payable on March 31 of each year; however, interest payments are only required to be made if specified cumulative EBITDA thresholds are met. The Company did not meet EBITDA thresholds for 1999. As of December 31, 1999, interest of $903,000 had been accrued but not paid. Interest does not accrue on any accrued interest that is not payable due to the failure to meet any EBITDA threshold. All unpaid accrued interest will be payable on the maturity date of the notes.

On July 31, 1997, the Company issued subordinated promissory notes totaling $7.0 million payable to the stockholders of an acquired company. Principal on these notes is payable in the amounts of $2.0 million on July 31, 2000, $2.0 million on July 31, 2001, and $3.0 million on July 31, 2002. These notes carry an interest rate of 8.0% with interest payable on July 31 of each year, beginning July 31, 1998. If the Company is in default under any of its senior debt, the noteholders may not receive any principal or interest payments for 180 days following the default or event of default. See Note 20.

On February 28, 1998, the Company issued subordinated promissory notes totaling $7.5 million payable to former SVI stockholders in conjunction with the SVI acquisition. Principal on these notes is payable in the amounts of $500,000 on August 31, 2000, $500,000 on February 28, 2001, $1.5 million on August 31, 2001, $1.5 million on February 28, 2002, $1.5 million on August 31, 2002, and $1.5 million on February 28, 2003. Payments of $450,000 have been made as of December 31, 1999. These notes carry an interest rate of 8.0% with interest payable on the last day of February 1999 and 2000, and on each payment date thereafter. If the Company is in default under any of its senior debt, the noteholders may not receive any principal or interest payments for 180 days following the default or event of default. See Note 20.

On July 31, 1998, the Company issued a subordinated promissory note payable in the amount of $2.0 million to Sooner Pipe & Supply Corporation (Sooner), a company controlled by an SCF-managed partnership, in conjunction with an acquisition of assets. Principal and accrued interest is payable on this note in two installments of $1.0 million plus accrued interest at 6.0% on July 31, 1999 and 2000. During 1999, this note was canceled in conjunction with the sale of assets to Sooner (see Notes 15 and 17).

On December 31, 1998, the Company declared a dividend in the form of a subordinated note payable to SCF-III, L.P., acting as agent for all of the common stockholders of the Company, in the amount of $25.0 million. Principal and accrued interest at 6.0% are due on December 31, 2005 (see Note 15).

Scheduled maturities of long-term debt (other than capitalized lease obligations) as of December 31, 1999, are as follows (in thousands):

YEAR ENDING DECEMBER 31,	
2000	$ 2,600
2001	19,488
2002	6,000
2003	1,500
2004	--
Thereafter	25,000
	$54,588

6. CAPITALIZED AND OPERATING LEASE OBLIGATIONS

The Company leases a portion of its equipment, office space, computer equipment, automobiles, and trucks under leases which expire at various dates. The gross amount of assets recorded under capital leases as of December 31, 1999 and 1998, is as follows (in thousands):

	1999	1998
Building	$ 15	$ 15
Machinery and equipment	1,019	1,019
Computer and office equipment	154	154
Vehicles	769	751
	$1,957	$1,939

Minimum future lease obligations in effect at December 31, 1999, are as follows (in thousands):

	CAPITALIZED LEASES	OPERATING LEASES
2000	$ 363	$ 2,333
2001	387	1,843
2002	134	1,083
2003	30	806
2004	3	774
Thereafter	--	4,460
Total	917	$11,299
Less -- Current portion	(363)	
Noncurrent liability	$ 554	

Rental expense under operating leases was $2.5 million, $2.1 million, and $3.7 million for the years ended December 31, 1999, 1998, and 1997, respectively. Amortization of assets under capital lease is included in depreciation expense (see Note 3).

7. POSTRETIREMENT HEALTHCARE AND OTHER INSURANCE BENEFITS

The Company provides healthcare and other insurance benefits, primarily life, for eligible active and retired employees. The healthcare plans are contributory and contain other cost-sharing features such as deductibles, lifetime maximums, and co-payment requirements. The following tables are in thousands.

	1999	1998
Changes in accumulated postretirement benefit obligation --		
Benefit obligation at beginning of year	$ 9,663	$10,644
Service cost, benefits earned during the period	24	27
Interest cost on accumulated postretirement benefit obligation	615	690
Benefits paid	(1,271)	(1,698)
Prior service cost	942	--
Benefit obligation at end of year	$ 9,973	$ 9,663

	1999	1998	1997
Components of net periodic benefit cost --			
Service cost, benefits earned during the period	$ 24	$ 27	$ 38
Interest cost on accumulated postretirement benefit obligation	615	690	752
Amortization of net gain	--	(43)	--
Amortization of prior service cost	10	--	--
Total net periodic benefit cost	$649	$674	$790

	1999	1998
Accumulated postretirement benefit obligation --		
Retirees and dependent spouses	$ 9,159	$ 8,503
Fully eligible active plan participants	814	339
Other active plan participants	--	821
Total accumulated postretirement benefit obligation	9,973	9,663
Unrecognized prior service cost	(932)	--
Unrecognized net gain	--	5
Total liability included in the consolidated balance sheets	9,041	9,668
Less -- Current portion	(1,300)	(1,765)
Noncurrent liability	$ 7,741	$ 7,903

The healthcare plans are not funded, and the Company's policy is to pay these benefits as they are incurred.

The accumulated benefit obligation was determined under an actuarial assumption using a healthcare cost trend rate of 7.00% in 1999, gradually declining to 5.50% in the year 2001 and thereafter over the projected payout period of the benefits. The accumulated benefit obligations were determined using an assumed discount rate of 7.75% and 7.00% at December 31, 1999 and 1998, respectively. Under the plan's provisions, the Company's prescription costs are capped at annual benefit limits. Retirees are assumed to pay the portion of future prescription costs above the capped limit.

A one-percentage-point increase or decrease in the assumed healthcare cost trend rates would result in an increase of $203,000 and a decrease of $250,000, respectively, to the accumulated postretirement benefit obligation at December 31, 1999. The effect of such a change would be immaterial to net periodic benefit cost.

8. RETIREMENT PLANS

The Company sponsors a number of defined contribution plans. Participation in these plans is available to substantially all employees.

US employees of the Company participate in the CE Retirement Savings Plan (the Savings Plan). Employees are eligible to participate in the Savings Plan following their dates of hire. Additionally, under the terms of the Savings Plan, the Company contributes 2% of the employees' base pay as well as matching 100% of the first 2% and 25% of the next 4% of the employees' pretax contributions. Employees may also receive an additional discretionary profit-sharing contribution of up to an additional 75% of pretax contributions between 3% and 6% of pay, depending upon financial performance.

Employees of OSI-UK and MCS Limited participate in the Oil States Industries (UK) Limited Retirement Plan. Under the terms of this defined contribution plan, the Company contributes between 5% to 10% of each employee's base salary and may contribute an additional discretionary amount between 3% to 6% of each employee's base salary dependent upon OSI-UK and MCS Limited meeting specified performance targets. The percentage of Company contributions which an employee receives is based on the employee's salary level within specified salary ranges.

Employees of Oil States Klaper Limited may contribute to a personal pension arrangement. The Company may contribute an amount at their discretion. Since the acquisition of Oil States Klaper Limited in 1998, the Company has contributed between 2% to 4% of each employee's base salary.

The Company recognized expense of $1.9 million, $1.7 million, and $1.4 million related to its various defined contribution plans during the years ended December 31, 1999, 1998, and 1997, respectively.

9. REDEEMABLE PREFERRED STOCK

Redeemable preferred stock outstanding as of December 31, 1999 and 1998, is as follows (dollar amounts in thousands):

	SHARES OUTSTANDING	1999	1998
Series A Cumulative Preferred Stock	143,000	$14,300	$14,300
Series A Exchangeable Cumulative Preferred Stock	20,000	2,000	2,000
Series B Exchangeable Cumulative Preferred Stock	38,500	3,850	3,850
		$20,150	$20,150

Series A Cumulative Preferred Stock

As of December 31, 1999 and 1998, the Company had 143,000 shares of Series A Cumulative Preferred Stock (Series A Preferred Stock), issued and outstanding with a par value of $100 per share. The stock was issued to LTV Corporation (LTV) in conjunction with the acquisition of the Company in 1995. Holders of the Series A Preferred Stock are entitled to cumulative quarterly dividends which commenced on September 15, 1995, at the annual rate of 7.0% ($7.00 per share). As of December 31, 1999, dividends of $42,000 had been accrued but not paid. This amount is reported on the balance sheet as an accrued liability. The holders of Series A Preferred Stock are not entitled to vote, except as specified in the Series A Preferred Stock designation. The holders (voting separately as a class) are entitled to elect additional directors of the Company if, at any time, dividends of the Company are in arrears in an amount equal to six quarterly dividends. The Company or the holders of the Series A Preferred Stock may, at either party's option, redeem all or any part of the Series A Preferred Stock, at $100 per share (plus accrued and unpaid dividends) commencing September 15, 2000. (See Note 20). On September 15, 2005, the Company is required to redeem all of the then outstanding Series A Preferred Stock at $100 per share (plus accrued and unpaid

dividends). In the event of involuntary liquidation, the holders of the Series A Preferred Stock would be entitled, after the payment of all debts, to $100 per share, plus accrued and unpaid dividends, before any distribution or payments to the common stockholders. If, upon liquidation, the remaining assets of the Company are insufficient to pay the holders of the Series A Preferred Stock the full amount to which they are entitled, the holders shall share ratably among themselves in any distributions according to the respective amounts payable if shares were paid in full.

Series A Exchangeable Cumulative Preferred Stock

On July 15, 1997, the Company issued 45,000 shares of preferred stock having a par value of $0.0001 per share, in connection with the acquisition of HydroTech. These shares designated as Series A Exchangeable Cumulative Preferred Stock (Series A Exchangeable Preferred Stock) have a liquidation value of $100 per share, plus any accrued and unpaid dividends, less any amounts due from former HydroTech stockholders. The acquisition agreement with HydroTech provided that 25,000 shares of the Series A Exchangeable Preferred Stock be placed in escrow and be released in accordance with earn-out requirements specified in the acquisition agreement. Holders of the Series A Exchangeable Preferred Stock are entitled to cumulative annual dividends commencing on July 15, 1998, at the annual rate of 7.0% ($7.00 per share). As of December 31, 1999, dividends of $64,000 had been accrued but not paid. This amount is reported on the balance sheet as an accrued liability. Each share of Series A Exchangeable Preferred Stock is exchangeable, provided written notice is given between June 13, 2002, and July 13, 2002, into a number of shares of the Company's Class A common stock determined by dividing the liquidation value as of the conversion date by the exchange price. The exchange price is defined as $15.00 plus 80% times the excess of the fair market value of the Company's common stock on the date of exchange over $15.00. All unexchanged shares of Series A Exchangeable Preferred Stock outstanding on July 15, 2002, will automatically be redeemed at a redemption price equal to liquidation value. The Company also has the option, upon the occurrence of events specified in the Series A Exchangeable Preferred Stock certificate of designation, to redeem all or any portion of the Series A Exchangeable Preferred Stock at a redemption price equal to liquidation value. The holders of Series A Exchangeable Preferred Stock are not entitled to vote. During 1998, the Company purchased the 25,000 shares placed in escrow for $0.01 per share in accordance with the provisions of the acquisition agreement as HydroTech failed to meet the specified earn-out requirements. The difference of $2.5 million was treated as a reduction in goodwill.

Series B Exchangeable Cumulative Preferred Stock

On July 15, 1997, the Company issued 38,500 shares of preferred stock having a par value of $0.0001 per share, in connection with the acquisition of HydroTech. These shares designated as Series B Exchangeable Cumulative Preferred Stock (Series B Exchangeable Preferred Stock) have a liquidation value of $100 per share, plus any accrued and unpaid dividends, less any amounts due from former HydroTech stockholders. Holders of the Series B Exchangeable Preferred Stock are entitled to cumulative annual dividends commencing on July 15, 1998, at the annual rate of 3.1% ($3.10 per share). As of December 31, 1999, dividends of $55,000 had been accrued but not paid. This amount is reported on the balance sheet as an accrued liability. Each share of Series B Exchangeable Preferred Stock is exchangeable, prior to July 15, 2004, into a number of shares of the Company's Class A common stock determined by dividing the liquidation value as of the conversion date by the exchange price of $12.80 per share. All unexchanged shares of Series B Exchangeable Preferred Stock outstanding on July 15, 2004, will automatically be redeemed at a redemption price equal to liquidation value. The Company also has the option, upon the occurrence of events specified in the Series B Exchangeable Preferred Stock certificate of designation, to redeem all or any portion of the Series B Exchangeable Preferred Stock at a redemption price equal to liquidation value. The holders of Series B Exchangeable Preferred Stock are not entitled to vote.

10. CONVERTIBLE PREFERRED STOCK

On July 31, 1997, the Company issued 16,250 shares of preferred stock having a par value of $0.0001 per share, in connection with the acquisition of SMATCO. These shares, designated as Series A Convertible Cumulative Preferred Stock (Convertible Preferred Stock), have a liquidation value of $100 per share, plus any accrued and unpaid dividends. Holders of the Convertible Preferred Stock are entitled to cumulative annual dividends commencing on July 31, 1998, at the annual rate of 3.0% ($3.00 per share). As of December 31, 1999, dividends of $20,000 had been accrued but not paid. This amount is reported on the balance sheet as an accrued liability. Each share of Convertible Preferred Stock is convertible into a number of shares of the Company's Class A common stock determined by dividing the liquidation value as of the conversion date by the conversion price of $15.00 per share. Conversion is optional, prior to August 1, 2002, subject to the occurrence of events specified in the Convertible Preferred Stock certificate of designation. On August 1, 2002, each share of Convertible Preferred Stock outstanding shall automatically convert as described above. Upon the occurrence of events specified in the Convertible Preferred Stock certificate of designation, the Company has the option to redeem all or any portion of unconverted Convertible Preferred Stock at liquidation value (See Note 20). The holders of Convertible Preferred Stock are not entitled to vote.

11. INCOME (LOSS) PER SHARE

In thousands, except per share amounts:

	FOR THE YEAR ENDED DECEMBER 31,		
	1999	1998	1997
(Loss) income from continuing operations before discontinued operations and extraordinary item	$(11,986)	$ 910	$ (740)
Less: Preferred stock dividends	(1,308)	(1,230)	(1,222)
(Loss) income available to common shareholders from continuing operations before discontinued operations and extraordinary item	$(13,294)	$ (320)	$(1,962)
Income (loss) per share -- basic and diluted:			
Loss from continuing operations before discontinued operations and extraordinary item	$ (0.59)	$ (0.01)	$ (0.11)
Discontinued operations	(0.29)	(0.93)	0.53
Extraordinary item	(0.04)	(0.03)	--
Net (loss) income	$ (0.92)	$ (0.97)	$ 0.42
Weighted average shares outstanding -- basic and diluted	22,362	22,056	17,808

Basic income (loss) per share amounts are based on the weighted average number of common shares outstanding during the period. Diluted income per share would include additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued, however no additional common shares were included in the calculation of diluted income per share as the effect of the outstanding securities was anti-dilutive. Excluded from the computation of diluted earnings per share are securities outstanding at December 31, 1999, 1998 and 1997 that could potentially dilute basic earnings per share of 1.2 million shares, 2.2 million shares, and 2.5 million shares of common stock, respectively.

The Company issued 1,072,828 shares of the Company's Class A common stock at a purchase price of $10 per share pursuant to offerings to its existing stockholders, on a pro-rata basis, in January and March 1998. Each stockholder that purchased stock pursuant to those offerings was to receive additional shares in the event that there was no initial public offering of the Company's stock in 1998 and an earnings-per-share threshold was not reached. The formula for determining the number of additional shares to be issued, which

was based on the Company's 1998 earnings per share, could not be properly calculated due to the Company's negative earnings per share in 1998. As an alternative, in December 1999, the Board of Directors approved the issuance of four additional shares for each share purchased in connection with the January and March 1998 stock offerings. In addition, the stockholders that did not purchase stock pursuant to those offerings were offered the right to purchase a pro-rata portion of additional shares in accordance with their stock holdings at a share price of $2 per share plus a 12% annual interest factor taken into consideration from the time of those offerings. In February 2000, the Company issued 4,291,427 of additional shares related to those offerings. Those offerings are also subject to preemptive rights in favor of the holders of the Company's Series A and Series B Exchangeable Preferred Stock to purchase Class A common stock at fair value. To date, no Class A common stock has been issued pursuant to those rights as they relate to the offerings in 1998. The Company does not expect that the amount of additional shares to be issued pursuant to such preemptive rights will be material to the Company's financial position.

Effective December 31, 1997, the Company acquired all options to purchase the common stock of CE Franklin Ltd. held by three of its stockholders in exchange for 500,000 shares of its Class A common stock at an aggregate value of $5 million. The aggregate consideration paid by such stockholders in November 1995 for such options was $2 million. The number of shares issued to these stockholders was to be increased in the event that there was no initial public offering of the Company's stock in 1998 and an earning-per-share threshold was not reached. The formula for determining the number of additional shares to be issued, which was based on the Company's 1998 earnings per share, could not be properly calculated due to the Company's negative earnings per share in 1998. As an alternative, the Company issued 500,000 additional shares to these stockholders in March 2000.

12. INCOME TAXES

The components of the income tax provision for continuing operations before extraordinary items for the years ended December 31, 1999, 1998, and 1997, consist of the following (in thousands):

	1999	1998	1997
Current --			
Federal	$1,058	$1,306	$1,275
State	(62)	226	(24)
Foreign	292	2,282	1,509
	1,288	3,814	2,760
Deferred --			
Federal	(239)	--	607
State	--	--	69
Foreign	96	(103)	(288)
	(143)	(103)	388
Total provision	$1,145	$3,711	$3,148

The provision for taxes for continuing operations, before extraordinary items, differs from an amount computed at statutory rates as follows for the years ended December 31, 1999, 1998, and 1997 (in thousands):

	1999	1998	1997
Federal tax expense at statutory rates	$(3,675)	$1,581	$1,192
Foreign income tax rate differential	151	(202)	(127)
Nondeductible expenses	835	623	91
Net operating loss not benefited	2,741	--	--
Net utilization of net operating loss not benefited	--	--	(373)
State taxes	(62)	29	46
Amortization of noncompete agreement	--	--	567
Adjustment of valuation allowance	1,279	1,250	1,588
Other	(124)	430	164
Net income tax provision	$ 1,145	$3,711	$3,148

The significant items giving rise to the deferred tax assets and liabilities as of December 31, 1999 and 1998, are as follows (in thousands):

	1999	1998
Deferred tax assets --		
Net operating loss carryforward	$39,646	$ 42,946
Allowance for doubtful accounts	570	424
Inventory	798	858
Employee benefits	2,799	3,305
Other, net	3,423	1,581
Total deferred tax assets	47,236	49,114
Less -- Valuation allowance	(44,558)	(46,511)
Net deferred tax assets	2,678	2,603
Deferred tax liability --		
Depreciation	(2,893)	(3,014)
Other	(489)	(436)
Total deferred tax liability	(3,382)	(3,450)
Net deferred tax liability	$ (704)	$ (847)

For income tax reporting purposes, the Company has net operating loss carryforwards of approximately $116.6 million for regular income taxes which will expire in the years 2000 through 2018. The Company's net operating loss carryforwards are subject to limitations under Section 382 of the Internal Revenue Code of 1986. Based on these limitations, the years the carryforwards expire, and the uncertainty in achieving levels of taxable income required for their utilization, the Company has provided a valuation allowance on these carryforwards. The Company has a federal alternative minimum tax net operating loss carryforward of $84.1 million which will expire in the years 2000 through 2018.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the years ended December 31, 1999, 1998, and 1997, for interest and income taxes from continuing and discontinued operations was as follows (in thousands):

	1999	1998	1997
Interest	$6,677	$ 9,681	$8,225
Income taxes, net of refunds	3,251	10,977	4,416

The following noncash transactions have been excluded from the consolidated statements of cash flows for the years ended December 31, 1999, 1998, and 1997 (in thousands):

	1999	1998	1997
Common stock issued for acquisitions	$ --	$1,000	$ --
Preferred stock issued for acquisitions	--	--	9,975
Debt issued for acquisitions	--	7,450	7,000
Common stock issued for minority interest	--	--	10,000
Noncash consideration received for businesses sold	57,421	--	--
Assets financed through capital lease obligations	158	273	627

The Company had no acquisitions in 1999. Components of cash used for acquisitions as reflected in the consolidated statements of cash flows for the year ended December 31, 1998 and 1997, are summarized as follows (in thousands):

	1998	1997
Fair value of assets acquired, excluding cash	$26,634	$ 44,541
Liabilities assumed	(9,670)	(13,921)
Noncash consideration	(8,450)	(16,975)
Cash used in acquisition of businesses	$ 8,514	$ 13,645

14. COMMITMENTS AND CONTINGENCIES

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.

LTV, the former owner of the Company, under the terms of the stock purchase agreement, has indemnified the Company 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. To the extent that claims exceed $2.2 million, the original allowance, all amounts will be paid by LTV.

The Company has warranted items related to the sale of CE Drilling and CE Distribution (see Note 17), subject to threshold amounts defined in the respective agreements. The Company believes all amounts have been properly reflected in the accompanying consolidated financial statements.

15. RELATED-PARTY TRANSACTIONS

SCF, from time to time, serves as financial advisor as the Company explores future opportunities for mergers, acquisitions, or divestitures. Professional advisory fees and out-of-pocket expenses totaling approximately $118,000, $11,000 and $217,000 were paid to L.E. Simmons & Associates, Incorporated, in 1999, 1998 and 1997, respectively.

In the normal course of business, the Company transacts with Hunting. However, these amounts were insignificant for the years presented.

On December 31, 1998, the Company declared a $25.0 million dividend in the form of a subordinated note payable to SCF-III, L.P., acting as agent for all common stockholders of the Company (see Note 5).

During 1998, the Company acquired certain assets from Sooner for $3.8 million. These assets were sold during 1999 and are included in discontinued operations (see Notes 5 and 17).

During 1999, Hunting indemnified the Company for a liability incurred in 1998 relating to assets sold to the Company in 1996 for $1.8 million.

During 1997, the Company entered into loan agreements with EnSerCo, L.L.C. (EnSerCo), for unsecured promissory notes totaling $24.8 million. The Company also paid commitment fees totaling $400,000 to EnSerCo during 1997, as specified in the agreements. EnSerCo is a limited liability company that provides various forms of capital to the energy service and equipment industry. Affiliates of Enron Capital & Trade Resources Corp. own 50% of EnSerCo while the remaining 50% is owned by SCF-III, L.P. (see Note 5). On March 31, 1998, these notes were paid in full.

16. STOCK-BASED COMPENSATION

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which requires the Company to record stock-based compensation at fair value. The Company has adopted the disclosure requirements of SFAS No. 123 and has elected to record employee compensation expense in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees."

The Company accounts for its employee stock-based compensation plan under APB Opinion No. 25 and its related interpretations. Accordingly, any deferred compensation expense is recorded for stock options based on the excess of the market value of the common stock on the date the options were granted over the aggregate exercise price of the options. This deferred compensation is amortized over the vesting period of each option. The Company is authorized to grant two million stock options under the 1996 Equity Participation Plan (the Stock Option Plan) to employees, consultants, and directors with amounts, exercise prices, and vesting schedules determined by the Company's compensation committee. As the exercise price of options granted under the Stock Option Plan have been equal to or greater than the market price of the Company's stock on the date of grant, no compensation expense related to this plan has been recorded. Had compensation expense for its Stock Option Plan been determined consistent with SFAS No. 123, the Company's net income (loss) and earnings per share at December 31, 1999, 1998, and 1997, would have been as follows (in thousands, except per share amounts):

	1999	1998	1997
Net loss --			
As reported	$(19,329)	$(20,073)	$8,646
Pro forma	(19,032)	(20,722)	8,570
Pro forma income (loss) per share -- basic and diluted	$ (0.91)	$ (1.00)	$ 0.41

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	STOCK OPTION PLAN	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at December 31, 1996	865,800	$2.09
Granted	924,650	6.58
Exercised	--	--
Forfeited	(58,900)	2.09
Balance at December 31, 1997	1,731,550	4.53
Granted	227,500	8.68
Exercised	(3,750)	2.09
Forfeited	(371,400)	6.31
Balance at December 31, 1998	1,583,900	4.60
Granted	--	--
Exercised	(138,017)	2.09
Forfeited	(840,983)	4.75
Balance at December 31, 1999	604,900	4.95
Exercisable at December 31, 1997	381,192	2.09
Exercisable at December 31, 1998	823,072	3.40
Exercisable at December 31, 1999	449,275	4.12

At December 31, 1999, 1,253,333 options were available for future grant under the Stock Option Plan. The exercise price of options outstanding under the Stock Option Plan at December 31, 1999, ranged from $2.09 to $10.00 per share with a weighted average of approximately $4.12 per share. The weighted average contractual life of options outstanding at December 31, 1999, was 4.86 years.

The weighted average fair values of options granted during 1998 and 1997 were $1.11 per share and $0.69 per share, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1998 and 1997, respectively: risk-free interest rates of 5.5% and 6.3%, no expected dividend yield, expected lives of 5.1 years and 6.1 years, and no expected volatility.

17. DISCONTINUED OPERATIONS

On May 28, 1999, in one transaction, CE Distribution sold all of its distribution net assets for two senior subordinated notes receivable totaling $30.0 million and the Company sold its 51.8% investment in CE Franklin for marketable securities with a fair market value of $24.7 million on the date of sale. The combined transaction resulted in a loss on sale of approximately $17.2 million, net of income tax benefit of $185,000. Included in the loss on sale is a provision for operating losses of $12.4 million, net of income tax benefit of $805,000, recorded during the phase out period. In June 1999, one of the senior subordinated notes in the amount of $14.5 million, plus accrued interest at LIBOR plus 2.75%, was paid in full. In July 1999, the second senior subordinated note in the amount of $15.5 million, plus accrued interest at LIBOR plus 2.75%, was paid in full. Subsequent to May 28, 1999, all of the marketable securities were sold at a loss of $334,000. On June 21, 2000, the Company returned $1.8 million of the purchase price to the buyer for indemnification of specified post-closing liabilities. Additional adjustments to the purchase price are possible and management believes the accrued amounts are adequate to cover any exposure.

On May 28, 1999, in a separate transaction, CE Distribution sold all of its "oil country tubular" related assets to Sooner (see Note 15) for cash of $7.4 million and $2.0 million of noncash consideration for the

cancellation of the subordinated promissory note discussed in Note 5, resulting in a loss on sale of $701,000. As a result of the above-mentioned transactions, CE Distribution ceased operations in 1999.

On July 7, 1999, CE Drilling sold all of its operating net assets, which included the net assets of CE Mobile, for $65.0 million in cash resulting in a loss on sale of $4.9 million, net of income tax expense of $70,000. Included in the loss on sale is operating income of $261,000, net of income tax expense of $12,000, recorded during the phase out period. The purchase price was subject to adjustments as defined in the agreement. During 1999, an additional accrual of $5.7 million, net of income tax expense of $215,000, was recorded primarily to accrue for a revision of the purchase price. On April 17, 2000, the Company settled the purchase price adjustment and returned $6.9 million of the purchase price to the buyer; however, there are some outstanding claims which remain to be settled. As a result of the above-mentioned transaction, CE Drilling and CE Mobile ceased operations in 1999.

The results of CE Distribution, CE Franklin, CE Drilling, and CE Mobile are shown as discontinued operations with 1998 and 1997 restated. Components of amounts reflected in the accompanying consolidated balance sheets and consolidated statements of operations and cash flows as of and for the years ended December 31, 1999, 1998, and 1997, are presented in the following table (in thousands):

	1998
Balance sheet data --	
Current assets	$197,818
Property, plant, and equipment, net	37,145
Intangible assets, net	19,270
Other noncurrent assets	1,759
Current liabilities	(75,422)
Noncurrent liabilities	(51,031)
Net assets of discontinued operations	$129,539

	1999	1998	1997
Operations data --			
Revenues	$141,489	$564,691	$679,468
Costs and expenses	147,385	554,090	654,182
Operating (loss) income	(5,896)	10,601	25,286
Interest expense	2,371	8,041	4,069
Other expense	4,710	278	4,018
Income tax (benefit) expense	(793)	549	7,813
Amount reserved in 1998 for 1999 losses	(12,184)	--	--
Income from discontinued operations	$ --	$ 1,733	$ 9,386
Cash flow data-			
Cash flows from operations	$(12,251)	$ 13,655	$(33,393)
Cash flows from investing activities	--	(10,834)	(25,628)
Cash flows from financing activities	8,092	(5,963)	21,799
Net cash used in discontinued operations	$ (4,159)	$ (3,142)	$(37,222)

18. 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: Elastomer Products, Engineered and Industrial Products, Marine Construction, and Marine Winches. Elastomer Products manufactures well

servicing and production components and provides elastomer molding. Engineered and Industrial Products provides technically advanced solutions for drilling, production, and structural projects including flex joints, Merlin connectors, and elastaflex clutches. Marine Construction provides products and services for fixed platform installation and decommissioning and pipeline construction including rotary selector valves and concrete mats. Marine Winches designs and manufactures deep water mooring systems for offshore drilling vessels, floating production systems and barges. They also design and refurbish a complete line of marine winches and other deck machinery for the offshore service boat industry. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired as a unit, and the management at the time of the acquisition was retained.

Financial information by industry segment for each of the three years ended December 31, 1999, 1998 and 1997, is summarized below in thousands. The Company evaluates performance and allocates resources based on EBITDA, which is calculated as operating income adding back depreciation and amortization. Calculations of EBITDA should not be viewed as a substitute to calculations under generally accepted accounting principles, in particular operating income and net income. In addition, EBITDA calculations by one company may not be comparable to another company. Depreciation and amortization amounts do not include amortization of deferred financing costs (see Note 3). Total assets do not include intercompany balances. The net assets of discontinued operations of $129.5 million and $145.9 million are included in the Corporate and Eliminations amounts in 1998 and 1997, respectively. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

	ELASTOMER PRODUCTS	ENGINEERED AND INDUSTRIAL PRODUCTS	MARINE CONSTRUCTION	MARINE WINCHES	CORPORATE AND ELIMINATIONS	TOTAL
1999						
Revenues from unaffiliated customers	$ 8,082	$73,856	$27,646	$44,746	$ --	$154,330
EBITDA	921	15,485	(1,331)	(6,166)	(4,121)	4,788
Depreciation and amortization	(234)	(2,560)	(2,468)	(1,626)	(588)	(7,476)
Operating income (loss)	687	12,925	(3,799)	(7,792)	(4,709)	(2,688)
Capital expenditures	73	613	1,218	606	128	2,638
Total assets	4,986	55,523	36,823	48,461	11,925	157,718
1998						
Revenues from unaffiliated customers	$ 8,825	$92,007	$51,930	$77,222	$ --	$229,984
EBITDA	111	18,653	5,129	2,341	(4,550)	21,684
Depreciation and amortization	(235)	(3,195)	(2,475)	(1,118)	(716)	(7,739)
Operating (loss) income	(124)	15,458	2,654	1,223	(5,266)	13,945
Capital expenditures	74	6,510	2,439	8,550	551	18,124
Total assets	5,560	69,595	51,669	52,897	144,275	323,996

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	ELASTOMER PRODUCTS	ENGINEERED AND INDUSTRIAL PRODUCTS	MARINE CONSTRUCTION	MARINE WINCHES	CORPORATE AND ELIMINATIONS	TOTAL
1997						
Revenues from unaffiliated customers	$11,742	$57,457	$27,642	$17,084	$ --	$113,925
EBITDA	744	10,289	3,967	1,805	(1,030)	15,775
Depreciation and amortization	(214)	(1,122)	(3,598)	(318)	(508)	(5,760)
Operating income (loss)	530	9,167	369	1,487	(1,538)	10,015
Capital expenditures	619	576	2,183	679	19	4,076
Total assets	8,110	35,899	51,879	34,113	162,132	292,133

Financial information by geographic segment for each of the three years ended December 31, 1999, 1998, and 1997, is summarized below in thousands. Revenues in the US include export sales. Revenues are attributable to countries based on the location of the entity selling the products or performing the services. Total assets are attributable to countries based on the physical location of the entity and its operating assets and do not include intercompany balances and the net assets of discontinued operations.

	UNITED STATES	UNITED KINGDOM	SINGAPORE	NET ASSETS OF DISCONTINUED OPERATIONS	TOTAL
1999					
Revenues from unaffiliated customers	$124,259	$26,995	$3,076	$ --	$154,330
Total assets	126,118	29,334	2,266	--	157,718
1998					
Revenues from unaffiliated customers	$178,346	$45,256	$6,382	$ --	$229,984
Total assets	148,087	42,161	4,209	129,539	323,996
1997					
Revenues from unaffiliated customers	$ 77,094	$34,214	$2,617	$ --	$113,925
Total assets	111,464	32,311	2,428	145,930	292,133

19. VALUATION ALLOWANCES

Activity in the valuation accounts was as follows (in thousands):

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COST AND EXPENSES	DEDUCTIONS	TRANSLATION AND OTHER, NET	BALANCE AT END OF PERIOD
YEAR ENDED DECEMBER 31, 1999:					
Reserve for doubtful accounts receivable	$ 1,243	$ 836	$ (347)	$(73)	$ 1,659
Reserve for inventories	4,554	773	(729)	22	4,620
Provision for operating loss during phaseout period included in net assets of discontinued operations	12,977	--	(12,977)	--	--
Estimated loss on sale of discontinued operations	9,237	4,000	--	--	13,237
Reserve for severance	535	--	(483)	--	52
YEAR ENDED DECEMBER 31, 1998:					
Reserve for doubtful accounts receivable	$ 1,082	$ 1,124	$ (1,149)	$186	$ 1,243
Reserve for inventories	1,912	2,645	(334)	331	4,554
Provision for operating loss during phaseout period included in net assets of discontinued operations	--	12,977	--	--	12,977
Estimated loss on sale of discontinued operations	--	9,237	--	--	9,237
Reserve for severance	--	535	--	--	535
YEAR ENDED DECEMBER 31, 1997:					
Reserve for doubtful accounts receivable	$ 618	$ 517	$ (53)	$ --	$ 1,082
Reserve for inventories	1,837	75	--	--	1,912

20. SUBSEQUENT EVENTS

On July 21, 2000, the Company obtained a waiver from the holder of the Series A Cumulative Preferred Stock (see Note 9) whereby the holder waived its rights to an optional redemption provided for in the certificate of designations on September 15, 2000. The holder can request redemption at the earlier of April 30, 2001 or after the completion of a registered public offering. Dividends will increase from 7% to 12% effective as of September 15, 2000, as consideration for the holder executing the waiver.

On July 29, 2000 and July 31, 2000, the Company renegotiated terms with the holders of subordinated debt totaling $7.0 million and $7.0 million, respectively. Original maturities of the subordinated debt extending through February 2003 were accelerated to the earlier of April 30, 2001 or upon the occurrence of a registered public offering of capital stock, in exchange for the holders waiving their rights to scheduled maturities of principal and interest which were due prior to April 30, 2001. Interest will increase from 8% to prime plus 4% until the principal is paid in full.

On July 31, 2000, the Company authorized the amendment of the provisions of its Series A Convertible Cumulative Preferred Stock to permit the Company to redeem such stock at any time upon three days' notice at its stated liquidation value of $100 per share, plus accrued dividends, and to provide that the Company must redeem such stock upon the earlier of the date that is six months from the completion of a registered public offering of the Company's capital stock or the date of the Company's first annual shareholders' meeting after such completion.

On July 31, 2000, the Company authorized and approved the terms and conditions of the Combination Agreement between the Company, HWC Energy Services, Inc., Merger Sub-HWC, Inc., Sooner, Inc., Merger Sub-Sooner, Inc. and PTI Group Inc.

On July 31, 2000, the Company authorized the amendment of its Certificate of Incorporation to increase the total number of shares of capital stock it has the authority to issue to 225 million shares, consisting of 25 million shares of preferred stock, par value $0.0001 per share and 200 million shares of common stock, par value $0.01 per share, to cancel and retire its Class B Common Stock, none of which is currently outstanding, and to redesignate all of its Class A Common Stock as "Common Stock."

AUDITORS' REPORT

To the Shareholders and Directors of
PTI Group Inc.

We have audited the consolidated balance sheets of PTI Group Inc. as at December 31, 1999 and 1998 and the consolidated statements of earnings, shareholders' equity and cash flows for the years ended December 31, 1999, 1998 and the 358 day period ended December 31, 1997. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years ended December 31, 1999, 1998 and the 358 day period ended December 31, 1997 in accordance with United States generally accepted accounting principles.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

Edmonton, Alberta
July 7, 2000

PTI GROUP INC.

CONSOLIDATED STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT SHARE DATA)

	NINE-MONTH PERIOD ENDED SEPTEMBER 30,		PERIOD ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997
	(UNAUDITED)	(UNAUDITED)	(YEAR)	(YEAR)	(358 DAYS)
REVENUE					
Services	$68,291	$47,366	$63,328	$76,130	$70,191
Manufacturing	15,110	4,793	7,178	10,304	24,684
	83,401	52,159	70,506	86,434	94,875
EXPENSES					
Direct and operating costs					
Services	44,779	28,623	40,883	49,806	46,340
Manufacturing	11,802	3,617	5,277	8,224	18,554
Selling, general and administrative	4,865	3,193	4,023	8,114	6,176
Special charge	--	--	--	5,263	--
Depreciation	4,444	3,951	5,364	4,820	2,378
Amortization of goodwill	562	669	892	992	531
EARNINGS FROM OPERATIONS	16,949	12,106	14,067	9,215	20,896
Interest on long-term debt	1,600	1,836	2,350	2,092	1,605
Other interest	712	616	804	1,644	384
EARNINGS BEFORE INCOME TAXES	14,637	9,654	10,913	5,479	18,907
INCOME TAXES					
Current	5,634	3,483	3,937	4,366	6,558
Deferred	463	287	325	1,118	971
	6,097	3,770	4,262	5,484	7,529
NET EARNINGS (LOSS) FOR THE PERIOD	8,540	5,884	6,651	(5)	11,378
BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ 1.09	$ 0.75	$ 0.85	--	$ 1.48

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

PTI GROUP INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	SEPTEMBER 30, 2000	DECEMBER 31, 1999	DECEMBER 31, 1998
	(UNAUDITED)		
ASSETS			
CURRENT ASSETS			
Cash	$ 3,288	$ 656	$ 2,268
Trade accounts receivable -- less allowance of $649, $328 and $310	13,817	16,173	12,656
Inventories	4,975	4,388	4,457
Prepaid expenses	140	503	801
Income taxes receivable	--	445	80
	22,220	22,165	20,262
PROPERTY, PLANT AND EQUIPMENT	48,902	46,898	43,574
GOODWILL	27,801	28,035	25,525
	$98,923	$97,098	$89,361
LIABILITIES			
CURRENT LIABILITIES			
Bank indebtedness	$ 2,000	$ 7,573	$ 9,550
Trade accounts payable and accrued liabilities	5,600	3,871	7,153
Accrued compensation	1,342	2,390	2,388
Income taxes payable	4,547	--	--
Current portion of long-term debt	6,502	5,384	5,794
Deferred tax liabilities	198	333	326
	20,189	19,551	25,211
LONG-TERM DEBT	24,569	31,432	27,285
DEFERRED TAX LIABILITIES	9,343	9,096	8,268
	54,101	60,079	60,764
CONTINGENCIES			
SHAREHOLDERS' EQUITY			
COMMON SHARES			
Authorized			
Unlimited			
Issued and outstanding			
7,798,900 shares at September 30, 2000 (7,787,630 shares at December 31, 1999 and 1998)	22,102	21,789	21,789
RETAINED EARNINGS	24,938	16,398	9,747
ACCUMULATED OTHER COMPREHENSIVE LOSS	(2,218)	(1,168)	(2,939)
	44,822	37,019	28,597
	$98,923	$97,098	$89,361

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

PTI GROUP INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

	NUMBER OF SHARES OUTSTANDING	SHAREHOLDERS' EQUITY			
		COMMON SHARES	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
BALANCE -- JANUARY 8, 1997	7,500,000	$18,840	$ --	$ --	$18,840
Comprehensive income					
Net earnings -- 1997			11,378		11,378
Other comprehensive loss				(1,430)	(1,430)
Comprehensive income					9,948
Common shares issued for cash	200,000	737			737
BALANCE -- DECEMBER 31, 1997	7,700,000	19,577	11,378	(1,430)	29,525
Comprehensive loss					
Net loss-- 1998			(5)		(5)
Other comprehensive loss				(1,509)	(1,509)
Comprehensive loss					(1,514)
Common shares issued for business acquisition	218,000	1,964			1,964
Common shares issued for cash	130,000	903			903
Common shares repurchased for cash	(260,370)	(655)	(1,626)		(2,281)
BALANCE -- DECEMBER 31, 1998	7,787,630	21,789	9,747	(2,939)	28,597
Comprehensive income					
Net earnings -- 1999			6,651		6,651
Other comprehensive income				1,771	1,771
Comprehensive income					8,422
BALANCE -- DECEMBER 31, 1999	7,787,630	21,789	16,398	(1,168)	37,019
Comprehensive income (unaudited)					
Net earnings -- Nine months ended September 30, 2000			8,540		8,540
Other comprehensive loss				(1,050)	(1,050)
Comprehensive income					7,490
Common shares issued for cash	11,270	76			76
Compensatory stock options		600			600
Unearned compensation		(363)			(363)
BALANCE -- SEPTEMBER 30, 2000 (UNAUDITED)	7,798,900	$22,102	$24,938	$(2,218)	$44,822

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

PTI GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	NINE-MONTH PERIOD ENDED SEPTEMBER 30,		PERIOD ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997
	(UNAUDITED)	(UNAUDITED)	(YEAR)	(YEAR)	(358 DAYS)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net earnings (loss) for the period...	$ 8,540	$ 5,884	$ 6,651	$ (5)	$ 11,378
Items not affecting cash					
Depreciation......................	4,390	3,789	5,179	4,745	2,378
Amortization of goodwill..........	562	669	892	992	531
Deferred income taxes.............	463	287	325	1,118	971
Loss (gain) on sale of equipment.......................	54	162	185	75	--
Stock compensation................	237	--	--	--	--
Special charge....................	--	--	--	5,263	--
	14,246	10,791	13,232	12,188	15,258
Changes in operating assets and liabilities Trade accounts receivable........................	2,409	(141)	(3,984)	7,841	(4,006)
Inventories.......................	(542)	71	77	50	(248)
Prepaid expenses..................	380	37	334	76	(1,116)
Trade accounts payable and accrued compensation....................	29	(1,827)	(4,439)	(1,452)	391
Income taxes payable/receivable...	5,414	366	(410)	(1,063)	640
	21,936	9,297	4,810	17,640	10,919
INVESTING ACTIVITIES					
Purchase of property, plant and equipment.........................	(5,217)	(4,106)	(5,919)	(13,059)	(9,236)
Business acquisitions................	(3,500)	--	(1,148)	(9,692)	(7,487)
Proceeds from sale of equipment......	1,121	346	1,031	1,509	538
	(7,596)	(3,760)	(6,036)	(21,242)	(16,185)
FINANCING ACTIVITIES					
Bank indebtedness....................	(5,557)	(5,628)	(1,972)	1,633	7,156
Increase in long-term debt...........	8,125	7,012	9,412	7,826	--
Repayment of long-term debt..........	(14,251)	(7,364)	(7,864)	(2,862)	(1,891)
Issuance of common shares............	76	--	--	903	737
Repurchase of common shares..........	--	--	--	(2,281)	--
	(11,607)	(5,980)	(424)	5,219	6,002
EFFECT OF EXCHANGE RATE CHANGES ON CASH.................................	(101)	44	38	(48)	(37)
INCREASE (DECREASE) IN CASH...........	2,632	(399)	(1,612)	1,569	699
CASH -- BEGINNING OF PERIOD...........	656	2,268	2,268	699	--
CASH -- END OF PERIOD.................	$ 3,288	$ 1,869	$ 656	$ 2,268	$ 699

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

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

The Company was formed on January 8, 1997 as a result of the amalgamation of PTI Group Inc. and 712955 Alberta Ltd. ("Alberta"), a special purpose company formed to acquire PTI Group Inc. Alberta was capitalized with debt of $13,301,000 and share capital of $17,313,000. Alberta acquired 100% of the shares of PTI Group Inc. in a leveraged buyout transaction for cash consideration of $30,593,000 and the issuance of 2,814,000 common shares:

Net assets acquired, at assigned values (in thousands):	
Working capital	$ 7,777
Property, plant and equipment	22,954
Goodwill	21,957
Long-term debt	(16,438)
Deferred income taxes	(4,130)
	32,120
Issuance of 2,814,000 Alberta shares	(1,527)
	30,593
Bank indebtedness acquired as part of working capital	783
Net cash invested	$ 31,376

The acquisition was accounted for using the partial purchase method, under which new basis of accounting was utilized for 74.64% of net assets (representing the cash portion of the consideration) and predecessor basis of accounting was utilized for 25.36% of net assets.

After the amalgamation, Alberta changed its' name to PTI Group Inc. ("PTI"). These financial statements reflect the results of PTI from January 8, 1997.

The Company is a supplier of integrated housing, food, site management and logistics support services to remote sites utilized by natural resource and other industries primarily in Canada and the United States.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with United States generally accepted accounting principles. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. Significant estimates made by management include the estimated useful lives of property, plant, equipment and goodwill for purposes of depreciation and amortization. The consolidated financial statements have been prepared within the framework of the accounting policies summarized below.

a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly owned subsidiary companies ("the Company"). All significant intercompany transactions and balances have been eliminated.

b) Revenue recognition

Revenue from the sale of products is recognized upon delivery to the customer and revenue from the rental of products and delivery of services is recognized on performance.

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Revenue from manufacturing contracts in excess of three months is recognized by the percentage of completion method based on the percentage of total costs incurred to total expected costs. Provision for estimated losses, if any, is made in the period such losses are estimable.

c) Cash

The Company considers cash to be all highly liquid investments with a maturity of three months or less at the date of original issue.

d) Inventories

Inventories are valued at the lower of cost, determined on the first in, first out method and net realizable value.

e) Property, plant and equipment

Property, plant and equipment is recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings...	20 years
Rental equipment..	10 to 25 years
Vehicles -- transport......................................	10 years
Vehicles -- service..	3 to 5 years
Computer equipment...	3 years

Office and shop equipment are depreciated at 20% per annum using the diminishing balance method. Within rental equipment, installation costs related to open camps are depreciated over the terms of the related leases.

The recoverability of the carrying value of property, plant and equipment is assessed, at a minimum annually, or whenever, in management's judgment, events or changes in circumstances indicate that the carrying value of such assets may not be recoverable based on estimated future cash flows.

f) Goodwill

Goodwill is recorded at cost and amortized on a straight-line basis over 40 years. The recoverability of the carrying value of goodwill is assessed, at a minimum annually, or whenever, in management's judgement, events or changes in circumstances indicate that the carrying value may not be recoverable based on estimated future cash flows. Accumulated amortization was $2,977,000 (unaudited) at September 30, 2000 (December 31, 1999 -- $2,415,000; December 31, 1998 -- $1,523,000).

g) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes reflect the estimated income taxes payable for the current year. Deferred income tax assets and liabilities reflect temporary differences between the tax and accounting bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes, to the extent that they are likely to be realized.

h) Translation of foreign currencies

These financial statements have been prepared using the U.S. dollar as the reporting currency. The functional currency for the Canadian, United States and Chilean operations is the local currency. The United

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

States dollar is the functional currency of the Company's Cypriot operations. Accordingly, the financial statements of the non-United States functional currency operations have been translated using the current rate method. Under this method, assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Revenue and expenses are translated at weighted average rates throughout the year. Translation gains and losses are included in accumulated other comprehensive income (loss) and constitute the entire balance of this account. There is no resulting tax from these translation gains and losses.

For all operations, gains or losses from remeasuring foreign currency transactions into the functional currency are included in income.

i) Concentration of credit risk

The Company grants credit to some of its customers, which operate primarily in the oil and gas industry. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Allowances are maintained for potential credit losses; such credit losses have historically been within management's expectations.

j) Stock-based compensation

Compensation expense relating to stock options issued to employees and directors is measured using the intrinsic value method of accounting. Pro-forma disclosures using the fair value method are provided in note 9.

k) Interim financial data

The interim financial data as of September 30, 2000 and for the nine months ended September 30, 2000 and September 30, 1999 is unaudited. However, in the opinion of the Company, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods.

3. INVENTORIES

Inventories consist of (in thousands):

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999	DECEMBER 31, 1998
Food and consumable supplies	$2,215	$2,512	$2,650
Accommodation construction materials and spare parts	2,137	1,102	1,032
Rental repair parts and shop supplies	623	774	775
	$4,975	$4,388	$4,457

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of (in thousands):

	SEPTEMBER 30, 2000		
	COST	ACCUMULATED DEPRECIATION	NET
		(UNAUDITED)	
Land	$ 1,104	$ --	$ 1,104
Buildings	3,285	565	2,720
Rental equipment	54,321	12,945	41,376
Vehicles	2,267	1,098	1,169
Office, shop and computer equipment	3,739	1,206	2,533
	$64,716	$15,814	$48,902

	DECEMBER 31, 1999		
	COST	ACCUMULATED DEPRECIATION	NET
Land	$ 1,152	$ --	$ 1,152
Buildings	3,417	357	3,060
Rental equipment	49,269	9,843	39,426
Vehicles	2,375	910	1,465
Office, shop and computer equipment	2,837	1,042	1,795
	$59,050	$12,152	$46,898

	DECEMBER 31, 1998		
	COST	ACCUMULATED DEPRECIATION	NET
Land	$ 933	$ --	$ 933
Buildings	2,601	214	2,387
Rental equipment	40,823	5,083	35,740
Rental equipment under capital lease	1,705	265	1,440
Vehicles	2,287	509	1,778
Office, shop and computer equipment	1,898	602	1,296
	$50,247	$6,673	$43,574

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. BANK INDEBTEDNESS

On July 5, 2000, the Company signed an Amended and Restated Credit Agreement ("Amended Agreement") that includes a revolving operating credit facility with Canadian banks. A portion of the facility is designated as the overdraft facility and the remainder of the facility is restricted by a margin limit based on the level of trade accounts receivable and inventory. This facility is available to the Company through direct advances, subject to the limits, and at the interest rates as described:

	SEPTEMBER 30, 2000		DECEMBER 31, 1999		DECEMBER 31, 1998	
	US DOLLARS	CDN DOLLARS	US DOLLARS	CDN DOLLARS	US DOLLARS	CDN DOLLARS
	(UNAUDITED)					
			(TABLE IN THOUSANDS)			
Operating credit facility						
Maximum facility	9,954	15,000	17,313	25,000	16,260	25,000
Maximum available after margining	9,705	14,626	11,670	16,851	9,688	14,896
Amount drawn	--	--	7,373	10,647	2,935	4,513
Amount available	9,705	14,626	4,297	6,204	6,753	10,383
Applicable interest rates						
Canadian prime based rate	7.50%+(0.00%-0.50%)		6.50%		6.80%	
Bankers' acceptances based rate	5.80%+(1.00%-1.50%)		5.20%+1.00%		5.10%+1.00%	
Libor advance rate	n/a		5.80%+1.00%		5.10%+1.00%	

Included in bank indebtedness at December 31, 1999 was $200,000 outstanding under a $1,000,000 revolving credit facility with a US bank. This facility was available through direct advances with applicable U.S. interest rates being either prime based (8.50%+/-.25%) or Libor based (5.80%+2.25% to 3.25%). On August 16, 2000, this facility was replaced by a new Credit Agreement ("Credit Agreement"), which includes a $2,000,000 revolving line of credit facility and a $2,000,000 non-revolving line of credit facility. The Credit Agreement is with the same bank with applicable U.S. interest rates being prime based (at September 30, 2000, 9.50%+/-0.25%) or Libor based (at September 30, 2000, 6.80%+1.75% to 2.50%). At September 30, 2000, $2,000,000 was drawn under the revolving line of credit facility.

In 1998, an operating facility was in place with a bank in Chile for an amount up to the Chilean peso equivalent of $8,000,000. The facility was supported by an $8,000,000 standby letter of credit issued by the company's Canadian bank to the Chilean lender. Interest accrued at 2% above the daily average funding cost of the Chilean banking market (approximately 25% at December 31, 1998). At December 31, 1998, drawings of $6,615,000 were outstanding. This facility was fully paid off in 1999.

6. LONG-TERM DEBT

Long-term debt consists of (in thousands):

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999	DECEMBER 31, 1998
Term revolving facility bank loan			
Canadian dollar denominated (Cdn$32.2 million at September 30, 2000, Cdn$43.6 million at December 31, 1999, Cdn$21.0 million at December 31, 1998)	$21,394	$30,188	$13,655
United States dollar denominated	--	1,654	6,007
Acquisition facility bank loan	--	--	6,504
Mortgages	--	972	1,246
Notes payable			
Canadian dollar denominated (Cdn$0.3 million at September 30, 2000 and December 31, 1999, Cdn$nil at December 31, 1998)	179	208	--
United States dollar denominated	2,431	2,332	3,500
Term loan	6,300	1,005	--
Obligations under capital leases	767	457	2,167
	31,071	36,816	33,079
Less: Current portion	6,502	5,384	5,794
	$24,569	$31,432	$27,285

Under the Amended Agreement, the scheduled loan repayments on the term revolving facility bank loan consist of quarterly installments of $866,000 (Cdn$1,250,000), with the first payment due on August 31, 2000. The current portion as of September 30, 2000 and December 31, 1999 has been recorded based on the terms of the Amended Agreement. The Company can apply surplus cash to the outstanding loan balance at any time. The unused portion of this facility was approximately $2,785,000 (Cdn$4,021,000) at December 31, 1999 and $663,000 (Cdn$1,020,000) at December 31, 1998.

Amounts drawn against the term revolving facility are available through direct advances and bankers' acceptances. The interest rate depends on the ratio of the company's total debt to its earnings before interest, taxes, depreciation and amortization for the preceding 12 months and ranges from the Canadian prime rate (6.50% at December 31, 1999, 6.75% at December 31, 1998) plus .50% to 1.00% for direct advances, and market rate (5.20% at December 31, 1999, 5.10% at December 31, 1998) plus stamping fees of 1.50% to 2.00% for bankers' acceptances.

The Company fixed the interest rate at approximately 6.80% at December 31, 1999 (7.70% at December 31, 1998) on a portion of the term revolving facility bank loan utilizing an interest rate swap arrangement. The arrangement, for a notional amount of $1,731,000 at December 31, 1999 ($3,463,000 at December 31, 1998), reduced to $nil on March 31, 2000. The fair value of this arrangement approximates the carrying value.

Collateral provided against the term revolving facility is a general security agreement, a fixed and floating charge debenture of $138,504,000 (Cdn$200,000,000) on the assets of the Company excluding existing priority charges described below, pledge of all shares directly held in the capital stock of subsidiaries, joint and

several guarantees from subsidiaries, assignment of accounts receivable, postponement of claim by the shareholders and assignment of insurance proceeds.

The acquisition facility bank loan was a revolving term facility, which was fully drawn at December 31, 1998. In 1999, this facility was combined with the term revolving facility bank loan.

Mortgages bore interest at approximately 7.50%, had annual payments of $160,000 and collateral was provided by related land and buildings, which had a net book value of $1,889,000 at December 31, 1999 and $1,839,000 at December 31, 1998.

In connection with the acquisition of Norwel Developments Limited (note 10), the Company issued a promissory note in the amount of $202,000 (Cdn$300,000), repayable in ten equal semi-annual payments of $20,200 (Cdn$30,000) commencing May 7, 2000. This note bears interest at a floating rate of Canadian prime plus 1.00% and the Company has not provided collateral.

In connection with the acquisition of General Marine Leasing, Inc.(note 10), the Company issued a promissory note in the amount of $3,500,000, repayable in three equal annual installments commencing June 16, 1999. At December 31, 1999, the balance outstanding was $2,332,000. This note bears interest at 7.00% and the Company has not provided collateral.

In connection with the acquisition of International Quarters, L.L.C. (note 10), the Company issued a promissory note in the amount of $1,000,000, repayable in two equal annual payments of $500,000 commencing February 8, 2001. This note bears interest at 7.50% and the company has not provided collateral.

In connection with the purchase of rental equipment, the Company issued a promissory note in the amount of $386,000, repayable monthly over three years commencing February 15, 2000. This note bears interest at 8.14% and the Company has not provided collateral.

On August 16, 2000, under the Credit Agreement, a term loan was replaced by a $6,500,000 term loan facility. The scheduled loan repayments consist of monthly installments of $100,000, from September 1, 2000 through February 1, 2005, at which time the remaining balance is due. This loan bears interest at United States prime (at September 30, 2000, 9.50% +/-0.25%) or Libor (at September 30, 2000, 6.80% + 1.75% to 2.50%). Collateral provided is a first charge on certain assets in the United States.

The previous term loan bore interest at 7.50%, and was repayable monthly over three years, commencing June 1999, with annual payments of $333,000. Collateral provided was a first charge on specified assets in the United States, up to the amount of the loan.

Obligations under capital leases bear interest at 8.60%, have annual payments of $125,000 and collateral provided is the related equipment, which has a net book value approximating the obligation.

Scheduled principal repayments of long-term debt are (in thousands):

2000	$ 5,384
2001	5,197
2002	3,850
2003	3,716
2004	3,670
Thereafter	14,999
	$36,816

Minimum future lease obligations for capitalized leases, included in long-term debt are (in thousands):

2000	$ 125
2001	125
2002	125
2003	125
2004	67
Total minimum lease payments	$ 567
Less amount representing interest	(110)
Present value of net minimum lease payments	$ 457

7. INCOME TAXES

The domestic and foreign components of earnings before income taxes consist of (in thousands):

	NINE MONTH PERIOD ENDED SEPTEMBER 30,		DECEMBER 31,		
	2000	1999	1999	1998	1997
	(UNAUDITED)	(UNAUDITED)	(YEAR)	(YEAR)	(358 DAYS)
Domestic	$11,936	$5,697	$ 4,861	$11,565	$18,051
Foreign	2,701	3,957	6,052	(6,086)	856
	$14,637	$9,654	$10,913	$ 5,479	$18,907

The components of the provision for income taxes consist of (in thousands):

	NINE MONTH PERIOD ENDED SEPTEMBER 30,		DECEMBER 31,		
	2000	1999	1999	1998	1997
	(UNAUDITED)	(UNAUDITED)	(YEAR)	(YEAR)	(358 DAYS)
Current					
Domestic	$4,870	$1,816	$2,053	$3,553	$6,558
Foreign	764	1,667	1,884	813	--
	5,634	3,483	3,937	4,366	6,558
Deferred					
Domestic	460	496	561	1,268	971
Foreign	3	(209)	(236)	(150)	--
	463	287	325	1,118	971
	$6,097	$3,770	$4,262	$5,484	$7,529

Significant components of deferred tax assets and liabilities are as follows (in thousands):

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999	DECEMBER 31, 1998
Deferred tax assets			
Property, plant and equipment	$ 920	$ 960	$ 901
Loss carryforwards	430	448	354
Valuation allowance	(1,350)	(1,408)	(1,255)
	--	--	--
Deferred tax liabilities			
Inventories	198	333	326
Property, plant and equipment	9,343	9,096	8,268
	9,541	9,429	8,594
Net deferred tax liability	$ 9,541	$ 9,429	$ 8,594

Deferred tax assets relating to property, plant and equipment and loss carryforwards relate to the Company's Chilean operation. Since they can only be realized against income earned in Chile, a valuation allowance has been provided. The operating loss carryforwards of approximately $2,989,000 are available to reduce future years' taxable income, with no expiration date.

The difference between the effective tax rate reflected in the provision for income taxes and the applicable statutory rate is as follows:

	NINE MONTH PERIOD ENDED SEPTEMBER 30,		DECEMBER 31,		
	2000 % (UNAUDITED)	1999 % (UNAUDITED)	1999 % (YEAR)	1998 % (YEAR)	1997 % (358 DAYS)
Combined Canadian federal and provincial income tax rate	44.6	44.6	44.6	44.6	44.6
Manufacturing and processing profits deduction	(3.3)	(2.7)	(2.7)	(16.1)	(5.3)
Non-deductible amortization	2.8	3.1	3.1	7.9	2.5
Foreign losses not recognized	--	--	0.3	71.7	--
Reduced foreign tax rates	(2.4)	(5.9)	(6.2)	(8.0)	(2.0)
Effective income tax rate	41.7	39.1	39.1	100.1	39.8

Undistributed earnings of the Company's United States subsidiaries amounted to $3,088,000 and $271,000 at December 31, 1999 and December 31, 1998, respectively. Those earnings are considered to be permanently reinvested and, accordingly, no provision for income taxes has been made. Distribution of these earnings in the form of dividends or otherwise may result in both Canadian federal taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable in the United States.

8. SHARE CAPITAL

The Company has authorized an unlimited number of common shares with no par value.

The following table sets forth the weighted average basic and diluted shares outstanding for purposes of the earnings per share calculations:

	NINE MONTH PERIOD ENDED SEPTEMBER 30,		DECEMBER 31,		
	2000	1999	1999	1998	1997
	(UNAUDITED)	(UNAUDITED)	(YEAR)	(YEAR)	(358 DAYS)
Denominator for basic earnings per share -- weighted average shares....	7,791,511	7,787,630	7,787,630	7,828,110	7,676,923
Effect of dilutive securities stock options............................	13,098	12,379	12,423	16,103	2,132
Denominator for diluted earnings per share...............................	7,804,609	7,800,009	7,800,053	7,844,213	7,679,055

9. STOCK OPTIONS

At December 31, 1999 the Company has options outstanding to employees and directors as follows:

TOTAL OUTSTANDING #	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	EXERCISABLE AS OF DECEMBER 31, 1999 #	WEIGHTED AVERAGE EXERCISE PRICE OF EXERCISABLE OPTIONS
			(IN YEARS)		
60,000	$3.46 - $6.93	$4.96	3.48	28,000	$3.46

In March 2000, the Company granted additional options which expire August 31, 2005 as follows (unaudited):

TOTAL OUTSTANDING #	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE AT SEPTEMBER 30, 2000
			(IN YEARS)
70,000	$6.88 - $13.76	$10.56	4.92

The following table summarizes option activity:

	NUMBER OF OPTIONS #	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Balance -- January 8, 1997.................................	--	
Options granted..	28,000	$3.46
Balance -- December 31, 1997...............................	28,000	3.46
Balance -- December 31, 1998...............................	28,000	3.46
Options granted..	32,000	6.28
Balance -- December 31, 1999...............................	60,000	4.96
Options granted..	70,000	10.56
Balance -- September 30, 2000 (unaudited)..................	130,000	$8.02

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Using the intrinsic value method of accounting, no compensation expense results from the granting of options to December 31, 1999. During the nine months ended September 30, 2000, options were granted at an exercise price below estimated fair market value at the date of the grant. These options result in compensation expense of $600,000 which is being amortized over 5 years.

The per share weighted-average fair value of stock options granted during 1999 and 1997 was $7.22 and $3.92 on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: 1999 -- risk-free interest rate of 4.60%, expected life of 5 years and expected volatility of 0.00%; 1997 -- risk-free interest rate of 5.00%, expected life of 5 years and expected volatility of 0.00%.

Had the Company determined compensation cost based on the fair value at the date of grant for its stock options under SFAS 123, net earnings (loss) would have been $6,634,000 (basic EPS $0.86), $(9,000) (basic EPS $0.00), and $11,374,000 (basic EPS $1.46) for the periods ended 1999, 1998 and 1997, respectively. These pro forma earnings reflect compensation cost amortized over the options' vesting period and may not be indicative of the effects in future years.

10. BUSINESS ACQUISITIONS

On September 1, 1997, the Company formed a subsidiary company in Chile ("PTI Chile") to acquire all assets and operations of a Chilean company.

On June 16, 1998, the Company acquired all outstanding shares of General Marine Leasing, Inc.

On July 24, 1998, the Company acquired all outstanding shares of 465750 B.C. Ltd.

On November 7, 1999, the Company acquired all outstanding shares of Norwel Developments Limited.

These acquisitions were accounted for using the purchase method, with the results of operations included in the consolidated financial statements from the effective dates of purchase. Details of the acquisitions are as follows (in thousands):

	PTI CHILE	GENERAL MARINE LEASING, INC.	465750 B.C. LTD.	NORWEL DEVELOPMENTS LIMITED
Net assets acquired, at assigned values:				
Working capital	$ --	$ 1,301	$ 260	$ --
Property, plant and equipment	7,487	8,646	1,252	932
Goodwill	--	8,189	--	718
Long-term debt	--	(295)	--	--
Deferred income taxes	--	(3,153)	--	(305)
	7,487	14,688	1,512	1,345
Non-cash consideration				
Note payable to vendor	--	(3,500)	--	(202)
Shares of PTI	--	(1,964)	--	--
Accounts payable	--	(750)	--	--
Cash consideration	7,487	8,474	1,512	1,143
Less: Cash acquired	--	239	55	(5)
Net cash invested	$7,487	$ 8,235	$1,457	$1,148

In 1999, contingent consideration of $750,000, based on the achievement of specified earnings levels, was recorded in full satisfaction of the acquisition of General Marine Leasing, Inc. This additional consideration was assigned to goodwill.

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table presents unaudited selected financial information for the Company and the above acquired companies on a pro forma basis, assuming the companies had been combined at the beginning of the year prior to the year of acquisition:

	DECEMBER 31,		
	1999	1998	1997
Revenue (in thousands)	$71,629	$91,443	$104,037
Net earnings (in thousands)	6,576	753	13,073
Basic earnings per share	0.84	0.09	1.79

On February 28, 2000, the Company acquired substantially all the operating assets and business of International Quarters L.L.C. for cash consideration of $3.5 million and a note payable of $1.0 million. The acquisition has been accounted for as a purchase resulting in assigned amounts of $3.2 million for property, plant and equipment and goodwill of $1.3 million. The transaction does not have a material effect on the Company's results of operations.

11. SPECIAL CHARGE

In the third quarter of 1998, the Company recorded an asset impairment provision of $5,263,000, with respect to its Chilean assets. The Chilean assets consisted primarily of temporary living accommodations on short term rental to various mining contractors in Chile. As a result of depressed copper prices, the majority of the projects were either delayed or cancelled by September 1998, and no other significant markets were available for these units. The fair value of the units was reassessed based on significantly reduced future cash flows, resulting in the write-down.

12. BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

The Company's operations consist of four segments: PTI Services, Travco, GML and Chile. The PTI Services segment provides logistics and support services to work crews in remote areas. These services include the transport and maintenance of modular mobile structures ("camps"), and the delivery and preparation of food and living services, collectively referred to as camp catering services. Travco manufactures camps for sale and for use by the PTI Services segment. GML provides camp catering services, including the manufacture of camps, with its operations conducted in the United States. The Chile segment provides camp rental, maintenance and logistics services to customers within Chile and neighbouring countries.

Intersegment sales and services are accounted for at commercial prices and are eliminated on consolidation. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies of the Company. The Company evaluates performance of each reportable segment based upon its operating earnings before depreciation and amortization.

No single customer accounted for 10% or more of consolidated revenues during any of the periods presented.

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Summarized financial information is as follows (in thousands):

Business Segments:

	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2000 (UNAUDITED)				
	PTI SERVICES	TRAVCO	GML	CHILE	TOTAL
	(IN THOUSANDS)				
Revenue	$60,483	$19,789	$ 9,264	$ --	$89,536
Intersegment eliminations	--	6,135	--	--	6,135
Revenue from external customers	$60,483	$13,654	$ 9,264	$ --	$83,401
Operating earnings before depreciation and amortization	16,334	2,300	3,321	--	21,955
Depreciation and amortization					5,006
Operating earnings					16,949
Capital expenditures	2,904	53	2,260	--	5,217
Identifiable assets	61,993	6,798	28,931	1,201	98,923

	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 1999 (UNAUDITED)				
	PTI SERVICES	TRAVCO	GML	CHILE	TOTAL
	(IN THOUSANDS)				
Revenue	$39,861	$5,182	$ 8,086	$ 234	$53,363
Intersegment eliminations	--	1,204	--	--	1,204
Revenue from external customers	$39,861	$3,978	$ 8,086	$ 234	$52,159
Operating earnings (loss) before depreciation and amortization	12,133	279	4,426	(112)	16,726
Depreciation and amortization					4,620
Operating earnings					12,106
Capital expenditures	1,382	--	2,724	--	4,106
Identifiable assets	67,879	4,005	17,441	2,040	91,365

	YEAR ENDED DECEMBER 31, 1999				
	PTI SERVICES	TRAVCO	GML	CHILE	TOTAL
Revenue	$53,614	$8,515	$10,859	$ 237	$73,225
Intersegment eliminations	--	2,719	--	--	2,719
Revenue from external customers	$53,614	$5,796	$10,859	$ 237	$70,506
Operating earnings (loss) before depreciation and amortization	14,040	578	5,879	(174)	20,323
Depreciation and amortization					6,256
Operating earnings					14,067
Capital expenditures	2,785	24	3,110	--	5,919
Identifiable assets	73,884	4,176	17,828	1,210	97,098

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	YEAR ENDED DECEMBER 31, 1998				
	PTI SERVICES	TRAVCO	GML	CHILE	TOTAL
Revenue	$67,652	$12,258	$ 6,060	$ 3,807	$89,777
Intersegment eliminations	--	3,343	--	--	3,343
Revenue from external customers	$67,652	$ 8,915	$ 6,060	$ 3,807	$86,434
Operating earnings (loss) before depreciation, amortization and special charge	18,612	695	2,409	(1,426)	20,290
Depreciation and amortization					5,812
Special charge				5,263	5,263
Operating earnings					9,215
Capital expenditures	10,418	127	1,318	1,196	13,059
Identifiable assets	66,337	3,108	16,245	3,671	89,361

	358 DAY PERIOD ENDED DECEMBER 31, 1997				
	PTI SERVICES	TRAVCO	GML	CHILE	TOTAL
Revenue	$67,503	$30,909	$ --	$3,506	$101,918
Intersegment eliminations	--	7,043	--	--	7,043
Revenue from external customers	$67,503	$23,866	$ --	$3,506	$ 94,875
Operating earnings before depreciation and amortization	18,161	4,817	--	827	23,805
Depreciation and amortization					2,909
Operating earnings					20,896
Capital expenditures	8,796	440	--	--	9,236
Identifiable assets	66,695	4,137	--	9,434	80,266

Geographic Areas:

	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2000 (UNAUDITED)				
	UNITED STATES	CANADA	OTHER	ELIMINATIONS	TOTAL
	(IN THOUSANDS)				
Revenues from:					
Unaffiliated customers	$10,111	$70,586	$2,704	$ --	$83,401
Inter area sales	--	609	--	(609)	--
Total revenue	$10,111	$71,195	$2,704	$(609)	$83,401
Long-lived assets	23,442	52,066	1,195	--	76,703

	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 1999 (UNAUDITED)				
	UNITED STATES	CANADA	OTHER	ELIMINATIONS	TOTAL
	(IN THOUSANDS)				
Revenues from:					
Unaffiliated customers	$ 8,445	$41,129	$2,585	$ --	$52,159
Inter area sales	--	692	--	(692)	--
Total revenue	$ 8,445	$41,821	$2,585	$(692)	$52,159
Long-lived assets	17,409	51,594	1,456	--	70,459

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	YEAR ENDED DECEMBER 31, 1999				
	UNITED STATES	CANADA	OTHER	ELIMINATIONS	TOTAL
Revenues from:					
Unaffiliated customers	$11,417	$55,333	$3,756	$ --	$70,506
Inter area sales	--	888	--	(888)	--
Total revenue	$11,417	$56,221	$3,756	$(888)	$70,506
Long-lived assets	17,277	56,408	1,248	--	74,933

	YEAR ENDED DECEMBER 31, 1998				
	UNITED STATES	CANADA	OTHER	ELIMINATIONS	TOTAL
Revenues from:					
Unaffiliated customers	$ 7,027	$72,186	$7,221	$ --	$86,434
Inter area sales	--	1,334	--	(1,334)	--
Total revenue	$ 7,027	$73,520	$7,221	$(1,334)	$86,434
Long-lived assets	14,567	52,760	1,772	--	69,099

	358 DAY PERIOD ENDED DECEMBER 31, 1997				
	UNITED STATES	CANADA	OTHER	ELIMINATIONS	TOTAL
Revenues from:					
Unaffiliated customers	$ 112	$87,521	$7,242	$ --	$94,875
Inter area sales	--	2,492	--	(2,492)	--
Total revenue	$ 112	$90,013	$7,242	$(2,492)	$94,875
Long-lived assets	--	49,294	6,680	--	55,974

13. STATEMENTS OF CASH FLOWS

The following information supplements the Consolidated Statements of Cash Flows (in thousands):

	NINE-MONTH PERIOD ENDED SEPTEMBER 30,		DECEMBER 31,		
	2000	1999	1999	1998	1997
	(UNAUDITED)	(UNAUDITED)	(YEAR)	(YEAR)	(358 DAYS)
Cash paid during the period for:					
Interest	$2,227	$2,198	$2,504	$1,950	$1,605
Income taxes	871	3,653	4,286	5,253	6,027

14. FINANCIAL INSTRUMENTS

Financial instruments include cash, trade accounts receivable, income taxes receivable, current liabilities other than deferred tax liabilities and long-term debt.

The carrying value of the above noted current items approximate their fair value due to their short-term maturity. The carrying value of long-term debt approximates its fair value as it primarily bears interest at floating or short-term fixed rates.

Trade accounts receivable include balances from a large number of customers. The company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding, and views the credit risks on these amounts as normal for the industry.

PTI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company is exposed to foreign currency fluctuations in relation to its foreign operations and also has trade accounts receivable and long-term debt denominated in foreign currencies; however, the Company does not believe these exposures are material to its overall operations. The Company has entered into forward exchange contracts to minimize its exposure to fluctuations in foreign exchange rates on trade accounts receivable. Gains and losses on forward exchange contracts are included in earnings on settlement. There are no contracts outstanding at December 31, 1999 and 1998.

The Company utilizes financial instruments to reduce its exposure to fluctuations in interest rates. Gains and losses on interest rate swaps (note 6) are taken to income throughout the period of the arrangements. As at December 31, 1999, 81% of the Company's total long-term debt was in floating rate or short-term fixed borrowings, meaning an assumed 1% change in market interest rates would affect interest expense by approximately $298,000 on an annualized basis.

15. CONTINGENCIES

The Company is involved in various claims and pending or threatened legal actions involving a variety of matters. The total liability on these matters at December 31, 1999 cannot be determined; however, in the opinion of management, any ultimate liability, to the extent not otherwise provided for, should not materially affect the financial position, liquidity or results of operations of the company.

16. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, subsequently amended by FAS 138. The Company expects to adopt the new Statement effective January 1, 2001. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. The Company has not completed its evaluation but currently does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin no. 101 (as amended), relating to revenue recognition. The Company has not determined the potential impact of this pronouncement on its results of operations.

17. SUBSEQUENT EVENT

The Company has entered into a combination agreement with Oil States International, Inc., HWC Energy Services Inc. and Sooner Inc. to combine the four companies. The terms of the agreement provide for the exchange of 100% of the PTI common shares for cash, Oil States International, Inc. common shares or PTI exchangeable shares, which can be converted into Oil States International, Inc. common shares. The merger has been approved by the board of directors of PTI and is subject to various conditions, including approvals by the shareholders of all companies and regulatory approvals in both the United States and Canada.

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEET
(IN THOUSANDS, EXCEPT SHARE DATA)

	SEPTEMBER 30, 2000 (UNAUDITED)
CURRENT ASSETS:	
Cash and cash equivalents	$ 756
Accounts receivable, net of allowance for doubtful accounts of $185	14,841
Prepaid expenses and other current assets	1,978
Total current assets	17,575
PROPERTY AND EQUIPMENT, net	52,025
GOODWILL, net	32,704
OTHER LONG-TERM ASSETS	565
Total assets	$102,869
CURRENT LIABILITIES:	
Current maturities of long-term debt	$ 7,533
Accounts payable and accrued expenses	6,411
Income taxes payable	73
Additional purchase price consideration due for prior acquisition	2,120
Other current liabilities	970
Total current liabilities	17,107
BANK DEBT	22,525
NOTES PAYABLE TO FORMER OWNERS	7,979
CONVERTIBLE NOTES PAYABLE	500
DEFERRED TAX LIABILITY	10,893
OTHER LIABILITIES	207
Total liabilities	59,211
COMMITMENTS AND CONTINGENCIES:	
REDEEMABLE PREFERRED STOCK:	
Par value $.01, 5,800 shares authorized, 4,862 issued and outstanding at September 30, 2000; $5,143 aggregate liquidation preference at September 30, 2000	5,143
STOCKHOLDERS' EQUITY:	
Common stock, $.01 per share par value, 1,000,000 shares authorized, 33,568 shares issued and outstanding as of September 30, 2000	--
Additional paid-in capital	38,051
Currency translation adjustment	45
Retained earnings	419
Total stockholders' equity	38,515
Total liabilities and stockholders' equity	$102,869

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

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
	(UNAUDITED)	(UNAUDITED)
REVENUES	$56,391	$29,080
COST OF SERVICES:		
Operating costs	34,251	18,285
Depreciation and amortization	5,735	4,801
Gross profit	16,405	5,994
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9,728	6,614
Income (loss) from operations	6,677	(620)
OTHER:		
Equity in net income of affiliate	52	31
Interest income	136	25
Interest expense	(2,563)	(1,832)
Other income (expense)	(12)	(52)
INCOME (LOSS) BEFORE INCOME TAXES	4,290	(2,448)
PROVISION (BENEFIT) FOR INCOME TAXES	1,770	(519)
NET INCOME (LOSS) BEFORE PREFERRED DIVIDENDS	2,520	(1,929)
PREFERRED STOCK DIVIDENDS	(246)	(106)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 2,274	$(2,035)
NET INCOME (LOSS) PER SHARE:		
Basic	$ 67.87	$(60.78)
Diluted	$ 55.82	$(60.78)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	33,504	33,484
Diluted	45,144	33,484

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

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 54,935	$ 28,510
Cash paid to suppliers and employees	(44,590)	(26,908)
Cash paid for interest	(2,622)	(1,912)
Cash paid for income taxes	(2,153)	(904)
Other	137	(5)
Net cash provided by (used in) operating activities	5,707	(1,219)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(4,337)	(1,810)
Cash used in acquisitions, net of cash acquired	--	(2,337)
Other	237	176
Net cash used in investing activities	(4,100)	(3,971)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in debt	3,509	7,452
Repayment of debt	(5,335)	(5,072)
Issuance of preferred stock	--	2,145
Other	(48)	--
Net cash provided by (used in) financing activities	(1,874)	4,525
NET CHANGE IN CASH AND CASH EQUIVALENTS:	(267)	(665)
CASH AND CASH EQUIVALENTS, beginning of period	1,023	1,142
CASH AND CASH EQUIVALENTS, end of period	$ 756	$ 477
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income (loss)	$ 2,520	$ (1,929)
Depreciation and amortization	5,735	4,801
Equity in earnings of affiliates	(52)	(31)
Other	77	(719)
Deferred taxes	(509)	(218)
Change in current assets and liabilities-		
Increase (decrease) in accounts receivable	(1,457)	(570)
Increase in prepaid expenses and other current assets	(341)	370
Increase (decrease) in accounts payable and accrued expenses	(403)	(1,126)
Increase (decrease) in income taxes payable	126	(704)
Increase (decrease) in other current liabilities	11	(1,093)
Net cash provided by (used in) operating activities	$ 5,707	$ (1,219)
NONCASH TRANSACTIONS:		
Issuance of debt for assets	--	$ 820
Stock dividend issued on redeemable preferred stock	$ 163	106
Accrual of additional purchase price consideration due for prior acquisition	2,120	--

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

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of the Company and its wholly-owned subsidiaries have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. 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 consolidated financial statements included in this report reflect all the adjustments, consisting of normal recurring accruals, 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 the Company's 1999 audited consolidated financial statements and accompanying notes included elsewhere herein.

2. ACQUISITIONS

On March 31, 1999, the Company completed the acquisition of all of the outstanding stock of C&H Rental Tools, Inc., and C&H Specialty Company, Inc. (collectively, C&H). The Company paid cash of approximately $2.4 million and $820,000 in subordinated promissory notes. C&H provides rental equipment for drilling and workover operations in Louisiana and offshore in the Gulf of Mexico. In addition, the C&H purchase agreement provides for the payment of contingent consideration based on the earnings of the acquired business during the period from January 1, 1999, through December 31, 2000. Payment on the contingent consideration is due by March 31, 2001. Any contingent consideration will be based on an agreed-upon percentage of earnings above targeted levels and could total a maximum of $2,120,000. The contingent consideration is not included in the acquisition cost total above but will be recorded when future earnings requirements are met. In the second quarter of 2000, the earnings of the acquired business met specified targets and the Company recorded additional consideration and a liability to the former C&H owners of $2,120,000.

Effective on November 30, 1999, the Company completed the acquisition of 12 snubbing units and related equipment from two unrelated vendors for total consideration of $3.7 million cash and subordinated notes held by one of the vendors in the amount of $4.5 million. The snubbing units are similar to those currently operated by the Company and were located in Europe, Africa, the Middle East and Canada when acquired. The purchase agreement contained a preestablished rate which would be charged to the buyers upon future leasing of the equipment and such amounts paid by the buyers will be applied as payment of the debt obligations.

3. PROPERTY AND EQUIPMENT

The Company's property and equipment consists of the following at September 30, 2000 (unaudited) (in thousands):

	ESTIMATED LIVES (IN YEARS)	
Land		$ 684
Rental tools	5-7	24,682
Equipment	5-13	33,471
Buildings and improvements	25	4,073
Vehicles	3-5	1,591
Furniture, fixtures and equipment	5	1,199
		65,700
Less- Accumulated depreciation		13,675
Property and equipment, net		$52,025

4. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position.

Insurance

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and debt. The carrying value of those instruments reported in the balance sheet are considered to estimate their respective fair values based on comparisons to market rates having the same or similar maturities and collateral requirements offered to the Company. Management believes the carrying amounts of these accounts approximate fair value as of September 30, 2000.

6. RISK CONCENTRATION

The Company has material receivables, denominated in U.S. dollars, from various Venezuelan customers. The Company's policy is to manage its exposure to credit risk through credit approvals and limits. Historically, write-offs for doubtful accounts have been insignificant.

7. INDUSTRY SEGMENT INFORMATION

The Company has three operating business segments: the hydraulic well control segment, the specialty rental tool segment, and the oil and gas well drilling segment. The hydraulic well control segment provides hydraulic workover (snubbing) units and crews for emergency well control situations and in selected markets, various hydraulic well control solutions involving well drilling and workover and completion activities. The specialty rental tool segment provides rental equipment for drilling and workover operations. The oil and gas well drilling segment includes the operation of 12 shallow well land drilling rigs with

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

automated pipe handling. The Company's nonoperating segment consists of corporate activities and minority investment in an unconsolidated subsidiary. The segments of the Company are based on the groupings of similar businesses acquired since the inception of the Company in 1997.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the Company's audited financials appearing elsewhere herein. There are no intersegment sales. Information about the Company's segments are as follows:

STATEMENT OF OPERATIONS INFORMATION

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
	(IN THOUSANDS)	
Revenues --		
Hydraulic well control	$22,696	$11,891
Specialty rental tools	19,837	11,604
Oil and gas well drilling	13,858	5,585
	$56,391	$29,080
Income (loss) from operations		
Hydraulic well control	$ 2,037	$ (602)
Specialty rental tools	3,506	725
Oil and gas well drilling	1,692	(275)
General corporate	(558)	(468)
	$ 6,677	$ (620)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of HWC Energy Services, Inc., and Subsidiaries:

We have audited the accompanying consolidated balance sheets of HWC Energy Services, Inc. (a Texas corporation), and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 1999 and 1998, and the period from November 14, 1997 (Inception) through December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HWC Energy Services, Inc., and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years ended December 31, 1999 and 1998, and for the period from November 14, 1997 (Inception) through December 31, 1997, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas
July 14, 2000

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 1999	DECEMBER 31, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,023	$ 1,142
Accounts receivable, net of allowance for doubtful accounts of $296 and $204, respectively	13,373	7,684
Prepaid expenses and other current assets	1,635	1,508
Total current assets	16,031	10,334
PROPERTY AND EQUIPMENT, net	52,914	44,324
GOODWILL, net	31,203	30,404
OTHER LONG-TERM ASSETS	580	606
Total assets	$100,728	$85,668
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 4,017	$ 6,445
Accounts payable and accrued expenses	7,066	4,913
Income taxes payable	--	688
Deferred income tax liabilities	--	98
Other current liabilities	812	1,527
Total current liabilities	11,895	13,671
BANK DEBT	23,606	15,015
NOTES PAYABLE TO FORMER OWNERS	12,210	7,655
CONVERTIBLE NOTES PAYABLE	500	500
DEFERRED TAX LIABILITIES	11,401	10,392
OTHER LIABILITIES	129	--
Total liabilities	59,741	47,233
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE PREFERRED STOCK		
Par value $.01, 5,800 shares authorized, 4,795 shares issued and outstanding at December 31, 1999; $4,914 aggregate liquidation preference at December 31, 1999	4,914	--
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value, 1,000,000 shares authorized, 33,484 shares issued and outstanding as of December 31, 1999 and 1998	--	--
Additional paid-in capital	37,925	37,925
Cumulative translation adjustment	4	--
Retained earnings (deficit)	(1,856)	510
Total stockholders' equity	36,073	38,435
Total liabilities and stockholders' equity	$100,728	$85,668

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

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM NOVEMBER 14, 1997 (INCEPTION), THROUGH DECEMBER 31, 1997
REVENUES	$42,274	$42,616	$7,459
COST OF SERVICES:			
Operating costs	26,848	27,885	4,561
Depreciation and amortization	6,543	4,650	304
Gross profit	8,883	10,081	2,594
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9,364	7,408	827
Income (loss) from operations	(481)	2,673	1,767
OTHER:			
Equity in earnings of affiliate	52	87	--
Interest income	36	235	12
Interest expense	(2,565)	(2,507)	(225)
Other income (expense)	(40)	28	(368)
INCOME (LOSS) BEFORE INCOME TAXES	(2,998)	516	1,186
PROVISION (BENEFIT) FOR INCOME TAXES	(753)	550	642
NET INCOME (LOSS) BEFORE PREFERRED DIVIDENDS	(2,245)	(34)	544
PREFERRED STOCK DIVIDENDS	(121)	--	--
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$(2,366)	$ (34)	$ 544
NET INCOME (LOSS) PER SHARE -- BASIC AND DILUTED	$(70.66)	$ (1.13)	$25.52
WEIGHTED AVERAGE SHARES OUTSTANDING	33,484	30,095	21,319

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

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	CUMULATIVE TRANSLATION ADJUSTMENT	RETAINED EARNINGS (DEFICIT)	TOTAL
	SHARES	AMOUNT				
BALANCE, November 14, 1997 (Inception)	--	$ --	$ --	$ --	$ --	$ --
SALE OF STOCK FOR CASH	20,400	20,400	--	--	--	20,400
ISSUANCE OF STOCK IN ACQUISITION TRANSACTION	3,600	3,600	--	--	--	3,600
NET INCOME	--	--	--	--	544	544
BALANCE, December 31, 1997	24,000	24,000	--	--	544	24,544
SALE OF STOCK TO EXISTING STOCKHOLDERS	1,817	2,425	--	--	--	2,425
ISSUANCE OF STOCK IN ACQUISITION TRANSACTIONS	7,667	11,500	--	--	--	11,500
NET LOSS	--	--	--	--	(34)	(34)
BALANCE, December 31, 1998	33,484	37,925	--	--	510	38,435
PREFERRED STOCK DIVIDEND	--	--	--	--	(121)	(121)
COMPREHENSIVE LOSS:						
Net loss	--	--	--	--	(2,245)	(2,245)
Cumulative translation adjustment	--	--	--	4	--	4
Total comprehensive loss	--	--	--	4	(2,245)	(2,241)
BALANCE, December 31, 1999	33,484	$37,925	$ --	$ 4	$(1,856)	$36,073

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

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM NOVEMBER 14, 1997 (INCEPTION), THROUGH DECEMBER 31, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 37,370	$ 50,394	$ 7,089
Cash paid to suppliers and employees	(35,604)	(40,274)	(2,476)
Cash paid for interest	(2,429)	(2,661)	(225)
Interest income received	36	235	12
Other income received (paid)	(46)	1,618	2
Cash paid for income taxes	(570)	(1,645)	--
Net cash provided by (used in) operating activities	(1,243)	7,667	4,402
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(2,740)	(4,962)	(1,063)
Proceeds from sale (disposition) of fixed assets	327	620	898
Cash used in acquisitions, net of cash acquired	(6,069)	(9,339)	(33,314)
Net cash used in investing activities	(8,482)	(13,681)	(33,479)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in debt	11,787	14,001	17,100
Repayment of debt	(6,974)	(27,693)	--
Proceeds from issuance of stock, net of issuance costs	4,793	12,425	20,400
Net cash provided by (used in) financing activities	9,606	(1,267)	37,500
NET CHANGE IN CASH AND CASH EQUIVALENTS:	(119)	(7,281)	8,423
CASH AND CASH EQUIVALENTS, beginning of period	1,142	8,423	--
CASH AND CASH EQUIVALENTS, end of period	$ 1,023	$ 1,142	$ 8,423
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income (loss)	$ (2,245)	$ (34)	$ 544
Depreciation and amortization	6,543	4,650	304
Equity in earnings of affiliates	(52)	(87)	--
Foreign exchange (gain) loss	(20)	79	370
Other	(50)	170	(471)
Deferred taxes	(701)	56	(71)
Loss on asset sales	15	18	--
Change in current assets and liabilities --			
(Increase) decrease in accounts receivable	(4,925)	7,811	5,791
(Increase) decrease in prepaid expenses and other current assets	(147)	(245)	(387)
Increase (decrease) in accounts payable and accrued expenses	1,785	(2,920)	(3,110)
Increase (decrease) in income taxes payable	(622)	(673)	713
Increase (decrease) in accrued interest	136	(150)	--
Increase (decrease) in other current liabilities	(960)	(1,008)	719
Net cash provided by (used in) operating activities	$ (1,243)	$ 7,667	$ 4,402
NONCASH TRANSACTIONS:			
Issuance of debt for acquisitions	$ 5,320	$ 5,340	$ 7,009
Issuance of common stock for acquisitions	--	1,500	3,600
Preferred stock dividends	121	--	--

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

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

HWC Energy Services, Inc. (the Parent) (a Texas corporation), and subsidiaries (collectively, the Company) provide worldwide well control services and drilling and rental equipment to the oil and gas industry. The headquarters of HWC Energy Services, Inc., is in Houston, Texas, and the Company operates primarily in Texas, Louisiana, Ohio, Oklahoma and New Mexico, along with foreign operations in Venezuela, the Middle East, Africa and Canada. Its hydraulic well control operations provide, globally, hydraulic workover (snubbing) units for emergency well control situations and in selected markets, various hydraulic well control solutions involving well drilling and workover and completion activities. In West Texas and Ohio, the Company's Capstar Drilling, Inc., subsidiary operates shallow well drilling rigs with automated pipe handling capabilities. Specialty Rental Tools and Supply, Inc. operates from 12 locations in Texas, Louisiana and Oklahoma to provide rental equipment for drilling and workover operations. The Company utilizes underbalanced drilling techniques to enhance drilling performance.

The Company's level of activity depends largely on the condition of the oil and gas industry and, in particular, the level of capital expenditures by oil and gas companies for drilling services in the Company's operating areas. These expenditures are influenced by prevailing oil and gas prices, expectations about future demand and prices, the cost of exploring, producing and developing oil and gas reserves, the discovery rates of new oil and gas reserves, political and economic conditions, governmental regulations and the availability and cost of capital.

2. SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Capstar Drilling, Inc. (Capstar), Specialty Rental Tools and Supply, Inc. (Specialty), and HWC Holdings, Inc. (Holdings), and a 28.6 percent investment in Signa Engineering Corporation (Signa). The Company's investment in Signa (see Note 6) is accounted for using the equity method of accounting. All significant intercompany transactions have been eliminated in consolidation.

Basis of Accounting and Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated over the remaining lives of the assets. Upon retirement or disposition of property and equipment,

the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statement of operations.

The Company periodically evaluates its long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable and a provision for possible loss is made if required. Based on the Company's review, the carrying value of its assets are recoverable and no impairment losses have been recorded for the periods presented.

Goodwill

Goodwill represents the excess of cost over fair market value of net assets acquired and is being amortized on a straight-line basis over an estimated useful life of 40 years. Goodwill is shown net of accumulated amortization of $1.5 million and $654,000 at December 31, 1999 and 1998, respectively. The carrying amount of goodwill is reviewed if facts and circumstances suggest that it may be impaired. If this review indicates that goodwill will not be recoverable, as determined based on the expected future undiscounted cash flow of the businesses acquired over the remaining amortization period, the carrying amount of the goodwill is reduced by the estimated shortfall. Based on the Company's review, the carrying value of its goodwill is recoverable and no impairment losses have been recorded for the periods presented.

Foreign Currency Translation

The accounting records of one of the Company's subsidiaries are maintained and prepared in Canadian dollars. Accordingly, the Canadian dollar is the functional currency and is translated to U.S. dollars for financial reporting purposes. The accounts of the foreign subsidiary have been remeasured into U.S. dollars using the exchange rate for balances at the end of the period and the average exchange rate for transactions occurring during the period. The resulting net translation gains and losses are reported in the equity section of the balance sheet under the caption "cumulative translation adjustment."

The accounting records of the Company's subsidiary in Venezuela are maintained in Venezuelan bolivars. The accounts of the Venezuelan subsidiary have been remeasured into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." Accordingly, the Venezuelan bolivars are translated to U.S. dollars for financial reporting purposes by using the U.S. dollar as the functional currency and exchange gains and losses, as well as translation gains and losses, are reported in income and expenses. The resulting net exchange and translation gains (losses) for the years ended December 31, 1999 and 1998, and for the period from November 14, 1997 (inception) through December 31, 1997 were $20,000, $(79,000), and $(370,000), respectively.

Comprehensive Income

Comprehensive income is defined by SFAS No. 130, "Reporting Comprehensive Income," and is net income including direct adjustments to stockholders' equity. The cumulative translation adjustment of the Company's Canadian subsidiary is the only such direct adjustment applicable to the Company and is only applicable to the year ended December 31, 1999. All foreign operations of the Company utilized the U.S. dollar as the functional currency prior to 1999, and there were no other components of comprehensive income other than net income.

Revenue Recognition

The Company recognizes revenues from contracts as they are earned, either on the basis of the footage drilled or number of days worked at the contractual rate per day. Revenues from rental tools are recognized as they are earned, based on daily rental rates.

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Earnings Per Share

Basic earnings per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined on the assumption that outstanding stock options have been converted using the treasury stock method. Convertible preferred stock is included in diluted earnings per share using the "if-converted" method. For purposes of computing earnings per share in a loss year, common stock equivalents are excluded from the computation of weighted average common shares outstanding because their effect is antidilutive. In the years ended December 31, 1998 and 1999, potentially dilutive stock options and convertible preferred stock representing the right to acquire 717 and 9,828 shares, respectively, were excluded from the earnings per share calculation.

Income Taxes

The Company follows the liability method of accounting for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred income taxes are recorded based upon the differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets or liabilities are recovered or settled.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes a new model for accounting for derivatives and hedging activities and supercedes and amends a number of existing accounting standards. The Company currently does not employ derivative instruments and believes that the adoption of SFAS No. 133, required originally in the year 2000, amended by SFAS No. 137 and extended into the year 2001, will not have a material impact on the Company's financial position or results of operations.

3. ACQUISITIONS

On November 17, 1997, the Company acquired 100 percent of the common stock of Brazeal, Inc., which was conducting business as CapStar. The total purchase price was $12.0 million and consisted of cash of $10.0 million and notes issued to the former Brazeal, Inc. shareholders of $2.0 million.

On November 20, 1997, the Company, through a wholly owned subsidiary, acquired 100 percent of the stock of Hydraulic Well Control, Inc., and affiliated companies (HWC) for total consideration of $34.4 million. The purchase consideration consisted of cash of $26.5 million, notes issued to the former shareholders of $5.0 million, stock of the Company valued at $3.6 million and assumed liabilities of $0.7 million. The transaction was accounted for using the purchase method of accounting. HWC operates hydraulic well control equipment worldwide.

On May 1, 1998, the Company acquired all of the outstanding shares of Specialty, an unaffiliated company, for approximately $24.3 million, including transaction costs. The consideration for the shares was funded by a senior bank note of $12.5 million, approximately $2.8 million in subordinated promissory notes payable to the existing Specialty stockholders, assumption of approximately $1.2 million of debt and cash proceeds from the sale of stock of $6.0 million. Existing Specialty stockholders were also issued shares of the Company's common stock valued at $1.5 million.

On June 14, 1998, Capstar acquired the assets of Peek and Rowan, Inc., and an affiliated company (Peek and Rowan), companies in a similar line of business as Capstar, for approximately $5.7 million, including transaction costs. The purchase price was funded by approximately $1.2 million in subordinated promissory notes payable to Peek and Rowan, a convertible promissory note in the amount of $500,000 and cash proceeds from the sale of stock of $4.0 million.

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On December 31, 1998, Specialty acquired the assets of A & B Rental Tools, Inc. (A & B), a company in a similar line of business as Specialty, for $1.8 million. The purchase price was funded by a subordinated promissory note payable to the former A & B stockholders and $900,000 in cash. For the year ended December 31, 1998, the operations of Peek and Rowan and Specialty have been included in the consolidated financial statements for the periods from their acquisition dates.

On March 31, 1999, the Company completed the acquisition of all of the outstanding stock of C&H Rental Tools, Inc., and C&H Specialty Company, Inc. (collectively, C&H). The Company paid cash of approximately $2.4 million and $820,000 in subordinated promissory notes. C&H provides rental equipment for drilling and workover operations in Louisiana and offshore in the Gulf of Mexico. In addition, the C&H purchase agreement provides for the payment of contingent consideration based on the earnings of the acquired business during the period from January 1, 1999, through December 31, 2000. Payment on the contingent consideration is due by March 31, 2001. Any contingent consideration will be based on an agreed-upon percentage of earnings above targeted levels and could total a maximum of $2,120,000. The contingent consideration is not included in the acquisition cost total above but will be recorded when future earnings requirements are met.

Effective on November 30, 1999, the Company completed the acquisition of 12 snubbing units and related equipment from two unrelated vendors for total consideration of $3.7 million cash and subordinated notes held by one of the vendors in the amount of $4.5 million. The snubbing units are similar to those currently operated by the Company and were located in Europe, Africa, the Middle East and Canada when acquired. The purchase agreement contained a preestablished rate which would be charged to the buyers upon future leasing of the equipment and such amounts paid by the buyers will be applied as payment of the debt obligations.

The acquisitions during 1999 and 1998 were accounted for using the purchase method of accounting and have included the application of "pushdown" accounting to the individual company's financial statements. Accordingly, an allocation of the purchase price has been assigned to the assets and liabilities based upon the estimated fair value of those assets and liabilities as of the acquisition date. Such allocation is based on the Company's internal evaluation of such assets and supplemented by independent appraisals. The balances included in the Consolidated Balance Sheets related to the current year acquisitions are based upon preliminary information and are subject to change when additional information concerning final asset and liability valuations is obtained. Material changes in the preliminary allocations are not anticipated.

The operations of the acquired businesses and assets are included in the Company's consolidated operations from the respective acquisition dates. The Company's revenues and net income on an unaudited pro forma basis, assuming the acquisitions occurred on January 1, 1998, would be as follows (in thousands):

	YEAR ENDED DECEMBER 31,	
	1999	1998
Revenues (unaudited)	$50,570	$66,567
Net income (loss) (unaudited)	(782)	1,862
Net income (loss) per share (unaudited) --		
Basic	(23.35)	57.03
Diluted	(23.35)	55.80

The pro forma results include adjustments for the amortization of the intangibles presented above and interest expense on debt assumed to be issued to finance the purchases. The pro forma results are not necessarily indicative of what actually would have occurred if the acquisitions had been completed as of January 1, 1998, nor are they necessarily indicative of future consolidated results.

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following table presents a detail of activity for the Company's allowance for doubtful accounts (in thousands):

	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM NOVEMBER 14, 1997 (INCEPTION), THROUGH DECEMBER 31, 1997
Balance at beginning of period	$ 204	$ 170	$ --
Additions to cost and expenses	326	136	170
Deductions for uncollectible receivables written off	(234)	(102)	--
Balance at end of period	$ 296	$ 204	$170

5. PROPERTY AND EQUIPMENT:

The Company's property and equipment consists of the following (in thousands):

	ESTIMATED LIVES (IN YEARS)	DECEMBER 31, 1999	DECEMBER 31, 1998
Land	--	$ 517	$ 517
Rental tools	5-7	21,278	11,252
Equipment	5-13	33,232	27,739
Buildings and improvements	25	4,143	3,771
Vehicles	3-5	2,052	2,332
Furniture, fixtures and equipment	5	926	2,733
		62,148	48,344
Less- Accumulated depreciation		(9,234)	(4,020)
Property and equipment, net		$52,914	$44,324

Depreciation expense recorded for the years ended December 31, 1999 and 1998, and for the period from November 14, 1997 (Inception), through December 31, 1997, was $5.6 million, $3.8 million and $0.3 million, respectively, and is included in the total cost of services section of the accompanying consolidated statements of operations.

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. LONG-TERM DEBT

The Company's long-term debt consists of the following (in thousands):

	DECEMBER 31, 1999	DECEMBER 31, 1998
Bank line of credit, up to $20.0 million available based upon a borrowing base consisting of a percentage of eligible accounts receivable, real estate and fixed assets. Interest payable monthly at the bank's prime rate or LIBOR plus from 1.00% to 3.00% and an unused commitment fee ranging from 0.25% to 0.50% based on the ratio of debt to earnings before depreciation, interest and taxes. The weighted average interest rate at December 31, 1999, was 8.23%		
Amounts outstanding are due May 1, 2003	$10,750	$ --
Bank term debt. Interest is the same rate as the above bank line of credit. Principal of $762 is repayable quarterly through March 31, 2003. Balance due at maturity, May 1, 2003	14,986	18,060
Bank line of credit, up to $500 (Canadian dollars) available at the Company's option. Interest is payable monthly at the bank's prime rate plus 0.25%. Amounts outstanding are due on demand	--	--
Bank term debt. Interest is payable monthly at the bank's prime rate plus 0.50%. Principal of $300 (Canadian dollars) is repayable consisting of $200 due at the end of April and $50 at the end of July and October each year. Balance due at maturity, December 2, 2004	1,038	--
Subordinated unsecured notes payable due March 31, 2000. Interest payable annually at 7.00%	690	1,190
Subordinated unsecured notes payable due $1,000, on March 31, 1999, and the balance due November 7, 1999. Interest payable quarterly at 7.50%	--	2,000
Subordinated unsecured notes payable due January 31, 2001. Interest payable quarterly at 7.00%	4,215	4,215
Subordinated unsecured note payable due May 1, 2002. Interest payable quarterly at 7.00%	2,750	2,750
Subordinated note payable secured by rental tools purchased from A & B Rental Tools, Inc., on December 31, 1998. Interest at 8.00% due at maturity on June 30, 1999	--	900
Subordinated notes payable due November 30, 2005. Interest accrues at 7.00% annually. Principal and interest are payable at a fixed amount for each day the acquired equipment is utilized	4,500	--
Subordinated note payable due September 30, 2003. Interest payable quarterly at 6.50%	820	--
Convertible subordinated unsecured note payable due June 15, 2001. Interest payable quarterly at 5.00%. Convertible by holder into 200 shares of common stock	500	500
Notes payable to various credit corporations, payable in monthly installments of principal and interest at various interest rates, maturing through fiscal year 2001	84	--
Total debt	40,333	29,615
Less -- Current portion	(4,017)	(6,445)
Long-term debt	$36,316	$23,170

Amounts owed the bank are secured by substantially all the assets of the Company and its subsidiaries. Each of the Company's subsidiaries as well as the Company are guarantors under the bank credit agreements. The bank credit agreement contains financial and other covenants that, among other things, restrict the

amount of dividends the Company may pay and the amount of debt the Company can incur. The Company is required to pay an unused commitment fee ranging from 0.25% to 0.5% per annum of the amount of the unused commitment from the bank line of credit.

Future maturities of long-term debt at December 31, 1999, are as follows (in thousands):

2000	$ 4,017
2001	8,126
2002	6,077
2003	17,707
2004	281
Thereafter	4,125
	$40,333

7. INVESTMENT IN AFFILIATE

In January 1998, the Company purchased 28.6 percent of the outstanding common stock of Signa for approximately $760,000. The total amount paid was classified as goodwill at the acquisition date based on the book value of Signa on the acquisition date. Signa provides a complete range of comprehensive integrated petroleum engineering services to include feasibility studies, evaluations, planning, permitting, engineering, design, implementation, geotechnical, field operations, production services accounting, training, expert witness testimony, animated graphics, environmental engineering and project management to clients worldwide. The Company accounts for its investment in Signa using the equity method. During 1999 and 1998, the Company recognized its share of Signa's net income as equity in earnings of affiliate totaling $52,000 and $87,000, respectively.

8. REDEEMABLE PREFERRED STOCK

In connection with the 1999 acquisition of C&H, the Company issued 2,145 shares of a new Series A class of redeemable convertible preferred stock (Redeemable Series A Preferred Stock). The shares are redeemable with a liquidation preference of $1,000 per share. The preferred shares accrue dividends at the rate of 6.5 percent per annum. As of December 31, 1999, 2,145 shares were outstanding. The Company elected to accrue the cumulative unpaid dividends totaling $106,000 at December 31, 1999. The Redeemable Series A Preferred Stock shall be redeemed as a whole by the Company on March 31, 2004, at a redemption price of $1,000 per share, plus all accrued and unpaid dividends to the date of the redemption. The holders of the Redeemable Series A Preferred Stock have the right to convert, at any time, all or any shares into common stock of the Company based on the liquidation value of the preferred stock, including accrued but unpaid dividends, on such date based upon preestablished formulas defined in the agreement.

In connection with the 1999 acquisition of two unrelated vendors, the Company issued 2,650 shares of a new Series B class of redeemable convertible preferred stock (Redeemable Series B Preferred Stock). The shares are redeemable with a liquidation preference of $1,000 per share. The preferred shares accrue dividends at the rate of 6.5 percent per annum. As of December 31, 1999, 2,650 shares were outstanding. The Company elected to accrue the cumulative unpaid dividends totaling $15,000 at December 31, 1999. The Redeemable Series B Preferred Stock shall be redeemed as a whole by the Company on October 30, 2004, at a redemption price of $1,000 per share, plus all accrued and unpaid dividends to the date of the redemption. The holders of the Redeemable Series B Preferred Stock have the right to convert, at any time, all or any shares into common stock of the Company based on the liquidation value of the preferred stock, including accrued but unpaid dividends, on such date based upon preestablished formulas defined in the agreement.

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. INCOME TAXES

Provision (benefit) for income taxes is as follows (in thousands):

	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM NOVEMBER 14, 1997 (INCEPTION), THROUGH DECEMBER 31, 1997
Current --			
Federal	$ (49)	$266	$486
State	(3)	--	7
Non-U.S.	--	228	220
	(52)	494	713
Deferred, federal	(701)	56	(71)
Total	$ (753)	$550	$642

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate tax rate to income before income taxes as follows (in thousands):

	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM NOVEMBER 14, 1997 (INCEPTION), THROUGH DECEMBER 31, 1997
Federal provision (benefit) at the statutory rate	$(1,019)	$180	$415
State provision (benefit), net of federal benefit	(59)	--	26
Increase (decrease) resulting from-			
Goodwill amortization not deductible	277	221	15
Meals and entertainment	100	69	--
Foreign taxes in excess of US statutory rate	--	28	122
Other, net	(52)	52	64
	$ (753)	$550	$642

The acquisition transactions were not taxable, thus the resulting goodwill amortization is not deductible, causing permanent differences between income tax expense on both book and tax bases for the years ended December 31, 1999 and 1998, and future periods.

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The net deferred income tax liabilities consist primarily of the following (in thousands):

	DECEMBER 31, 1999	DECEMBER 31, 1998
Deferred income tax assets --		
Other	$ 107	$ 343
Total deferred income tax assets	107	343
Deferred income tax liabilities --		
Property and equipment	(11,266)	(10,598)
Other intangibles	(192)	(203)
Other	(50)	(32)
Total deferred income tax liabilities	(11,508)	(10,833)
Net deferred income tax liabilities	$(11,401)	$(10,490)

The net deferred income tax assets and liabilities are comprised of the following (in thousands):

	DECEMBER 31, 1999	DECEMBER 31, 1998
Deferred income tax assets --		
Current	$ --	$ --
Long-term	107	343
Total deferred income tax assets	107	343
Deferred income tax liabilities --		
Current	--	(98)
Long-term	(11,508)	(10,735)
Total deferred income tax liabilities	(11,508)	(10,833)
Net deferred income tax assets (liabilities)	$(11,401)	$(10,490)

10. STOCK OPTIONS

At December 31, 1999, the Company had stock options outstanding as follows:

	NUMBER OF OPTIONS	EXERCISE PRICE RANGE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1997	--	--	--
Granted	2,640	$1,000 - $1,500	$1,083
Outstanding at December 31, 1998	2,640	1,000 - 1,500	1,083
Granted	430	1,000 - 1,500	1,116
Forfeited	(335)	1,000 - 1,500	1,090
Outstanding at December 31, 1999	2,735	$1,000 - $1,500	$1,097

Options are exercisable based on a vesting period of three to four years.

Options issued during the year ended December 31, 1999 and 1998, have a remaining life of six years and five years, respectively.

The Company accounts for its stock option program in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. The Company has adopted the Financial Accounting Standard Board's SFAS No. 123, "Accounting for Stock-Based Compensation," which requires entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income disclosures for employee stock option grants made as if the fair value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of ABP Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123. The fair value of each option grant is estimated on the date of grant using the Minimum Value option pricing model with the following assumptions used for grants in 1999 and 1998, respectively: risk-free interest rate of 7.5%, no volatility and expected lives of 6 years. Had compensation cost been recorded based on SFAS No. 123, the Company's net loss would have been $2.6 million ($77.65 per share) and $353,000 ($11.73 per share) for the years ended December 31, 1999 and 1998, respectively. No stock options were outstanding in the period from November 14, 1997 (inception), through December 31, 1997.

11. RELATED PARTY

In accordance with prior purchase agreements, the Company made debt payments in 1999, 1998 and from November 14, 1997 (inception) through December 31, 1997, of approximately $--, $794,000 and $-- to a former owner of HWC, Inc., a subsidiary of the Parent. Additionally, the Company also paid consulting fees of approximately $353,000, $72,000 and $16,000 in 1999, 1998 and from November 14, 1997 (inception) through December 31, 1997, respectively, to three former owners of HWC, Inc., pursuant to the HWC, Inc., purchase agreement.

In 1999, the Company incurred additional debt related to current-year acquisitions as discussed in Note 3.

As of December 31, 1999 and 1998, the Company has an aggregate debt balance of approximately $13.5 million and $11.6 million, respectively, due to former owners.

12. LEASES

The Company leases a portion of its vehicles and equipment under noncancelable operating leases expiring within the next three years. Rent expense was approximately $513,000, $497,000 and $13,000 for the years ended December 31, 1999 and 1998 and for the period from November 14, 1997 (Inception), through December 31, 1997, respectively.

Future commitments under noncancelable operating leases as of December 31, 1999, are as follows (in thousands):

2000	$299
2001	153
2002	24
	$476

13. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and debt. The carrying value of those instruments reported in the balance sheet are considered to estimate their respective fair values based on comparisons to market rates having the same or similar maturities and collateral requirements offered to the Company. Management believes the carrying amounts of these accounts approximate fair value as of December 31, 1999.

15. SIGNIFICANT CUSTOMERS AND RISK CONCENTRATION

During the years ended December 31, 1999 and 1998, and for the period from November 14, 1997 (Inception), through December 31, 1997, the Company had sales to one customer which accounted for 12 percent, 13 percent and 8 percent, respectively, of total revenues.

The Company has material receivables, denominated in U.S. dollars, from various Venezuelan customers. The Company's policy is to manage its exposure to credit risk through credit approvals and limits. Historically, write-offs for doubtful accounts have been insignificant.

16. INDUSTRY AND GEOGRAPHIC AREA SEGMENT INFORMATION

The Company has three operating business segments: the hydraulic well control segment, the specialty rental tool segment, and the oil and gas well drilling segment. The hydraulic well control segment provides hydraulic workover (snubbing) units and crews for emergency well control situations and in selected markets, various hydraulic well control solutions involving well drilling and workover and completion activities. The specialty rental tool segment provides rental equipment for drilling and workover operations. The oil and gas well drilling segment includes the operation of 12 shallow well land drilling rigs with automated pipe handling. The Company's nonoperating segment consists of corporate activities and minority investment in an unconsolidated subsidiary. The segments of the Company are based on the groupings of similar businesses acquired since the inception of the Company in 1997.

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no intersegment sales. Information about the Company's segments are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		FOR THE PERIOD FROM NOVEMBER 14, 1997 (INCEPTION), THROUGH DECEMBER 31, 1997
	1999	1998	
Revenues --			
Hydraulic well control	$15,956	$23,647	$ 5,348
Specialty rental tools	17,253	9,939	--
Oil and gas well drilling	9,065	9,030	2,111
General corporate	--	--	--
	$42,274	$42,616	$ 7,459
Income (loss) from operations --			
Hydraulic well control	$ (977)	$ 1,781	$ 1,491
Specialty rental tools	1,209	1,478	--
Oil and gas well drilling	(170)	(18)	276
General corporate	(543)	(568)	--
	$ (481)	$ 2,673	$ 1,767
Capital expenditures --			
Hydraulic well control	$ 4,424	$ 1,985	$31,141
Specialty rental tools	2,995	28,297	--
Oil and gas well drilling	322	6,323	13,638
General corporate	3	797	--
	$ 7,744	$37,402	$44,779
Depreciation and amortization --			
Hydraulic well control	$ 2,522	$ 2,337	$ 248
Specialty rental tools	2,770	1,276	--
Oil and gas well drilling	1,173	991	56
General corporate	78	46	--
	$ 6,543	$ 4,650	$ 304

	YEAR ENDED DECEMBER 31,	
	1999	1998
Total assets --		
Hydraulic well control	$ 46,460	$34,569
Specialty rental tools	34,411	29,985
Oil and gas well drilling	19,586	19,913
General corporate	271	1,201
	$100,728	$85,668

HWC ENERGY SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table presents consolidated revenues by country (in thousands):

	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM NOVEMBER 14, 1997 (INCEPTION), THROUGH DECEMBER 31, 1997
United States	$35,545	$34,487	$4,133
Venezuela	6,097	2,246	502
India	--	2,807	2,425
North Sea	--	3,076	399
Other Non-U.S.	632	--	--
	$42,274	$42,616	$7,459

The following table presents net long-lived assets by country (in thousands):

	DECEMBER 31, 1999	DECEMBER 31, 1998
United States	$75,093	$74,220
Venezuela	953	850
India	--	32
North Sea	--	232
Other Non-U.S.	8,651	--
	$84,697	$75,334

REPORT OF INDEPENDENT AUDITORS

To the Stockholders of Sooner Inc.

We have audited the accompanying consolidated balance sheets of Sooner Inc. as of June 30, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sooner Inc. at June 30, 2000 and 1999, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Tulsa, Oklahoma
August 14, 2000

SOONER INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT FOR SHARE AMOUNTS)

	SEPTEMBER 30, 2000	JUNE 30, 2000	JUNE 30, 1999
	(UNAUDITED)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,487	$ 1,878	$ 4,852
Accounts receivable -- trade, net of allowance for doubtful accounts of $250 (unaudited), $250 and $196	21,562	32,278	16,955
Tubular goods inventories	62,727	52,039	56,928
Refundable income taxes	--	--	32
Deferred taxes	708	779	802
Prepaid expenses and other	566	746	1,339
Total current assets	88,050	87,720	80,908
Property, plant and equipment	5,782	5,768	5,497
Accumulated depreciation	(1,135)	(974)	(412)
	4,647	4,794	5,085
Goodwill, net of accumulated amortization of $1,752 (unaudited), $1,491 and $526	13,519	14,066	13,953
Accounts and notes receivable	1,585	1,014	1,609
Investments, at cost	2,207	2,204	2,204
Debt issuance costs, net of accumulated amortization of $67 (unaudited), $60 and $30	82	89	119
Deposits and other assets	176	381	273
Total assets	$110,266	$110,268	$104,151
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable -- trade	$ 30,788	$ 25,546	$ 9,802
Income taxes payable	778	309	203
Accrued liabilities	786	1,544	1,147
Accrued taxes other than income taxes	1,198	917	1,257
Current portion of long-term notes payable	--	156	156
Current portion of subordinated long-term notes payable to related parties	535	2,155	4,000
Total current liabilities	34,085	30,627	16,565
Long-term notes payable	21,786	27,545	41,093
Long-term subordinated notes payable to related parties	26,512	26,116	33,243
Total long-term liabilities	48,298	53,661	74,336
Stockholders' equity:			
Common stock, $.01 per value; 100,000 shares authorized, 26,178 and 23,703 shares issued and outstanding	--	--	--
Capital in excess of par value	26,176	26,176	23,701
Retained earnings (accumulated deficit)	1,707	(196)	(10,451)
Total stockholders' equity	27,883	25,980	13,250
Total liabilities and stockholders' equity	$110,266	$110,268	$104,151

See accompanying notes.

SOONER INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARES AND EARNINGS PER SHARE)

	THREE-MONTH PERIOD ENDED SEPTEMBER 30,		FOR THE YEAR ENDED JUNE 30,	
	2000	1999	2000	1999
	(UNAUDITED)	(UNAUDITED)		
Net sales	$58,926	$44,680	$258,985	$108,768
Operating costs and expenses:				
Cost of sales	53,252	40,619	235,134	108,613
Selling, general and administrative expenses	2,253	2,194	9,306	7,365
	55,505	42,813	244,440	115,978
Operating income (loss)	3,421	1,867	14,545	(7,210)
Other income (expense):				
Investment and other income	(2)	133	538	613
Interest expense	(974)	(1,313)	(4,583)	(4,450)
	(976)	(1,180)	(4,045)	(3,837)
Income (loss) before income taxes	2,445	687	10,500	(11,047)
Provision for (benefit from) income taxes:				
Current	470	17	223	173
Deferred	72	--	22	(769)
	542	17	245	(596)
Net income (loss)	$ 1,903	$ 670	$ 10,255	$(10,451)
Income (loss) per common share:				
Basic and diluted	$ 72.69	$ 28.26	$ 421.88	$(589.62)
Weighted average shares outstanding	26,178	23,706	24,308	17,725

See accompanying notes.

SOONER INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	COMMON STOCK	ADDITIONAL PAID-IN	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL
Issuance of 17,183 shares of common stock at formation of Company	$--	$17,182	$ --	$ 17,182
Issuance of 6,520 shares of common stock	--	6,519	--	6,519
Net loss	--	--	(10,451)	(10,451)
Balance at June 30, 1999	--	23,701	(10,451)	13,250
Issuance of 25 shares of common stock	--	25	--	25
Repurchase and cancellation of 50 shares of common stock	--	(50)	--	(50)
Exercise of warrants to purchase 2,500 shares of common stock	--	2,500	--	2,500
Net income	--	--	10,255	10,255
Balance at June 30, 2000	$--	$26,176	$ (196)	$ 25,980
Net income (unaudited)	--	--	1,903	1,903
Balance at September 30, 2000 (unaudited)	--	$26,176	$ 1,707	$ 27,883

See accompanying notes.

SOONER INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	THREE-MONTH PERIOD ENDED SEPTEMBER 30,		FOR THE YEAR ENDED JUNE 30,	
	2000	1999	2000	1999
	(UNAUDITED)	(UNAUDITED)		
Operating activities				
Net income (loss)	$ 1,903	$ 670	$10,255	$(10,451)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization expense	435	399	1,641	1,055
(Gain) loss on disposition of assets	16	2	(345)	(256)
Noncash interest expense recorded as additional notes payable principal due related parties	395	356	2,161	2,065
Changes in assets and liabilities:				
Accounts and accrued interest receivable	10,145	437	(14,728)	5,382
Tubular goods inventories	(10,688)	4,739	4,889	36,428
Accounts payable and accrued liabilities	4,765	4,072	15,802	(16,111)
Income taxes	540	40	160	(630)
Prepaid expenses and other	384	(28)	466	296
Net cash provided by operating activities	7,895	10,687	20,301	17,778
Investing activities				
Purchases of property, plant and equipment	(36)	(119)	(782)	(622)
Proceeds from sale of assets	1	21	791	2,905
Purchases of businesses, less cash acquired of $459	--	--	--	(96,235)
Other	(3)	--	--	84
Net cash provided by (used in) investing activities	(38)	(98)	9	(93,868)
Financing activities				
Proceeds from issuance of notes payable and draws on line of credit	--	--	4,000	53,921
Proceeds from issuance of notes payable from related parties	--	--	--	34,548
Payment of debt issuance costs	--	--	--	(149)
Issuance of shares of common stock	--	25	25	21,486
Repurchase and cancellation of shares of common stock	--	(50)	(50)	--
Debt payments on notes payable and line of credit	(5,915)	(8,710)	(17,548)	(25,494)
Debt payments on notes payable to related parties	(1,333)	(1,764)	(9,711)	(3,370)
Net cash provided by (used in) financing activities	(7,248)	(10,499)	(23,284)	80,942
Net increase (decrease) in cash and cash equivalents	609	90	(2,974)	4,852
Cash and cash equivalents at beginning of period	1,878	4,852	4,852	--
Cash and cash equivalents at end of period	$ 2,487	$ 4,942	$ 1,878	$ 4,852
Cash paid during year for interest	$ 574	$ 952	$ 2,467	$ 2,355
Cash paid during year for income taxes	$ --	$ --	$ 85	$ --

See accompanying notes.

SOONER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Sooner Inc. is a distributor of oilfield tubular products and was formed to acquire Sooner Pipe and Supply Corporation and subsidiaries (collectively the "Company"). The Company's operations are located primarily in the United States ("U.S."). In addition, the Company has sales and marketing subsidiaries located in the United Kingdom ("U.K."), Canada, Nigeria and Venezuela. The majority of sales are to large fully integrated and independent oil companies headquartered in the U.S. The Company generally does not require collateral on trade receivables from these companies.

Recent Developments

On July 31, 2000, the Company entered into a Combination Agreement with Oil States International, Inc. ("OSII") whereby OSII will acquire the Company in a stock-for-stock merger and the Company will become a wholly-owned subsidiary of OSII. The transaction is subject to various conditions which must be satisfied prior to closing, including closing of an initial public offering of shares of OSII. The merger is expected to close prior to December 31, 2000. Certain debt agreements, unless repaid, may require amendment or waivers from lenders before the transaction can be completed.

Consolidation

The accompanying financial statements include Sooner Inc. and all wholly-owned subsidiaries. All significant intercompany balances and transactions, including any profits in inventory, are eliminated in consolidation.

Use of Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash Equivalents

The Company includes as cash equivalents all certificates of deposit and U.S. treasury securities with original maturities of 90 days or less.

Inventories

Inventories are priced at lower of cost or market using the first-in, first-out (FIFO) cost method.

Property, Plant and Equipment

Depreciation is computed on the straight-line method at varying rates by asset classification. Assets of foreign subsidiaries are depreciated on straight-line and accelerated methods over their estimated useful lives. Amortization of leasehold improvements is computed on the straight-line method over the life of the lease. Depreciation expense was $626,000 and $499,000 for the years ended June 30, 2000 and 1999, respectively.

Capital additions and major renewals and betterments are capitalized as incurred and are depreciated over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed, and any resulting gain or loss is reflected in other income for the period. Normal repairs and maintenance are expensed to current operations as incurred.

SOONER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Goodwill and Other Intangible Assets

Goodwill, which represents the excess of cost over fair value of assets of businesses acquired, is amortized on a straight-line basis over a 15-year period. Debt issuance costs are amortized as interest expense on a straight-line basis, which does not differ materially from the results had the interest method been used, over the life of the Company's revolving credit agreement which expires on July 2, 2003. Total amortization costs were $1,015,000 and $556,000 for the years ended June 30, 2000 and 1999, respectively.

Impairment of Long-Lived Assets

The Company evaluates the long-lived assets, including related intangibles, of identifiable business activities for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value for the assets and recording a provision for loss if the carrying value is greater than fair value.

For assets identified to be disposed of in the future, the carrying value of these assets is compared to the estimated fair value less the cost to sell to determine if an impairment is required. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

Incentive Stock Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation," requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Foreign Currency Translation

The Company has foreign subsidiaries operating in the United Kingdom, Canada, Nigeria and Venezuela. For its foreign subsidiaries, the functional currency is considered to be the U.S. dollar. The foreign currency transaction adjustments are included in determining net income or loss.

Income Taxes

The Company provides deferred income taxes on temporary differences between the financial statement and tax bases of assets and liabilities. No deferred U.S. income taxes have been provided on the undistributed earnings (approximately $6,191,000 and $4,320,000 at June 30, 2000 and 1999, respectively) of the foreign subsidiaries since it is the Company's intention to indefinitely reinvest those earnings to finance the continued growth and development of those entities. Under present tax law, such an amount would be subject to U.S. income taxes at prevailing tax rates less foreign tax credits if remitted to the parent company.

Revenue Recognition

Net sales are recognized when oilfield tubular products are shipped or, if terminal services are also provided by the Company, when risk of ownership has passed to a customer. Terminal fees of $3,819,000 and $2,500,000 were recognized for the years ended June 30, 2000 and 1999, respectively, on a monthly basis as earned.

Earnings Per Share

Basic earnings per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined on the assumption that outstanding stock options have been converted using the treasury stock method. For purposes of computing earnings per share in a loss period, common stock equivalents are excluded from the computation of weighted average common shares outstanding because their effect is antidilutive.

New Accounting Standards

In March 1998, Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Software Developed or Obtained for Internal Use," was issued. This SOP requires capitalization of specified costs incurred in connection with an internal-use software project. The Company adopted the SOP on July 1, 1999. Neither the Company's financial position, results of operations nor cash flows were significantly impacted by this SOP.

In April 1998, the AICPA issued SOP 98-5, "Reporting the Costs of Start-Up Activities." The SOP is effective for fiscal years beginning after December 15, 1998, and requires start-up costs capitalized prior to that date be written off and any future start-up costs to be expensed as incurred. The Company adopted the SOP on July 1, 1999. The adoption of the SOP did not have a material impact on the Company's financial position, results of operations or cash flows.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued which requires that all derivative instruments be recorded as assets or liabilities on the balance sheet at fair value. The Company adopted SFAS No. 133 on July 1, 2000. The Company's financial position, results of operations or cash flows were not significantly impacted by the adoption of this SFAS.

2. ACQUISITIONS

During 1999, the Company acquired four oilfield tubular products distribution businesses for $115,627,000. The acquisitions were accounted for using the purchase method in which the Company allocated the purchase price based on the estimated fair values of the assets acquired. The excess of the purchase price over the fair value of the acquired net assets of $14,479,000 was recorded as goodwill. Results of operations from the acquisitions are included in the accompanying consolidated financial statements from the dates of acquisition.

The following selected unaudited pro forma information (in thousands, except per share amounts) is provided to present a summary of the combined results of the Company as if the acquisitions discussed above had occurred at the beginning of 1999, giving effect to purchase accounting adjustments. The pro forma data is for informational purposes only and may not necessarily reflect the results of operations had the acquired businesses operated as part of the Company for the full year ended June 30, 1999.

	FOR THE YEAR ENDED JUNE 30, 1999
Net sales	$271,784
Net loss	(8,554)
Basic and diluted loss per share	(360.90)

SOONER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The acquisitions were financed with cash and noncash proceeds from the issuance of debt and equity. Cash proceeds were as follows (in thousands):

Revolving line of credit	$48,921
Term note payable	5,000
Junior subordinated notes payable	21,387
Issuance of 21,386 shares of common stock of the Company	21,386
	$96,694

Noncash proceeds reflect debt and equity issued to the former owner of one of the acquired companies and were as follows (in thousands):

Senior subordinated note payable	$10,000
Senior subordinated contingent note payable	4,840
Junior subordinated note payable	2,047
Issuance of 2,046 shares of common stock of the Company	2,046
	$18,933

One of the acquisitions included a contingent payment provision. The Company estimated the total contingent payment at the acquisition date to be $4,840,000. At June 30, 2000, the Company reevaluated its estimate of the total contingent payment and increased the senior subordinated contingent note payable by $1,000,000 as a non-cash transaction. Goodwill was also increased $1,000,000 and will be amortized over 13 years, which is the remaining amortization period related to this acquisition.

3. INVESTMENTS

Investments consist primarily of a 20% interest in common stock of an oilfield tubular products company. The investment is carried at cost ($2,059,000 at June 30, 2000 and 1999), as the Company does not have the ability to exercise significant influence over the operating and financial policies of the company. The investment was obtained by the Company in the year ended June 30, 1999 in a noncash transaction in exchange for a note receivable and accrued interest owed the Company from a related party who purchased inventory and real estate from the Company for $3,804,000. A cash payment of $1,850,000 was made by the related party on August 31, 1998 with the remaining balance represented by a $1,954,000 subordinated 6% note receivable.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, and related estimated useful lives consists of the following (in thousands):

	SEPTEMBER 30, 2000	JUNE 30, 2000	JUNE 30, 1999	ESTIMATED USEFUL LIVES
	(UNAUDITED)			
Land	$ 544	$ 544	$ 689	
Land improvements	132	132	134	20
Buildings	901	901	1,012	9-40
Machinery and equipment	1,948	1,948	1,978	6-10
Office equipment and software	1,593	1,602	961	6-10
Automotive equipment	238	227	380	5
Improvements to leased premises	426	414	343	9
	$5,782	$5,768	$5,497	

5. COMMITMENTS

The Company leases office space for periods to 2002. The related rent expense for the year ended June 30, 2000 and 1999 totaled $1,080,000 and $815,000, respectively. At June 30, 2000, minimum annual rentals under noncancelable leases are as follows (in thousands):

2001	$ 404
2002	3
	407
Less: noncancelable sublease to stockholder	(138)
	$ 269

6. STOCK AGREEMENTS

The Company adopted a Stock Option Plan (the "Plan") that provides for the issuance of options to key employees to purchase the Company's common stock. The exercise price of all the outstanding options is $1,000, which has been determined to be not less than the fair value of a share of common stock at the grant date. Options under the Plan vest and become exercisable in four annual installments beginning one year after the grant date, and expire six years after the grant date. The Company granted 1,300 and 875 options in the years ended June 30, 2000 and 1999, respectively. The Company canceled 400 options in the year ended June 30, 2000. The weighted average remaining life of the options is 5.1 years. There were 119 options exercisable at June 30, 2000. At June 30, 2000, there were 1,225 shares of the Company's common stock reserved for future grants of options.

The Company also issued during the years ended June 30, 2000 and 1999 common stock options to key employees to purchase 350 and 325 shares, respectively, of common stock of the Company for $1,000 per share. These options vested upon grant. Two employees purchased a total of 100 shares of common stock during the year ended June 30, 1999 for $100,000. Options to purchase a total of 225 shares expired unexercised in July 1999. At June 30, 2000, options to purchase a total of 350 shares were outstanding and expire during 2001 if not exercised.

SFAS No. 123 requires pro forma disclosures of net income as if the Company has accounted for employee stock options under the fair value method of SFAS No. 123. The fair value of these options are estimated at the date of grant using the "minimum value" option pricing model with the following weighted average assumptions for the years ended June 30, 2000 and 1999, respectively: risk-free interest rate of 5.78% and 5.75%, dividend yield of zero and expected life of each option of four years.

Option valuation models require the input of highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. Using the "minimum value" option valuation model, the weighted average grant date value of options granted during the years ended June 30, 2000 and 1999 was $206.40 and $205.45 per option, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net income (loss) and basic and diluted earnings (loss) per share for the years ended June 30, 2000 and 1999 is as follows:

	2000	1999
Pro forma net income (loss)	$10,176,000	$(10,480,000)
Basic and diluted earnings (loss) per share	$ 418.63	$ (591.26)

SOONER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During 1999, the Company issued 26,104 warrants to purchase common stock to its stockholders. These warrants were issued in conjunction with other stockholder transactions, including the funding of the junior subordinated notes payable and the modifications to the senior subordinated notes payable and the senior subordinated contingent note payable. The warrants are exercisable at $1,000 per share and expire between July 2, 2000 and June 30, 2008. In April 2000, a shareholder of the Company exercised warrants to acquire 2,500 shares of common stock. The shareholder paid for the shares in a non-cash exchange for $2,500,000 in outstanding senior subordinated notes payable, including interest and principal due the shareholder.

7. PROFIT SHARING PLANS

The Company has a contributory profit sharing plan in which substantially all U.S. employees are eligible to participate. The plan provides for annual Company contributions of a discretionary amount determined by the Board of Directors, provided however that the amount of such contribution shall not exceed the maximum amount deductible by the Company under the provisions of the Internal Revenue Code. Company contributions to the plan were $128,000 and $104,000 during the years ended June 30, 2000 and 1999, respectively.

8. INCOME TAXES

The components of the provision for (benefit from) income taxes for the year ended June 30, are as follows (in thousands):

	2000	1999
Current:		
Federal	$154	$ --
State	29	--
Foreign	40	173
	223	173
Deferred	22	(769)
Total provision (benefit)	$245	$(596)

A reconciliation of the U.S. statutory tax rate for the year ended June 30 to the consolidated provision for (benefit from) income taxes is as follows (in thousands):

	2000	1999
Expected federal income tax provision (benefit) at current statutory rates	$ 3,570	$(3,756)
Increase (decrease) in valuation allowance	(3,700)	3,700
State income tax (benefit), net of federal benefit	415	(582)
Income of foreign subsidiaries taxed at different rates, including foreign net operating loss carryforwards utilized	(93)	(40)
Other	53	82
Provision for (benefit from) income taxes	$ 245	$ (596)

Significant components of the Company's deferred tax liabilities and assets as of June 30 are as follows (in thousands):

	2000	1999
Deferred tax assets:		
Book over tax accrued liabilities	$212	$ 245
Book over tax reserves for inventory and accounts receivable	531	2,114
Tax over book inventory capitalization	36	112
Net operating loss carryforward	--	2,031
Total deferred tax assets	779	4,502
Less valuation allowance	--	(3,700)
Net deferred tax assets	$779	$ 802

The Company had a U.S. net operating loss carryforward of $5,109,000 which was utilized in 2000. The Company reversed the valuation allowance of $3,700,000 in 2000 as the Company expects the deferred tax assets at June 30, 2000 to be fully realizable.

9. LONG-TERM NOTES PAYABLE

Long-term debt and notes payable consist of the following (in thousands):

	SEPTEMBER 30, 2000	JUNE 30, 2000	JUNE 30, 1999
	(UNAUDITED)		
Revolving line of credit	$21,786	$27,545	$41,093
Term note payable	--	156	156
Senior subordinated notes payable	38	1,160	9,772
Senior subordinated contingent note payable	497	995	2,845
Junior subordinated notes payable	26,512	26,116	24,626
	48,833	55,972	78,492
Less current portion	535	2,311	4,156
	48,298	$53,661	$74,336

The Company has a $50,000,000 credit agreement, with priority to the senior subordinated notes payable, senior subordinated contingent note payable and junior subordinated notes payable. Total borrowings under the revolving line of credit, the term note payable and any letters of credit cannot exceed $50,000,000. Aggregate letters of credit cannot exceed $5,000,000. The amounts available under the line of credit at June 30, 2000 and 1999 were approximately $13,200,000 and $3,000,000, respectively. The credit agreement is secured by all of the accounts receivable, inventory and property, plant and equipment of the Company as defined in the credit agreement ($89,111,000 and $78,968,000 at June 30, 2000 and 1999, respectively) plus all common stock of the subsidiaries of the Company. The credit agreement terminates on July 2, 2003 and bears interest at the First Union National prime rate (7.75% at June 30, 2000), or adjusted Eurodollar rate as defined in the agreement plus, in either case, 1.75% (8.4% at June 30, 2000). The credit agreement also requires the Company to maintain a minimum net worth and restricts the payment of cash dividends, incurrence of additional debt or sale of property, plant and equipment as defined in the credit agreement. A 1/4% per annum unused commitment fee is charged monthly on the unused portion of the credit agreement plus a $2,000 monthly service fee.

The Company had a $10,000,000 senior subordinated note payable and a $7,500,000 senior subordinated contingent note payable as defined in the stock purchase agreement ("Agreement") between the former

owner of Sooner Pipe & Supply Corporation and the Company. The senior subordinated note payable was subsequently amended and restated later in the year ended June 30, 1999 into two senior subordinated notes payable (Notes A and B) of $5,000,000 each. Principal payments on Note A are due in five equal quarterly installments of $1,000,000 on the first day of January, April, July and October, commencing July 1, 1999. Accrued interest is payable on October 1, 2000. At June 30, 2000, $119,000 was outstanding on Note B and is due on July 31, 2000. The senior subordinated notes payable have priority over the senior subordinated contingent note payable and junior subordinated notes payable and bear interest at a rate dependent upon the existence of outstanding borrowings on the credit agreement discussed above. If a balance is outstanding on the credit agreement, the senior subordinated note payable bears interest at that rate plus .25% (8% at June 30, 2000). If no amounts are outstanding against the credit agreement, the notes bear interest at an annual rate of 7.7%. However, the interest rate shall never be lower than that of any indebtedness incurred in conjunction with a designated transaction as defined by the Agreement. In the event of default, the notes will bear an interest rate of 9.7%.

The senior subordinated contingent note payable bears interest at a non-compounding rate of 6% per annum and has priority over the junior subordinated notes payable. Principal and interest payments on the senior subordinated contingent note payable are limited to 37.5% of the quarterly proceeds from the previous calendar quarter's sale of any portion of $20,000,000 of designated inventory, as defined in the Agreement. The other 62.5% of the proceeds from the sale of the designated inventory must be applied as payment against the senior subordinated Note B as identified above. The lender has the option, with ten days written notice, of demanding final payment of $150,000 on the senior subordinated contingent note payable when the value of the designated inventory has been reduced to $2,000,000. The value of the designated inventory at June 30, 2000 for purposes of this note was $2,038,000.

At formation, the Company entered into two junior subordinated notes payable with its stockholders for $17,184,000. During May and June 1999, the Company entered into additional junior subordinated notes payable to its stockholders for $6,250,000. All junior subordinated notes bear an interest rate of 6% compounded annually and are due on June 30, 2008. A $169,000 junior subordinated note payable and 170 shares of $.01 par value common stock were issued in exchange for a portion of the scheduled July 1, 1999 payment on the senior subordinated Note A described above and represents a noncash transaction. The unpaid interest on the senior and junior subordinated notes payable is capitalized as additional principal in a noncash transaction until due.

At June 30, 2000, annual maturities of long-term notes payable were as follows (in thousands):

2001	$ 2,311
2002	--
2003	--
2004	27,545
2005	--
Thereafter	26,116
	$55,972

10. FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair-value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet approximate fair value due to the short-term maturity of these instruments.

SOONER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Noncurrent accounts and notes receivable: As the maturity of these receivables is less than three years, fair value is estimated to approximate historically recorded amounts.

Investments at cost: Fair value is estimated to approximate historically recorded amounts as the investments are primarily in a non-publicly traded company for which it is not practicable to estimate its fair value.

Long-term notes payable: The fair value of the Company's long-term notes payable is based on the prices of similar securities with similar terms and credit ratings. The carrying amount and fair value of the Company's long-term notes payable is $55,972,000 and $55,391,000, respectively, at June 30, 2000 and $78,492,000 and $79,197,000, respectively, at June 30, 1999.

11. LEGAL CONTINGENCIES

The Company is involved in various claims and legal actions arising in the ordinary course of business. Management does not believe that the ultimate resolution of these matters will have a material impact on the Company's financial position, results of operations or cash flows.

12. SEGMENT DISCLOSURES

The Company evaluates performance based upon segment income (loss) before income taxes which includes revenues from external and internal customers, operating costs and expenses, and depreciation and amortization. The accounting policies of the segments are the same as those described in Note 1. Intersegment sales are generally accounted for at the cost of the selling segment.

The Company's geographical reporting segments are based on product shipment origin for revenues and physical location for other items. Other includes operations in Venezuela and Canada. Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible and non-current assets (in thousands).

	AS OF AND FOR THE QUARTER ENDED SEPTEMBER 30, 2000					
	U.S.	NIGERIA	U.K.	OTHER	ELIMINATIONS	TOTAL
				(UNAUDITED)		
Revenues:						
External	$ 57,450	$ 831	$ 650	$ (5)	$ --	$ 58,926
Intersegment	894	--	--	--	(894)	--
Total	58,344	831	650	(5)	(894)	58,926
Income (loss) before income taxes	4,734	153	76	22	(2,540)	2,445
Total assets	168,233	6,785	2,965	2,097	(69,814)	110,266
Long-lived assets	86,308	1,700	355	--	(66,147)	22,216
Additions to long-lived assets	25	--	11	--	--	36
Depreciation and amortization	390	39	6	--	--	435

SOONER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	AS OF AND FOR THE QUARTER ENDED SEPTEMBER 30, 1999					
	U.S.	NIGERIA	U.K.	OTHER	ELIMINATIONS	TOTAL
				(UNAUDITED)		
Revenues:						
External	$ 40,957	$1,846	$1,698	$ 179	$ --	$44,680
Intersegment	546	--	--	--	(546)	--
Total	41,503	1,846	1,698	179	(546)	44,680
Income (loss) before income taxes	1,702	319	96	(4)	(1,426)	687
Total assets	139,807	9,091	3,841	3,079	(57,023)	98,796
Long-lived assets	69,148	2,365	52	--	(48,182)	23,383
Additions to long-lived assets	100	19	--	--	--	119
Depreciation and amortization	357	37	5	--	--	399

	AS OF AND FOR THE YEAR ENDED JUNE 30, 2000					
	U.S.	NIGERIA	U.K.	OTHER	ELIMINATIONS	TOTAL
Revenues:						
External	$242,582	$12,263	$3,759	$ 381	$ --	$258,985
Intersegment	3,414	--	--	--	(3,414)	--
Total	245,996	12,263	3,759	381	(3,414)	258,985
Income before income taxes	22,943	1,555	300	55	(14,353)	10,500
Total assets	166,233	11,659	2,442	2,112	(72,178)	110,268
Long-lived assets	84,635	1,245	276	--	(63,608)	22,548
Additions to long-lived assets	1,715	37	30	--	--	1,782
Depreciation and amortization	1,455	170	16	--	--	1,641

	AS OF AND FOR THE YEAR ENDED JUNE 30, 1999					
	U.S.	NIGERIA	U.K.	OTHER	ELIMINATIONS	TOTAL
Revenues:						
External	$ 77,256	$14,726	$12,134	$4,652	$ --	$108,768
Intersegment	3,421	--	--	--	(3,421)	--
Total	80,677	14,726	12,134	4,652	(3,421)	108,768
Income (loss) before income taxes	(20,647)	2,894	645	(21)	6,082	(11,047)
Total assets	142,063	10,844	5,554	4,010	(58,320)	104,151
Long-lived assets	67,819	2,152	29	--	(46,757)	23,243
Additions to long-lived assets	21,913	2,338	45	2	--	24,298
Depreciation and amortization	851	185	16	3	--	1,055

The Company had net sales greater then 10% of total net sales to the following customers by segment:

	2000	1999
Nigeria -- Mobil Producing Nigeria	--	$14,723
U.K. -- Mobil North Sea	--	12,134
U.S. -- ARCO Alaska, Inc.	--	11,925
U.S. -- UNOCAL	--	11,072

REPORT OF INDEPENDENT AUDITORS

To the Stockholder of
Sooner Pipe & Supply Corporation

We have audited the accompanying consolidated balance sheet of Sooner Pipe & Supply Corporation as of July 2, 1998 and the related consolidated statements of operations, stockholder's equity, and cash flows for the period from August 1, 1997 to July 2, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Sooner Pipe & Supply Corporation at July 2, 1998 and the consolidated results of its operations and its cash flows for the period from August 1, 1997 to July 2, 1998, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Tulsa, Oklahoma
August 14, 1998

SOONER PIPE & SUPPLY CORPORATION

CONSOLIDATED BALANCE SHEET
JULY 2, 1998
(IN THOUSANDS, EXCEPT FOR SHARE AMOUNTS)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 459
Accounts receivable:	
Trade, net of allowance for doubtful accounts of $250	19,809
Affiliates	57
Accrued interest receivable	3
Deferred income taxes	76
Income tax receivable	491
Inventories	27,695
Prepaid expenses and other	1,599
Total current assets	50,189
Property, plant and equipment	17,664
Accumulated depreciation and amortization	(12,297)
	5,367
Investments and other assets:	
Accounts and notes receivable	3,037
Deposits and other assets	502
	3,539
Total assets	$ 59,095
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities:	
Accounts payable -- trade	$ 23,215
Accrued liabilities	1,343
Accrued taxes other than income taxes	1,589
Total current liabilities	26,147
Stockholder's equity:	
Common stock, $100 par value; 10,000 shares authorized, 7,000 shares issued	700
Capital in excess of par value	1
Retained earnings	34,017
Treasury stock	(1,770)
Total stockholder's equity	32,948
Total liabilities and stockholder's equity	$ 59,095

See accompanying notes.

SOONER PIPE & SUPPLY CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS
PERIOD FROM AUGUST 1, 1997 TO JULY 2, 1998
(IN THOUSANDS, EXCEPT SHARES AND EARNINGS PER SHARE)

Net sales	$185,098
Operating costs and expenses:	
Cost of sales	161,774
Terminal operating expenses	3,725
Selling, general and administrative expenses	21,828
	187,327
Operating loss	(2,229)
Other income (expense):	
Investment income	863
Interest expense	(52)
Other	498
	1,309
Loss before income taxes	(920)
Provision for income taxes:	
Current	(334)
Deferred	338
	4
Net loss	$ (924)
Loss per common share:	
Basic and diluted	$(132.00)
Weighted average shares outstanding	7,000

See accompanying notes.

SOONER PIPE & SUPPLY CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE PERIOD AUGUST 1, 1997 THROUGH JULY 2, 1998
(IN THOUSANDS)

	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TRANSLATION ADJUSTMENT	TREASURY STOCK	TOTAL
Balance at August 1, 1997	$700	$1	$ 54,024	$ 14	$(1,770)	$ 52,969
Net loss	--	--	(924)	--	--	(924)
Dividends Declared	--	--	(19,083)	--	--	(19,083)
Currency Translation Adjustment	--	--	--	(14)	--	(14)
Balance at July 2, 1998	$700	$1	$ 34,017	$ --	$(1,770)	$ 32,948

See accompanying notes.

SOONER PIPE & SUPPLY CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
PERIOD FROM AUGUST 1, 1997 TO JULY 2, 1998
(IN THOUSANDS)

Operating activities	
Net loss from operations	$ (924)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	889
Gain on disposition of assets	(53)
Changes in assets and liabilities:	
Accounts and accrued interest receivable	1,660
Inventories	(10,461)
Accounts payable and accrued liabilities	1,717
Income taxes	328
Other	(1,246)
Net cash used in operating activities	(8,090)
Investing activities	
Purchases of investment securities	(13,507)
Maturities and sales of investment securities	8,512
Purchases of property, plant and equipment	(2,180)
Proceeds from sale of assets	1,019
Other	(2,280)
Net cash used in investing activities	(8,436)
Financing activities	
Dividends paid	(5,000)
Net decrease in cash and cash equivalents	(21,526)
Cash and cash equivalents at beginning of period	21,985
Cash and cash equivalents at end of period	$ 459
Supplemental disclosure of cash flows:	
Income taxes refunded, net	$ 618
Noncash dividends declared and paid	$ 14,083

See accompanying notes.

SOONER PIPE & SUPPLY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The Company is a distributor of oilfield tubular and general products. The Company's operations are located primarily in the United States ("U.S."). In addition, the Company has sales and marketing subsidiaries located in the United Kingdom ("U.K."), Canada, Nigeria and Barbados. The majority of sales are to large fully-integrated and independent oil companies headquartered in the U.S. The Company generally does not require collateral on trade receivables from these companies.

Consolidation

The accompanying financial statements include Sooner Pipe & Supply Corporation and all subsidiaries (collectively the "Company"). All significant intercompany balances and transactions, including any profits in inventory, are eliminated in consolidation.

Use of Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash Equivalents

The Company includes as cash equivalents all certificates of deposit and U.S. treasury securities with original maturities of 90 days or less.

Inventories

Inventories are priced at lower of cost or market. Inventories held in the U.S. are valued primarily at LIFO and those held outside the U.S. are valued primarily at FIFO.

Property, Plant and Equipment

Depreciation is computed on the straight-line and declining balance methods at varying rates by asset classification. Assets of foreign subsidiaries are depreciated on straight-line and accelerated methods over their estimated useful lives. Amortization of leasehold improvements is computed on the straight-line method over the life of the lease.

Capital additions and major renewals and betterments are capitalized as incurred and are depreciated over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed, and any resulting gain or loss is reflected in other income for the period. Normal repairs and maintenance are expensed to current operations as incurred.

Impairment of Long-Lived Assets

The Company evaluates the long-lived assets of identifiable business activities for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value for the assets and recording a provision for loss if the carrying value is greater than fair value.

For assets identified to be disposed of in the future, the carrying value of these assets is compared to the estimated fair value less the cost to sell to determine if an impairment is required. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

Foreign Currency Remeasurement

The Company has foreign subsidiaries operating in the United Kingdom, Canada, Nigeria and Barbados. For its foreign subsidiaries, the functional currency is considered to be the U.S. dollar, and therefore inventory, fixed assets and stockholder's equity are translated into U.S. dollars at historical exchange rates while other balance sheet accounts are remeasured into U.S. dollars at exchange rates in effect at year-end. The resulting remeasurement adjustments are included in determining net income or loss. Income and expense accounts are remeasured at average rates of exchange during the period, except depreciation, which is translated at historical exchange rates. The foreign currency transaction adjustments are also included in determining net income or loss. Included in loss before income taxes is net foreign exchange remeasurement and transaction expense of $186,000 for the period from August 1, 1997 to July 2, 1998.

Income Taxes

The Company is included in its ultimate parent's consolidated U.S. federal income tax return. Provision for income taxes is computed at existing statutory rates without regard to separate return limitations.

The Company provides deferred income taxes on temporary differences between the financial statement and tax bases of assets and liabilities. No deferred U.S. income taxes have been provided on the undistributed earnings (approximately $833,000 at July 2, 1998) of the foreign subsidiaries since it is the Company's intention to indefinitely reinvest those earnings to finance the continued growth and development of those entities. Under present tax law, such an amount would be subject to U.S. income taxes at prevailing tax rates less foreign tax credits if remitted to the parent company.

Revenue Recognition

Net sales are recognized when oilfield tubular products are shipped or, if terminal services are also provided by the Company, when risk of ownership has passed to a customer. Terminal fees of $3,395,000 were recognized in the period from August 1, 1997 to July 2, 1998 on a monthly basis as earned.

Investment Securities

Management determines the appropriate classification of government debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Debt securities are designated as held-to-maturity as the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Interest on securities classified as held-to-maturity is also included in investment income. All of the Company's investment securities were paid to the Company's parent as a noncash dividend in the period from August 1, 1997 to July 2, 1998.

Earnings Per Share

Basic earnings per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined on the assumption that outstanding stock options have been converted using the treasury stock method. For purposes of computing earnings per share in a loss year, common stock equivalents are excluded from the computation of weighted average common shares outstanding because their effect is antidilutive.

SOONER PIPE & SUPPLY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

New Accounting Standards

In March 1998, Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Software Developed or Obtained for Internal Use," was issued. This SOP requires capitalization of specified costs incurred in connection with an internal-use software project. Adoption of this SOP is not required until fiscal 2000. Neither the Company's financial position, results of operations nor cash flows are expected to be significantly impacted by this SOP.

In April 1998, the AICPA issued SOP 98-5, "Reporting the Costs of Start-Up Activities". The SOP is effective for fiscal years beginning after December 15, 1998, and requires start-up costs capitalized prior to that date be written off and any future start-up costs to be expensed as incurred. The Company has determined that the impact of the adoption of the SOP will not materially impact the Company's financial position, results of operations or cash flows.

In June 1998, Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued which requires that all derivative instruments be recorded as assets or liabilities on the balance sheet at fair value. SFAS No. 133 is not required to be adopted by the Company until July 1, 2000. The Company's financial position, results of operations or cash flows are not expected to be significantly impacted by this SFAS when adopted.

2. INVENTORIES

Inventories consist of the following at July 2, 1998 (in thousands):

Tubular goods	$26,429
Oilfield supplies	1,266
	$27,695

During the period from August 1, 1997 to July 2, 1998, LIFO inventory quantities were reduced resulting in a partial liquidation of the LIFO bases, the effect of which decreased the net loss, after income taxes, by $1,912,000. Inventories stated under the LIFO method were $14,996,000 at July 2, 1998. If the FIFO method had been used, inventories would have been $45,405,000 higher than reported at July 2, 1998.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, and related estimated useful lives consists of the following at July 2, 1998:

	COST (IN THOUSANDS)	ESTIMATED USEFUL LIVES
Land	$ 1,295	
Land improvements	2,096	20
Buildings	3,729	9-40
Machinery and equipment	6,088	6-10
Office equipment	2,764	6-10
Automotive equipment	1,286	5
Improvements to leased premises	406	9
	$17,664	

SOONER PIPE & SUPPLY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

4. COMMITMENTS

The Company leases office space, store buildings and land for periods to 2002. The related rent expense for the period from August 1, 1997 to July 2, 1998 totaled $1,328,000. At July 2, 1998 minimum annual rentals under noncancellable leases are as follows (in thousands):

1999	$1,004
2000	920
2001	685
2002	74
	$2,683

5. PROFIT SHARING PLANS

The Company has a contributory profit sharing plan in which substantially all U.S. employees are eligible to participate. The plan provides for annual Company contributions of a discretionary amount determined by the Board of Directors, provided however that the amount of such contribution shall not exceed the maximum amount deductible by the Company under the provisions of the Internal Revenue Code. Company contributions to the plan of $256,000 were charged against earnings in the period from August 1, 1997 to July 2, 1998.

6. FOREIGN OPERATIONS

The following is a summary of the financial data of the foreign subsidiaries as of July 2, 1998 and for the period from August 1, 1997 to July 2, 1998 (in thousands):

Current assets	$19,136
Intercompany receivable	612
Property, plant and equipment, net of accumulated depreciation	529
Other assets	3,197
Total assets	$23,474
Current liabilities	$ 3,262
Intercompany payable	18,252
Stockholder's equity	1,960
Total liabilities and stockholder's equity	$23,474
Sales (net of intercompany)	$22,927
Net income	$ 1,101

7. FOREIGN CURRENCY HEDGES

The Company enters into forward exchange contracts to hedge some of its foreign currency transactions for periods consistent with the terms of the underlying transactions. The Company does not engage in speculation, nor does the Company hedge non-transaction related balance sheet exposure. While the forward contracts affect the Company's results of operations, they do so only in connection with the underlying transactions. As a result, they do not subject the Company to risk from exchange rate movements because gains and losses on these contracts offset losses and gains on the transactions being hedged. At July 2, 1998, the Company had $1,700,000 of foreign exchange contracts outstanding in Canadian dollars.

SOONER PIPE & SUPPLY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

The forward exchange contracts generally have maturities that do not exceed six months. Based on July 2, 1998 exchange rates and the various maturity dates of the foreign currency forward contracts, the Company estimates the aggregate contract value to be representative of the fair value of these items at July 2, 1998.

8. INCOME TAXES

The components of the provision (benefit) for income taxes for the period from August 1, 1997 to July 2, 1998 is as follows (in thousands):

Current:	
Federal	$(691)
State	3
Foreign	354
	(334)
Deferred -- federal	338
Total provision	$ 4

Significant components of the Company's deferred tax liabilities and assets at July 2, 1998 consist of the following (in thousands):

Deferred tax assets:	
Book over tax accrued liabilities	$71
Other	5
Total deferred tax assets	$76

A reconciliation of the U.S. Statutory tax rate at July 2, 1998 to the consolidated provision for income taxes is as follows (in thousands):

Expected federal income tax benefit at current statutory rates	$(313)
State income tax provision, net of federal impact	1
Nondeductible expenses	155
Income of foreign subsidiaries, taxed at different rates	234
Other	(73)
Provision for income taxes	$ 4

9. FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet approximate fair value due to the short-term maturity of these instruments.

Noncurrent accounts and notes receivable: As the maturity of these receivables is less than three years, fair value is estimated to approximate historically recorded amounts.

SOONER PIPE & SUPPLY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

10. LEGAL CONTINGENCIES

The Company is involved in various claims and legal actions arising in the ordinary course of business. Management does not believe that the ultimate resolution of these matters will have a material impact on the Company's financial position, results of operations or cash flows.

11. SEGMENT DISCLOSURES

The Company evaluates performance based upon segment income (loss) before income taxes which includes revenues from external and internal customers, operating costs and expenses, and depreciation and amortization. The accounting policies of the segments are the same as those described in Note 1. Intersegment sales are generally accounted for at the cost of the selling segment.

The Company's geographical reporting segments are based on product shipment origin for revenues and physical location for other items. Long-lived assets are comprised of property, plant and equipment and other non-current assets.

	U.S.	NIGERIA	U.K.	CANADA	BARBADOS	ELIMINATIONS	TOTAL
				(IN THOUSANDS)			
Revenues:							
External	$162,172	$ 2,766	$3,323	$16,837	$ --	$ --	$185,098
Intersegment	9,409	--	--	--	--	(9,409)	--
Total	171,581	2,766	3,323	16,837	--	(9,409)	185,098
Income (loss) before income taxes	(1,679)	297	(95)	677	778	(898)	(920)
Total assets	60,101	14,783	6,257	2,365	68	(24,479)	59,095
Long-lived assets	10,910	3,578	93	21	--	(5,696)	8,906
Additions to long-lived assets	1,504	2,934	7	15	--	--	4,460
Depreciation and amortization	708	164	12	5	--	--	889

During fiscal 1999, the Company had net sales greater than 10% of total sales to the following customers by segment (in thousands):

U.S. -- G.B. Tubulars, Inc.	$23,990
U.S. -- UNOCAL	23,480

12. IMPACT OF YEAR 2000 (UNAUDITED)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Various computer and other equipment may also have embedded Year 2000 issues.

The Company has completed an assessment and will have to modify or replace portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The Company estimates that approximately 91% of the required conversions are complete, and based on the current plan of action, the Company does not believe the Year 2000 project costs will be significant.

Management estimates that the Year 2000 project will be completed no later than December, 1998, which is prior to any anticipated impact on its operating systems.

The Company believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such

modifications and conversions are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the operations of the Company.

In addition, communications are ongoing with other companies with which the Company's systems interface or rely on to determine the extent to which those companies are addressing their Year 2000 compliance.

13. SUBSEQUENT EVENTS

As a result of the sale of the Company on July 2, 1998, the Company has entered into or guaranteed various debt agreements to finance the acquisition of the Company by the new owners ("Sooner Inc."). The Company entered into a $50,000,000 credit agreement which is guaranteed by Sooner Inc. and includes a $40,000,000 revolving line of credit (a borrowing of $35,000,000 occurred on July 2, 1998), a $5,000,000 term note payable in monthly installments with final maturity on June 30, 2000, and $5,000,000 in letter of credit accommodations. Interest is payable at the First Union National Bank Prime Rate, or adjusted Eurodollar rate as defined in the agreement plus 1.75%, per annum depending on whether the revolver loans are Prime Rate or Eurodollar Rate loans when borrowed, as defined in the agreement. The revolving line of credit and letter of credit accommodations expire on July 2, 2003.

The Company also guaranteed and assumed a $10,000,000 senior subordinated note and a $7,500,000 senior subordinated contingent note, as defined in the sale agreement, between Sooner Inc. and the Company's parent. The $10,000,000 note bears interest at the same rate as the $50,000,000 credit agreement noted above and matures on July 2, 1999. The $7,500,000 note bears interest at 6% per annum and is payable in quarterly installments based on 37.5% of the quarterly proceeds from the sale of $20,000,000 of designated inventory as identified in the sale agreement. The other 62.5% of the quarterly proceeds from the sale of such inventory must be applied as payment against the $5,000,000 term note and the $10,000,000 note as identified above.

The Company also sold inventory and real estate to a related party of Sooner Inc. on July 31, 1998 for $3,804,000. This amount is contingent upon settlement of the valuation of the inventory sold. A payment of $1,850,000 will be made on August 31, 1998 with the remainder being represented by a $1,954,000 subordinated 6% note due to the Company in annual installments of $977,000, plus interest, with final maturity on July 31, 2000.

Through and including   , 2001 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

10,300,000 SHARES

OIL STATES INTERNATIONAL, INC.

COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.

CREDIT SUISSE FIRST BOSTON

SIMMONS & COMPANY
INTERNATIONAL

, 2000

[ALTERNATE PAGES FOR INTERNATIONAL PROSPECTUS]

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED DECEMBER 12, 2000

PROSPECTUS

10,300,000 SHARES

OIL STATES INTERNATIONAL, INC.
COMMON STOCK

This is Oil States International, Inc.'s initial public offering. Oil States International is selling 8,800,000 shares, and Oil States International stockholders are selling 1,500,000 shares. The international managers are offering 2,060,000 shares outside the U.S. and Canada, and the U.S. underwriters are offering 8,240,000 shares in the U.S. and Canada.

We expect the public offering price to be between $16.00 and $18.00 per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the New York Stock Exchange under the symbol "OIS."

INVESTING IN THE COMMON STOCK INVOLVES RISKS THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 9 OF THIS PROSPECTUS.

	PER SHARE	TOTAL
Public offering price......................................	$	$
Underwriting discount......................................	$	$
Proceeds, before expenses, to Oil States International......	$	$
Proceeds, before expenses, to the selling stockholders......	$	$

The international managers may also purchase up to an additional 309,000 shares from Oil States International at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments. The U.S. underwriters may similarly purchase up to an additional 1,236,000 shares from Oil States International.

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

The shares will be ready for delivery on or about   , 2000.

MERRILL LYNCH INTERNATIONAL   CREDIT SUISSE FIRST BOSTON

SIMMONS & COMPANY
INTERNATIONAL

The date of this prospectus is   , 2000.

UNDERWRITING

We intend to offer the shares outside the U.S. and Canada through the international managers and in the U.S. and Canada through the U.S. underwriters. Merrill Lynch International, Credit Suisse First Boston (Europe) Limited and Simmons & Company International are acting as lead managers for the international managers named below. Subject to the terms and conditions described in an international purchase agreement among us, the selling stockholders and the international managers, and concurrently with the sale of 8,240,000 shares to the U.S. underwriters, we and the selling stockholders have agreed to sell to the international managers, and each of the international managers has agreed to purchase from us and the selling stockholders, the number of shares listed opposite its name below.

INTERNATIONAL MANAGER	NUMBER OF SHARES
Merrill Lynch International	
Credit Suisse First Boston (Europe) Limited	
Simmons & Company International	
Total	

We and the selling stockholders have also entered into a U.S. purchase agreement with the U.S. underwriters for sale of the shares in the U.S. and Canada for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston Corporation and Simmons & Company International are acting as U.S. representatives. Subject to the terms and conditions in the U.S. purchase agreement, and concurrently with the sale of 2,060,000 shares to the international managers under the international purchase agreement, we and the selling stockholders have agreed to sell to the U.S. underwriters, and the U.S. underwriters severally have agreed to purchase from us and the selling stockholders, an aggregate of 8,240,000 shares in the offering. The initial public offering price per share and the total underwriting discount per share are identical under the international purchase agreement and the U.S. purchase agreement.

The international managers and the U.S. underwriters have agreed to purchase all of the shares sold under the international and U.S. purchase agreements if any of these shares are purchased. If an underwriter defaults, the U.S. and international purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the international managers and the U.S. underwriters are conditioned on one another.

We, some of our subsidiaries and the selling stockholders have agreed to indemnify the international managers and the U.S. underwriters against liabilities under the Securities Act or to contribute to payments the international managers and U.S. underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreements, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Merrill Lynch will be facilitating Internet distribution for this offering to some of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet Web sites maintained by Merrill Lynch and Credit Suisse First Boston Corporation. Other than the prospectus in electronic format, the information on the Web sites of Merrill Lynch and Credit Suisse First Boston Corporation is not part of this prospectus.

COMMISSIONS AND DISCOUNTS

The lead managers have advised us and the selling stockholders that the international managers propose initially to offer the shares to the public at the initial public offering price listed on the cover page of this

prospectus and to dealers at that price less a concession not in excess of $ per share. The international managers may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to Oil States and the selling stockholders. The information assumes either no exercise or full exercise by the international managers and the U.S. underwriters of their over-allotment options.

	PER SHARE	WITHOUT OPTION	WITH OPTION
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to Oil States	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $3,050,000 and are payable by Oil States.

OVER-ALLOTMENT OPTION

We have granted an option to the international managers to purchase up to 309,000 additional shares at the public offering price less the underwriting discount. The international managers may exercise this option for 30 days from the date of this prospectus solely to cover any over-allotments. If the international managers exercise this option, each international manager will be obligated, subject to conditions contained in the purchase agreements, to purchase a number of additional shares proportionate to that international manager's initial amount reflected in the above table.

We have also granted an option to the U.S. underwriters, exercisable for 30 days from the date of this prospectus, to purchase up to 1,236,000 additional shares to cover any over-allotments on terms similar to those granted to the international managers.

INTERSYNDICATE AGREEMENT

The international managers and the U.S. underwriters have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the intersyndicate agreement, the international managers and the U.S. underwriters may sell shares to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the intersyndicate agreement, the international managers and any dealer to whom they sell shares will not offer to sell or sell shares to U.S. or Canadian persons or to persons they believe intend to resell to U.S. or Canadian persons, except in the case of transactions under the intersyndicate agreement. Similarly, the U.S. underwriters and any dealer to whom they sell shares will not offer to sell or sell shares to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, except in the case of transactions under the intersyndicate agreement.

NO SALES OF SIMILAR SECURITIES

We, the selling stockholders, our executive officers and directors, current stockholders of Oil States and other stockholders receiving shares in the Combination have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly:

- offer, pledge, sell, or contract to sell any common stock,

- sell any option or contract to purchase any common stock,

- purchase any option or contract to sell any common stock,

- grant any option, right or warrant for the sale of any common stock, other than under our 2000 Equity Participation Plan,

- lend or otherwise dispose of or transfer any common stock,

- request or demand that we file a registration statement related to the common stock, or

- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

NEW YORK STOCK EXCHANGE LISTING

We intend to apply to list our common stock on the New York Stock Exchange under the symbol "OIS." In order to meet the requirements for listing on that exchange, the U.S. underwriters and the international managers have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us and the U.S. representatives and lead managers. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the U.S. representatives and the lead managers believe to be comparable to us,

- our financial information,

- the history of, and the prospects for, our company and the industry in which we compete,

- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues,

- the present state of our development, and

- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the U.S. underwriters may engage in transactions that stabilize the price of our common stock, such as bids or purchases to peg, fix or maintain that price.

The U.S. underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the U.S. underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the issuer in the offering. The U.S. underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the U.S. underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. "Naked" short sales are any sales in excess of such option. The U.S. underwriters must close out any naked

short position by purchasing shares in the open market. A naked short position is more likely to be created if the U.S. underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the U.S. underwriters in the open market prior to the completion of the offering.

The U.S. underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the U.S. underwriters have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the U.S. underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters makes any representation that the U.S. underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

UK SELLING RESTRICTIONS

Each international manager has agreed that:

- it has not offered or sold and will not offer or sell any shares of common stock to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, as principal or agent, for the purposes of their businesses or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the common stock in, from or otherwise involving the United Kingdom; and

- it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of common stock to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 as amended by the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1997 or is a person to whom such document may otherwise lawfully be issued or passed on.

NO PUBLIC OFFERING OUTSIDE THE UNITED STATES

No action has been or will be taken in any jurisdiction, except in the United States, that would permit a public offering of the shares of common stock, or the possession, circulation or distribution of this prospectus or any other material relating to our company, the selling stockholders or shares of our common stock in any jurisdiction where action for that purpose is required. Accordingly, the shares of our common stock may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the shares of common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the shares offered by this prospectus may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price on the cover page of this prospectus.

OTHER RELATIONSHIPS

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

Through and including , 2001 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

10,300,000 SHARES

OIL STATES INTERNATIONAL, INC.

COMMON STOCK

PROSPECTUS

MERRILL LYNCH INTERNATIONAL

CREDIT SUISSE FIRST BOSTON

SIMMONS & COMPANY
INTERNATIONAL

, 2000

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fees.

Securities and Exchange Commission registration fee.........	$ 56,287
NASD filing fee..	21,821
NYSE listing fee...	236,900
Legal fees and expenses....................................	1,150,000
Tax advice fees..	400,000
Accounting fees and expenses...............................	550,000
Fairness Opinion...	300,000
Blue Sky fees and expenses (including legal fees)...........	25,000
Printing expenses..	250,000
Transfer Agent fees..	10,000
Miscellaneous..	49,992
Total..	$3,050,000

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* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law ("DGCL") provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Section 145 further provides that a corporation similarly may indemnify any such person serving in any such capacity who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or such other court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The Company's certificate of incorporation provides that indemnification shall be to the fullest extent permitted by the DGCL for all current or former directors or officers of the Company.

As permitted by the DGCL, the certificate of incorporation provides that directors of the Company shall have no personal liability to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except (1) for any breach of the director's duty of loyalty to the Company or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (3) under Section 174 of the DGCL or (4) for any transaction from which a director derived an improper personal benefit.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The Company has not sold any securities, registered or otherwise, within the past three years, except as set forth below. The information set forth below reflects the Company's 50 for 1 stock split effected on January 8, 1998 and the proposed reverse three for one stock split to be effected in connection with the Combination.

1. In November 1997, the Company issued 333,333 shares of Common Stock to the Huntfield Trust Limited ("Huntfield") in consideration for the purchase of 400 shares of the common stock of a wholly owned subsidiary of the Company, which shares were issued to Huntfield as partial consideration for the purchase of assets from Huntfield in May 1996. The Company assigned an aggregate value of $10,000,000 to these shares in its financial statements.

2. In December 1997, the Company issued a total of 277,250 shares of Common Stock to ten of its shareholders who subscribed to the Company's offering of Common Stock (the "December 1997 Subscription"). The aggregate consideration paid by such shareholders was $8,317,500.

3. In connection with the December 1997 Subscription, the Company issued a total of 3,666 shares of Common Stock to eight of the former stockholders of HydroTech Systems, Inc. who held shares of preferred stock of a subsidiary of the Company in satisfaction of pre-emptive rights held by such persons. The aggregate consideration paid by such persons was $110,000.

4. Also in December 1997, the Company issued a total of 44,433 shares of Common Stock to three of the former shareholders of Gregory Rig Service and Sales, Inc. ("Gregory") in partial consideration for the purchase of all of the issued and outstanding shares of common stock of Gregory. The Company assigned an aggregate value of $1,333,000 to these shares in its financial statements.

5. In January 1998, the Company issued 5,000 shares of Common Stock to James Cauble ("Cauble") pursuant to the terms of an employment agreement for aggregate proceeds of $150,000. In so doing, the Company relied on the provisions of Rule 701 promulgated under the Securities Act in claiming exemption for the offering, sale and delivery of such securities from registration under the Securities Act. Pursuant to the terms of an employment severance agreement with Cauble, the Company repurchased such shares in November 1999.

6. Also in January 1998, the Company issued 14,966 shares of Common Stock to Huntfield pursuant to the December 1997 Subscription for aggregate proceeds of $449,000.

7. In February 1998, the Company issued a total of 141,389 shares of Common Stock to 23 of its shareholders who subscribed to the Company's offering of Common Stock (the "February 1998 Subscription"). The aggregate consideration paid by such shareholders was $4,241,670.

8. Also in February 1998, the Company issued a total of 33,333 shares of Common Stock to the four former shareholders of Subsea Ventures, Inc. ("Subsea Ventures") in partial consideration for the purchase of all of the issued and outstanding shares of common stock of Subsea Ventures. The Company assigned an aggregate value of $1,000,000 to these shares in its financial statements.

9. In March 1998, the Company issued a total of 166,666 shares of Common Stock to SCF-III, L.P., Chase Manhattan Investment Holdings, L.P. and Bovaird Supply Company in consideration for outstanding options held by such entities to purchase the common stock of CE Franklin Ltd., a former majority owned subsidiary of the Company (the "CE Franklin Transaction"). The Company assigned an aggregate value of $5,000,000 to these shares in its financial statements.

10. Also in March 1998, the Company issued a total of 216,252 shares of Common Stock to 26 of its shareholders who subscribed to the Company's offering of Common Stock (the "March 1998 Subscription"). The aggregate consideration paid by such shareholders was $6,487,560.

11. In April 1998, the Company issued a total of 25,000 shares of Common Stock to Klaper (UK) Limited ("Klaper") in partial consideration for the purchase of all of the assets of Klaper. In so doing, the Company relied on the exemption for offshore sales of securities provided by Regulation S under the Securities Act in claiming exemption for the offering, sale and delivery of such securities from registration under the Securities Act. The Company assigned an aggregate value of $750,000 to these shares in its financial statements.

12. In May 1998, the Company issued 258,333 shares of Common Stock to Chase Manhattan Investment Holdings, L.P. in exchange for 775,000 shares of the Company's Class B common stock, which were issued in 1995. In so doing, the Company relied on the exchange of existing securities provisions of Section 3(a)(9) of the Securities Act in claiming exemption for the offering, sale and delivery of such securities from registration under the Securities Act.

13. From November 1998 to October 1999, the Company issued a total of 47,255 shares of Common Stock to employees upon the exercise of employment stock options held by such employees. The exercise price of such options was $6.282 per share, resulting in aggregate proceeds to the Company of $296,671. In so doing, the Company relied on the provisions of Rule 701 promulgated under the Securities Act in claiming exemption for the offering, sale and delivery of such securities from registration under the Securities Act.

14. Also in January 2000, the Company issued 38 shares of Common Stock to Oran Tarlton for aggregate consideration of $281.

15. In February 2000, the Company issued a total of 1,430,437 shares of Common Stock to its shareholders who purchased shares in the February 1998 Subscription and the March 1998 Subscription, pursuant to performance conditions specified in such subscriptions which were not attained. No additional consideration was received for such shares.

16. Also in February 2000, the Company issued 166,666 shares of Common Stock to SCF-III, L.P., Chase Manhattan Investment Holdings, L.P. and Bovaird Supply Company in accordance with performance conditions specified in the CE Franklin Transaction which were not attained. No additional consideration was received for such shares.

Except as specifically stated otherwise in the preceding paragraphs, in offering, selling and issuing the securities described above, the Company relied on, among other things, the private placement provisions of Section 4(2) of the Securities Act.

In connection with the closing of the Combination, the Company will issue a total of 7,600,830, 7,606,110 and 5,933,703 shares of Common Stock to the former shareholders of HWC Energy Services, Inc. ("HWC") and Sooner Inc. ("Sooner") and the former shareholders of PTI Group Inc. ("PTI") resident in the United States in consideration for all of the issued and outstanding shares of common stock of HWC and Sooner and the common shares of PTI held by such shareholders, respectively. In so doing, the Company will rely on the private placement provisions of Rule 506 of Regulation D promulgated under the Securities Act in claiming exemption for the offering, sale and delivery of such securities from registration under the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

1.1*	-- Form of U.S. Purchase Agreement
1.2*	-- Form of International Purchase Agreement
3.1	-- Form of Amended and Restated Certificate of Incorporation
3.2	-- Form of Amended and Restated Bylaws
3.3	-- Form of Certificate of Designations of Special Preferred Voting Stock of Oil States International, Inc.
4.1**	-- Form of common stock certificate
4.2**	-- Form of Amended and Restated Registration Rights Agreement
5.1	-- Opinion of Vinson & Elkins L.L.P.
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.
10.2**	-- Form of Plan of Arrangement of PTI Group Inc.
10.3**	-- Form of Support Agreement between Oil States International, Inc. and PTI Holdco
10.4**	-- Form of Voting and Exchange Trust Agreement by and among Oil States International, Inc., PTI Holdco and Montreal Trust Company of Canada
10.5	-- Form of 2000 Equity Participation Plan
10.6	-- Form of Deferred Compensation Plan
10.7	-- Form of Annual Incentive Compensation Plan
10.8	-- Form of Executive Agreement between Oil States International, Inc. and Douglas E. Swanson
10.9	-- Form of Executive Agreement between Oil States International, Inc., and Cindy B. Taylor
10.10	-- Form of Executive Agreement between Oil States International, Inc. and all other Named Executive Officers
10.11	-- Form of Change of Control Severance Plan for Selected Members of Management
10.12**	-- Commitment Letter from Credit Suisse First Boston dated October 11, 2000
10.13	-- Form of Restricted Stock Agreement between Oil States International, Inc. and Douglas E. Swanson.
16.1**	-- Letter Regarding Change in Certifying Accountant
21.1	-- List of subsidiaries of the Company
23.1	-- Consent of Ernst & Young LLP
23.2	-- Consent of Arthur Andersen LLP (Houston, Texas)
23.3	-- Consent of Arthur Andersen LLP (Dallas, Texas)
23.4	-- Consent of PricewaterhouseCoopers LLP (Edmonton, Alberta)
23.5	-- Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1 hereto)
23.6**	-- Consent of Mark G. Papa to serve as director
23.7**	-- Consent of Gary L. Rosenthal to serve as director
23.8**	-- Consent of Martin Lambert to serve as director
23.9	-- Consent of PricewaterhouseCoopers LLP (Calgary, Alberta)
24.1**	-- Powers of Attorney for Directors
27.1**	-- Financial Data Schedule

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* To be filed by amendment.

** Previously filed.

(b) Financial Statement Schedule

All schedules are omitted because the information is contained in the Financial Statements or Notes.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the undersigned registrant pursuant to the foregoing provisions described in Item 14 or otherwise, the undersigned registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the undersigned registrant of expenses incurred or paid by a director, officer or controlling person of the undersigned registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the undersigned registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) To provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(c) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the undersigned registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(d) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the Offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 12th day of December, 2000.

Oil States International, Inc.

By: /s/ DOUGLAS E. SWANSON
Name: Douglas E. Swanson
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ DOUGLAS E. SWANSON Douglas E. Swanson	President, Chief Executive Officer and Director (Principal Executive Officer)	December 12, 2000
/s/ CINDY B. TAYLOR Cindy B. Taylor	Chief Financial Officer (Principal Financial Officer)	December 12, 2000
/s/ ROBERT W. HAMPTON Robert W. Hampton	Vice President -- Finance and Accounting (Principal Accounting Officer)	December 12, 2000
L.E. SIMMONS* L.E. Simmons	Chairman of the Board	December 12, 2000
DAVID ALTHOFF* David Althoff	Director	December 12, 2000
Russell Hawkins	Director	
DENNIS PROCTOR* Dennis Proctor	Director	December 12, 2000
ANDREW L. WAITE* Andrew L. Waite	Director	December 12, 2000
STEPHEN A. WELLS* Stephen A. Wells	Director	December 12, 2000

SIGNATURE	TITLE	DATE
JAMES D. WOODS* James D. Woods	Director	December 12, 2000

*By: /s/ CINDY B. TAYLOR

Cindy B. Taylor, pursuant to a power of attorney filed with the Registration Statement NO. 333-43400, filed with the Security and Exchange Commission on August 10, 2000.

INDEX TO EXHIBITS

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* To be filed by amendment.

** Previously filed.

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF OIL STATES INTERNATIONAL, INC.

The name of the corporation is "Oil States International, Inc." (the "Corporation").

The original certificate of incorporation was filed with the Secretary of State of the State of Delaware on July 6, 1995, under the name "CE Holdings, Inc."

This Amended and Restated Certificate of Incorporation (this "Certificate of Incorporation") has been declared advisable by the board of directors of the Corporation (the "Board"), duly adopted by the stockholders of the Corporation and duly executed and acknowledged by the officers of the Corporation in accordance with Sections 103, 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL").

The text of the certificate of incorporation of the Corporation is hereby amended and restated to read in its entirety as follows:

ARTICLE I
NAME

The name of the Corporation is "Oil States International, Inc."

ARTICLE II
REGISTERED AGENT

The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the city of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE III
PURPOSE

The purposes of the Corporation are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV
CAPITAL STOCK

Section 4.1. Authorized Capital Stock. The Corporation shall be authorized to issue 225,000,000 shares of capital stock, consisting of two classes: 200,000,000 shares of common stock, par value $.01 per share ("Common Stock"), and 25,000,000 shares of preferred stock, par value $.0001 per share ("Preferred Stock").

Effective as of the close of business on the day of the filing of this Certificate of Incorporation with the Secretary of State of the State of Delaware, the "Class A Common Stock" and "Class B Common Stock" designations shall be canceled, and the Common Stock of the Corporation shall consist of a single class of 200,000,000 authorized shares, designated as "Common Stock."

Effective as of the close of business on the day of the filing of this Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Effective Time"), each share of Class A Common Stock, par value $0.01 per share ("Old Common Stock"), issued at such time shall be and hereby is automatically reclassified and changed into one-third of one share (the "Reverse Stock Split") of Common Stock without any action by the holder thereof. Shares of Old Common Stock that are held by stockholders through multiple certificates shall be aggregated for purposes of determining the total number of shares of Common Stock issuable to each stockholder in the Reverse Stock Split. No certificates representing fractional shares of Common Stock shall be issued in connection with the Reverse Stock Split. Instead, at the Effective Time, each fractional share of Common Stock otherwise resulting from the Reverse Stock Split shall automatically be converted into the right to receive, upon surrender of all certificates of Old Common Stock, the cash value of such fractional share based upon the initial public offering price of the Common Stock. Effective as of the Effective Time, the certificates outstanding and previously representing shares of Old Common Stock shall, until surrendered and exchanged, be deemed, for all corporate purposes, to represent one share of Common Stock for each three shares of Old Common Stock previously represented by such certificates.

Section 4.2. The authorized shares of Preferred Stock may be issued in one or more series. Subject to any provision made in this Article Four fixing and determining the designations, rights and preferences of any series of Preferred Stock, the Board of Directors is hereby authorized to issue the shares of Preferred Stock in such series and to fix from time to time before issuance the number of shares to be included in any series, the par value and the designation, relative powers, preferences and rights and qualifications, limitations or restrictions of all shares of such series. The authority of the Board of Directors with respect to each series shall include, without limiting the generality of the foregoing, the determination of any or all of the following:

a. the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;

b. the voting powers, if any, and whether such voting powers are full or limited, in such series;

c. the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;

d. whether dividends, if any, shall be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;

e. the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;

f. the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes of any other series of the same or any other class or classes of stock, or any other security, of the Corporation or any other corporation, and price or prices or the rates of exchange applicable thereto;

g. the right, if any, to subscribe for or to purchase any securities of the Corporation or any other corporation;

h. the provisions, if any, of a sinking fund applicable to such series; and

i. any other relative, participating, optional or other special powers, preferences, rights, qualifications, limitations or restrictions thereof;

all as shall be determined from time to time by the Board of Directors and shall be stated in a resolution or resolutions providing for the issuance of such Preferred Stock (a "Preferred Stock Designation").

Except as required by law, holders of shares of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

Section 4.3. There is hereby designated a series of Preferred Stock known as the "Series A Convertible Cumulative Preferred Stock," par value $0.0001 per share, and the number of shares constituting this series shall be 16,250.

a. Certain Definitions. The following terms, as used with respect to this series, shall have the following meanings given to them:

Affiliate means, with respect to any Person, any other Person controlling, controlled by, or under common control with that first Person. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policy of the controlled Person.

Business Day means any day other than Saturday, Sunday and any day on which banks in Houston, Texas are authorized by law not to open for business.

Change of Control means such time as (i) a "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), other than SCF-III, L.P., has become the beneficial owner, by way of merger, consolidation, stock purchase or otherwise, of more than 50% of the common stock of the Corporation.

Conversion Date means a date set by the Corporation as the date on which it shall cause the conversion of the Preferred Stock into Conversion Shares provided that such

date shall be within 10 days from the date on which the Corporation receives any Conversion Notice.

Conversion Price means the "Conversion Price" set forth on the share certificate evidencing ownership of a share of Preferred Stock (which price shall be the same for all shares of the Preferred Stock, but which may differ for other series of the Corporation's preferred stock); provided, if the Corporation shall at any time or from time to time after the date hereof (i) effect a subdivision of the outstanding common stock thereof, the Conversion Price in effect immediately before that subdivision shall be proportionately decreased or (ii) combine the outstanding shares of common stock thereof, the Conversion Price in effect immediately before the combination shall be proportionately increased. Any adjustment described in the preceding proviso shall become effective at the close of business on the date the subdivision or combination becomes effective.

Delaware Act means the General Corporation Law of the State of Delaware, as amended from time to time.

Junior Stock means the Common Stock and any other capital stock of the Corporation other than capital stock, upon issuance, which is on parity with or senior to the Preferred Stock.

Liquidation Value means (a) with respect to any whole share of Preferred Stock, an amount determined from time to time equal to $100 per share of Preferred Stock plus accrued and unpaid dividends at the time of any determination related to such share and (b) with respect to any fractional share of Preferred Stock, the amount determined under clause (a) preceding multiplied by the fraction that corresponds to such fractional share. For example, a .5 share of Preferred Stock would have a Liquidation Value equal to .5 of the Liquidation Value of a whole share.

Person means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or a political subdivision, agency or instrumentality thereof or other entity or organization of any kind.

Preferred Stock means the 16,250 shares of the Corporation's Series A Convertible Cumulative Preferred Stock having a par value of $0.0001 per share.

Public Offering means an underwritten public offering of Common Stock of the Corporation pursuant to a registration statement filed under the Securities Act of 1933, as amended (other than any registration statement relating to warrants, options or shares of capital stock granted or to be granted or sold primarily to employees, directors, or officers of the Corporation, a registration statement filed pursuant to Rule 145 under the Securities Act of 1933, as amended, or any successor rule, a registration statement relating to employee benefit plans or interests therein and any registration statement covering preferred stock or securities issued in connection with any debt or preferred stock financing of the Corporation) wherein the aggregate net proceeds (after deducting

all costs, discounts, commissions and other expenses of the offering) to the Corporation, or the selling stockholders are at least $10,000,000.

Purchase Agreement shall mean that certain Stock Purchase Agreement among the Corporation, SMATCO Industries, Inc. and the Sellers listed therein, as such agreement may be amended, modified, supplemented, or restated from time to time.

b. Dividends.

(i) Dividend Rate. The holders of the Preferred Stock shall be entitled to receive, when and as declared by the Board, out of funds of the Corporation lawfully available for the payment of dividends, cash dividends at the rate of 3% per annum of the Liquidation Value of such shares, and no more, from the date of original issuance, payable annually on July 31 of each year, commencing on July 31, 1998, except that if any such date is not a Business Day then such dividend shall be payable on the first immediately preceding day which is a Business Day. Each dividend payment period from July 31 of one year to July 31 of the immediately succeeding year is referred to in this Certificate as a "Dividend Payment Period."

(ii) Computation; Record Date. Dividends on the Preferred Stock will be cumulative (whether or not declared or paid) from the date of original issue so long as the Preferred Stock is outstanding. With respect to Preferred Stock that is not outstanding for a full Dividend Payment Period, dividends for such shorter period shall be prorated based on a year of 365 days. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates as may be fixed by the Board (or any authorized committee thereof), and no such record date shall be more than 60 days nor less than 10 days preceding the corresponding dividend payment date thereof. Dividends on account or arrears for any past dividend periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on a date not more than 60 days nor less than 10 days preceding the payment date thereof as may be fixed by the Board of the Corporation (or any duly authorized committee thereof).

(iii) General Provisions. Unless full cumulative dividends on the outstanding Preferred Stock have been paid, or declared and a sum sufficient for the payment thereof set apart for payment, no dividends or other distributions of cash, securities or other property of any kind or character, other than dividends payable solely in shares of Common Stock or any other class or series of the Corporation's Junior Stock, will be paid or distributed or set apart for payment or distribution on or in respect of, and no purchase, redemption or other acquisition will be made directly or indirectly by the Corporation or any of its subsidiaries of, any shares of Junior Stock, unless and until all (A) accrued and unpaid dividends on the Preferred Stock, (B) all amounts payable in connection with the mandatory redemption of all shares of Preferred Stock theretofore called or required hereunder to have been theretofore called for redemption, and (C) all amounts that shall have theretofore become payable to holders of Preferred Stock pursuant to Section 4.3(f) hereof, shall have been fully paid or set apart and held in trust for the sole and exclusive benefit of the holders of Preferred Stock entitled thereto.

(iv) Pari Passu Stock; Pro Rata Payment. If the Corporation does not have sufficient lawfully available funds to make payment in full of dividends on the Preferred Stock

and any other preferred stock of the Corporation ranking on parity (as to payment of dividends) with the Preferred Stock (the "Pari Passu Stock"), all dividends declared upon shares of the Preferred Stock and Pari Passu Stock shall be declared and paid on a pro rata basis so that (a) the ratio of the amount of dividends declared and paid on all of the shares of Preferred Stock (determined on an aggregate basis) to the amount of dividends declared and paid on all of the shares of Pari Passu Stock (determined on an aggregate basis) is the same ratio as (b) the ratio that the amount of dividends that would be payable on all of the shares of Preferred Stock (determined on an aggregate basis) if the Corporation had sufficient lawfully available funds to make all dividend payments on the Preferred Stock and the Pari Passu Stock in full bears to the amount of dividends that would be payable on all of the shares of Pari Passu Stock (determined on an aggregate basis) if the Corporation had sufficient legally available funds to make all dividend payments on the Preferred Stock and the Pari Passu Stock in full.

c. Mandatory and Optional Conversion.

(i) Mandatory Conversion. Each share of Preferred Stock outstanding on August 1, 2002 shall be automatically converted into a number of shares of Common Stock (the "Conversion Shares"). Each share of Preferred Stock shall be convertible into a number of shares of Conversion Shares according to the conversion ratio and the conversion procedures. Subject to compliance with the conditions for conversion set forth in the remaining provisions of this Section 4.3(c), the Corporation shall cause certificates evidencing ownership of the Conversion Shares to be delivered to each holder of Preferred Stock on or before August 15, 2002.

(ii) Optional Conversion. Upon the consummation of (i) a Public Offering (ii) a sale of all or substantially all of the assets of the Corporation ("Sale") or (iii) a Change of Control that occurs prior to August 1, 2002, each holder of Preferred Stock may elect to convert the shares of Preferred Stock held thereby for Conversion Shares, and such conversion shall become effective immediately preceding the consummation of such Public Offering, Sale or Change of Control; provided, such conversion shall not become effective if such event giving rise to the option to convert is not consummated. Each share of Preferred Stock shall be convertible into a number of shares of Conversion Shares according to the conversion ratio and the conversion procedures set forth in the remaining provisions of this Section 4.3(c). The Corporation shall notify each holder of Preferred Stock at least 20 days prior to the scheduled consummation of a Public Offering, Sale or Change of Control (the "Offering Notice"). A holder desiring to convert any share or shares of Preferred Stock for Conversion Shares as of the consummation of the Public Offering must send written notice (the "Conversion Notice") to the Corporation within 10 days after receipt of the Offering Notice setting forth the number of shares of Preferred Stock that it elects to have converted.

(iii) Conversion Ratio. Each share of Preferred Stock shall be convertible into a number of Conversion Shares determined by dividing the Liquidation Value of the share of Preferred Stock, determined as of the particular Conversion Date, by the Conversion Price.

(iv) Conversion Procedures. As a condition to any conversion under Section 4.3(c)(ii) and as a condition to the Corporation's obligation to deliver new certificates evidencing the ownership of the Conversion Shares, the holder thereof shall surrender the

certificate or certificates for such shares of Preferred Stock at the office of the transfer agent of the Corporation (or at the principal office of the Corporation, if the Corporation serves as its own transfer agent) on the Business Day immediately preceding the applicable Conversion Date. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in a form satisfactory to the Corporation, duly executed by the registered holder or his or its attorney duly authorized in writing. All shares of Preferred Stock, which shall have been surrendered for conversion as herein provided, shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive dividends, shall immediately cease and terminate on the Conversion Date except only the right of the holders thereof to receive the Conversion Shares. Any shares of Preferred Stock so converted shall be retired and canceled and shall not be reissued. The Corporation may from time to time take such appropriate action as may be necessary to reduce the number of shares of authorized Preferred Stock accordingly. Prior to each holder receiving Conversion Shares, such holder shall automatically become bound by the securityholders agreement to which the Corporation's largest shareholder is then bound and shall, at the Corporation's request, execute an Adoption Agreement confirming that the Conversion Shares are bound by such securityholders agreement. Upon satisfying the conditions and other procedures set forth in this Section 4.3(c)(iv), the holder of any Conversion Shares shall be granted piggy-back registration rights having the same terms as those then inuring to the benefit of the Corporation's largest shareholder including piggy-back registration rights (to the extent the largest shareholder would have same) with respect to the Public Offering that enabled any holder to make a conversion under Section 4.3(c)(ii).

d. Redemption.

(i) Optional Redemption. Subject to the optional conversion rights in Section 4.3(c)(ii) above and provided that the time period for responding to an Offer Notice by a holder of the Preferred Stock has expired, upon the occurrence of (i) the consummation of a Public Offering, (ii) a Change of Control or (iii) consummation of a Sale, the Corporation will, prior to or contemporaneously with the consummation of any of the foregoing events, have the option to redeem all or any portion of the outstanding Preferred Stock at a redemption price payable in cash equal to the Liquidation Value.

(ii) Redemption Procedures. The right or obligations of the Corporation to make any redemption pursuant to Section 4.3(d)(i) shall be subject to the conversion rights set forth in Section 4.3(c)(ii) above and satisfaction, at or prior to such redemption, of the following conditions.

(A) Any redemption effected pursuant to Section 4.3(d)(i) shall be made on a pro rata basis among the holders of the Preferred Stock in proportion to the shares of Preferred Stock then held by them.

(B) Any redemption pursuant to Section 4.3(d)(i) shall be effected by written or printed notice by certified mail, postage prepaid, return receipt requested, to the holders of record of the Preferred Stock being redeemed, such notice to be addressed to each holder at the address shown in the Corporation's records which notice shall (i) specify the date of redemption, (ii) the number of shares of the holder to be redeemed

(which shall be all shares upon a redemption under Section 4.3(d)(iii), (iii) the place at which holders of the Preferred Stock shall surrender their certificate or certificates and obtain payment of the redemption price and (iv) such other information, if any, as the Board may deem appropriate. Such notice shall be given no more than 60 but no less than 5 days prior to the date fixed for redemption.

(C) On or after the date of redemption as specified in the notice specified in Section 4.3(d)(iii)(B), each holder shall surrender to the Corporation, at the place specified in such notice, its certificate or certificates (or comply with applicable lost certificate provisions) for the Preferred Stock to be redeemed as stated in the notice. Provided such notice is duly given and provided that on the redemption date specified there shall be a source of funds legally available for such redemption and the redemption price necessary for the redemption shall have been paid, then all rights with respect to such shares shall, after the specified redemption date, terminate, whether or not said certificates have been surrendered, excepting only in the latter instance the rights of the holder to receive the redemption price thereof, without interest, upon such surrender (or compliance with lost certificate provisions).

(iv) No Reissue of Shares. Any shares of the Preferred Stock redeemed, purchased, or otherwise acquired by the Corporation shall be deemed retired and may not under any circumstances thereafter be issued or otherwise disposed of by the Corporation.

e. Voting Rights. Except for the voting rights in Section 4.3(g) below or as otherwise from time to time required by law, the holders of Preferred Stock will have no voting rights with respect to the Preferred Stock, and their consent will not be required for taking any corporate action.

f. Liquidation Preference.

(i) General. In the event of any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of the Preferred Stock shall be entitled to receive an amount in cash for each share of the Preferred Stock equal to the Liquidation Value before any distribution shall be made to the holders of the Junior Stock upon the liquidation, dissolution or winding-up of the Corporation. If upon any liquidation, dissolution or winding-up of the Corporation, the assets distributable among the holders of the Preferred Stock shall be insufficient to permit the payment in full of all the holders of the then outstanding shares of the Preferred Stock and all holders of preferred stock of the Corporation ranking on a parity with the Preferred Stock with respect to the payment upon liquidation, dissolution and winding-up of the Corporation of all preferential amounts payable to all such holders, then the entire assets of the Corporation thus distributable shall be distributed ratably among the holders of the Preferred Stock and all such other holders of such parity preferred stock of the Corporation in proportion to the respective amounts that would be payable per share if such assets were sufficient to permit payment in full (determined on an aggregate basis). A consolidation or merger of the Corporation with or into one or more corporations or a Sale shall not be deemed to be a liquidation, dissolution or winding-up of the Corporation, if, as a result of

such consolidation, merger, sale or transfer the holders of the Preferred Stock retain the liquidation preference set forth in this Section 4.3(f)(i).

(ii) Fair Value. The fair value of the assets or property to be distributed to the holders of the Preferred Stock in the event of a liquidation, dissolution or winding up of the Corporation pursuant to Section 4.3(f)(i) shall be determined by the Board in good faith.

(iii) No Restriction on Surplus. No provision of this Section 4.3(f) shall in any manner, prior to any liquidation, dissolution, or winding up of the affairs of the Corporation, whether voluntary or otherwise, create or be deemed to create any restrictions upon the surplus of the Corporation or prohibit the payment of dividends on the capital stock of the Corporation out of the funds of the Corporation legally available therefor, nor shall any such restrictions or prohibition be in any manner inferred from the provisions of this Section 4.3(f).

g. Covenants of the Corporation. So long as any share of Preferred Stock remains outstanding, the Corporation shall not, without first obtaining the affirmative vote or written consent of the holders of more than 50% of the outstanding shares of Preferred Stock:

(i) Amend or repeal any provision of, or add any provision to, the Corporation's Certificate of Incorporation or Bylaws if such action would adversely alter the preferences, rights, privileges or powers of, or the restrictions provided for the benefit of, the Preferred Stock, or increase or decrease the number of shares of the Preferred Stock authorized hereby;

(ii) Authorize or issue shares of any class of stock having any preference or priority as to dividends or assets superior to or on a parity with any preference or priority of the Preferred Stock, or authorize or issue shares of stock of any class or any bonds, debentures, notes or other obligations convertible into or exchangeable for, or having option rights to purchase, any shares of any other class or series of stock of the Corporation having any preference or priority as to assets superior or on a parity with any preference or priority of the Preferred Stock; or

(iii) Reclassify any Junior Stock into shares having any preference or priority as to assets superior to or on a parity with any preference or priority of the Preferred Stock.

h. Acknowledgments by Holders. Each holder of the Preferred Stock by acceptance thereof, acknowledges and agrees that payments of dividends, interest, premium and principal on, in exchange, redemption, liquidation, conversion and repurchase of, such securities by the Corporation are subject to restrictions on the Corporation contained in certain credit and financing agreements of the Corporation and its Affiliates.

i. Fractional Shares. In the event the redemption or conversion provisions provided in this Certificate result in the redemption or conversion of less than the Liquidation Value of a whole share of Preferred Stock, the Corporation may issue a fractional share to evidence the unredeemed or unconverted portion of any such share.

Section 4.4. Common Stock. The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. The holders of shares of Common Stock shall be entitled to one vote for each such share upon all proposals on which the holders of Common

Stock are entitled to vote. Except as otherwise provided by law or by the resolution or resolutions adopted by the Board designating the rights, powers and preferences of any series of Preferred Stock, the holders of Common Stock shall have the exclusive right to vote for the members of the Board (the "Directors") and for all other purposes. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation. The Corporation shall be entitled to treat the Person in which name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

ARTICLE V
THE BOARD

To the extent not provided for in this Certificate of Incorporation, the number, nominations, qualifications, tenure, vacancies and removal of the Directors shall be as set forth in the Bylaws.

Section 5.1. Number, Election and Terms of Directors. The number of Directors which shall constitute the entire Board shall be fixed from time to time by a majority of the Directors then in office and shall be divided into three classes: Class I, Class II and Class III; provided, however, that from and after the first date as of which the Corporation has a class or series of capital stock registered under the Securities and Exchange Act of 1934, as amended, the number of Directors which shall constitute the entire Board shall be not less than three. Each Director shall serve for a term ending on the third annual meeting following the annual meeting of stockholders at which such Director was elected; provided, however, that the Directors first elected to Class I shall serve for a term expiring at the annual meeting of stockholders next following the end of the calendar year 2000, the Directors first elected to Class II shall serve for a term expiring at the annual meeting of stockholders next following the end of the calendar year 2001, and the Directors first elected to Class III shall serve for a term expiring at the annual meeting of stockholders next following the end of the calendar year 2002. Each Director shall hold office until the annual meeting of stockholders at which such Director's term expires and, the foregoing notwithstanding, shall serve until his or her successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal.

At such annual election, the Directors chosen to succeed those whose terms then expire shall be of the same class as the Directors they succeed, unless, by reason of any intervening changes in the authorized number of Directors, the Board shall have designated one or more Directorships whose terms then expires as Directorships of another class in order to more nearly achieve equality of number of Directors among the classes.

In the event of any changes in the authorized number of Directors, each Director then continuing to serve shall nevertheless continue as a Director of the class of which he is a member until the expiration of his or her current term, or his or her prior death, resignation or removal. The Board shall specify the class to which a newly created Directorship shall be allocated.

Election of Directors need not be by written ballot unless the Bylaws shall so provide.

Section 5.2. Removal Of Directors. No Director of the Corporation shall be removed from office as a Director by vote or other action of the stockholders or otherwise except for cause, and then only by the affirmative vote of the holders of a majority of the voting power of all outstanding shares of capital stock of the Corporation generally entitled to vote in the election of Directors, voting together as a single class.

Section 5.3. Vacancies. Subject to any requirements of law to the contrary, newly created Directorships resulting from any increase in the number of Directors and any vacancies on the Board resulting from death, resignation, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new Directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified or until his or her earlier death, resignation or removal. No decrease in the number of Directors constituting the Board shall shorten the term of any incumbent Director.

ARTICLE VI
BYLAWS

In furtherance and not in limitation of the powers conferred by statute, the Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board in accordance with the Bylaws.

ARTICLE VII
AMENDMENT OF CERTIFICATE OF INCORPORATION

Except as otherwise provided in this Certificate of Incorporation, the Bylaws or by applicable law, the Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and, except as set forth in Article XI, all rights, preferences and privileges of whatsoever nature conferred upon stockholders, Directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

ARTICLE VIII
STOCKHOLDER ACTION BY WRITTEN CONSENT

Prior to the first date (the "Trigger Date") upon which SCF-III, L.P. and SCF-IV, L.P., each a Delaware limited partnership (collectively, "SCF"), are not in the aggregate the holders of record (directly or through their respective Affiliates, as defined in Article XII hereof) of a majority of the outstanding voting stock of the Corporation entitled to vote generally in the election of Directors, any action required or permitted to be taken by the stockholders of the Corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of

votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. On and after the Trigger Date, any action required or permitted to be taken by the stockholders of the Corporation must be taken at a duly held annual or special meeting of stockholders and may not be taken by any consent in writing of such stockholders.

ARTICLE IX
DELAWARE ANTITAKEOVER STATUTE

The provisions of Section 203 of the Delaware General Corporation Law shall not be applicable to the Corporation.

ARTICLE X
ANTI-DILUTION

No holder of shares of capital stock of the Corporation shall have any preemptive or other right to purchase or subscribe for or receive any shares of capital stock of the Corporation, whether now or hereafter authorized, or any warrants, options, bonds or debentures exchangeable for or carrying any right to purchase any shares of capital stock of the Corporation.

ARTICLE XI
LIMITED LIABILITY OF DIRECTORS

A Director shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except, if required by the DGCL, as amended from time to time, for liability (i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the Director derived an improper personal benefit. Neither the amendment nor repeal of this Article XI shall eliminate or reduce the effect of this Article XI in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article XI, would accrue or arise, prior to such amendment or repeal.

ARTICLE XII
RENOUNCEMENT OF BUSINESS OPPORTUNITIES

Section 12.1. Renouncement of Business Opportunities. The Corporation hereby renounces any interest or expectancy in any business opportunity, transaction or other matter in which any member of the SCF Group participates or desires or seeks to participate in and that involves any aspect of the energy equipment or services business or industry (each, a "Business Opportunity") other than a Business Opportunity that (i) is presented to an SCF Nominee solely in such person's capacity as a director of the Corporation and respect to which no other member of the SCF Group (other than an SCF Nominee) independently receives notice or otherwise identifies such Business Opportunity or (ii) is identified by the SCF Group solely through the disclosure of information by or on behalf of the Corporation (each Business Opportunity other than those referred to in clauses (i) or (ii) are referred to as a "Renounced Business Opportunity"). No Member of the SCF Group, including any SCF Nominee, shall have

any obligation to communicate or offer any Renounced Business Opportunity to the Corporation, and any member of the SCF Group may pursue a Renounced Business Opportunity.

Section 12.2. Consent. Any Person purchasing or otherwise acquiring any interest in shares of the capital stock of the Corporation shall be deemed to have consented to these provisions.

Section 12.3. Interpretation.

As used in this Article XII, the following definitions shall apply:

(i) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under the Securities Exchange Act of 1934.

(ii) "SCF Group" means SCF III, L.P., SCF IV, L.P., any Affiliate of SCF III, L.P. or SCF IV, L.P. (other than the Corporation and its subsidiaries), any SCF Nominee, and any portfolio company in which SCF III, L.P. or SCF IV, L.P. has an equity investment (other than the Corporation),

(iii) "SCF Nominee" means any officer, director, employee or other agent of any member of SCF III, L.P., SCF IV, L.P. or any Affiliate of SCF III, L.P. or SCF IV, L.P. (other than the Corporation or its subsidiaries) who serves as a Director (including Chairman of the Board) of the Corporation.

Section 12.4. Amendment. Any proposed amendment to this Article XII shall require the approval of at least 80% of the outstanding voting stock of the Corporation entitled to vote generally in the election of Directors.

Section 12.5. Term. The provisions of this Article XII shall terminate at such time as SCF III, L.P., SCF IV, L.P. and their Affiliates no longer own, directly or indirectly, an aggregate of at least 20% of the then outstanding Common Stock.

IN WITNESS WHEREOF, Oil States International, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its President this ___ day of ____________________, 2001.

Douglas E. Swanson
President

EXHIBIT 3.2

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AMENDED AND RESTATED BYLAWS

OF

OIL STATES INTERNATIONAL, INC.

DATED AS OF __________, 2001

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AMENDMENTS

AMENDED AND RESTATED BYLAWS
OF
OIL STATES INTERNATIONAL, INC.

These Amended and Restated Bylaws of Oil States International, Inc. (formerly known as Conemsco, Inc.) (the "Corporation") were adopted by the board of directors of the Corporation (the "Board") on ______________, 2001 and duly executed and acknowledged by the officers of the Corporation in accordance with Section 109 of the General Corporation Law of the State of Delaware ("DGCL").

ARTICLE I
OFFICES AND RECORDS

The Corporation shall maintain a registered office in Delaware and may maintain such other offices and keep its books, documents and records at such places within or without Delaware as may, from time to time, be designated by the Board.

ARTICLE II
STOCKHOLDERS

Section 2.1. Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held on such date and at such time as may be fixed by resolution of the Board.

Section 2.2. Special Meeting. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock, as defined in the Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), as to dividends or upon liquidation, special meetings of the stockholders of the Corporation for any purpose or purposes may be called only by:

(a) the Board pursuant to a resolution stating the purpose or purposes thereof approved by a majority of the Board, or

(b) the Chairman of the Board.

No business other than that stated in the notice shall be transacted at any special meeting.

Section 2.3. Place of Meeting. The Board or the Chairman of the Board, as the case may be, may designate the place of meeting for any annual meeting or for any special meeting of the stockholders. If no designation is so made, the place of meeting shall be the principal office of the Corporation.

Section 2.4. Closing Of Transfer Books And Fixing Record Date. For the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or stockholders entitled to receive a distribution by the Corporation (other than a distribution involving a purchase or redemption by the Corporation of any of its own shares) or a share dividend, or in order to make a determination of stockholders for any other

proper purpose, the Board may provide that the stock transfer books shall be closed for a stated period in no case to exceed sixty days. If the stock transfer books shall be closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least the ten days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board may fix in advance a date as the record date for any such determination of stockholders, such date in no case to be more than sixty days nor, in the case of a meeting of stockholders, less than ten days prior to the date on which the particular action requiring such determination of stockholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive a distribution (other than a distribution involving a purchase or redemption by the corporation of any of its own shares) or a share dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the board of directors declaring such distribution or share dividend is adopted, as the case may be, shall be the record date of such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made, as provided in this Section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of stock transfer books and the stated period of closing has expired.

Section 2.5. Notice of Meeting. Written or printed notice, stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered by the Corporation not less than ten calendar days nor more than 60 calendar days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at such meeting. Holders of Preferred Stock, as defined in the Certificate of Incorporation, shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at such person's address as it appears on the stock transfer books of the Corporation. Only such business shall be conducted at a special meeting of stockholders as shall have been included in the Corporation's notice of meeting. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Section 7.4 of these Bylaws. Any previously scheduled meeting of the stockholders may be postponed, and any special meeting of the stockholders may be canceled, by resolution of the Board upon public notice given prior to the date previously scheduled for such meeting of stockholders.

Section 2.6. Quorum and Adjournment; Voting. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the voting power of all outstanding shares of the Corporation entitled to vote generally in the election of Directors (as hereinafter defined) (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The chairman of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly

called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.7. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in such other manner permitted by the DGCL) by the stockholder or by such person's duly authorized attorney-in-fact.

Section 2.8. Notice of Stockholder Business and Nominations.

(a) Annual Meetings of Stockholders.

(i) Nominations of persons for election to the Board and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (A) pursuant to the Corporation's notice of meeting in accordance with Section 2.5 of these Bylaws, (B) by or at the direction of the Board, or (C) by any stockholder of the Corporation who was a stockholder of record at the time the notice provided for in this Bylaw was delivered, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

(ii) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of Section 2.8(a)(i) hereof, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of the 120th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a member of the Board (a "Director") if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (1) the name and address of such stockholder, as they

appear on the Corporation's books, and of such beneficial owner and (2) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this Bylaw to the contrary, in the event that the number of Directors to be elected to the Board is increased and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board at least 130 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth calendar day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of the Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting under Section 2.5 of these Bylaws. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board, provided that the Board has determined that Directors shall be elected at such meeting, or (ii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more Directors to the Board, any stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting pursuant to clause (ii) if the stockholder's notice required by paragraph (a)(ii) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 120th calendar day prior to such special meeting or the tenth calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business in not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (B) of the holders of any series of Preferred Stock to elect Directors under an applicable Preferred Stock Designation (as defined in the Certificate of Incorporation).

Section 2.9. Procedure for Election of Directors; Required Vote. Election of Directors at all meetings of the stockholders at which Directors are to be elected shall be by ballot unless otherwise determined by the Board prior to such meeting, and, subject to the rights of the holders of any series of Preferred Stock to elect Directors under an applicable Preferred Stock Designation, a plurality of the votes cast thereat shall elect Directors. Except as otherwise provided by law, the Certificate of Incorporation, any Preferred Stock Designation (as defined in the Certificate of Incorporation) or these Bylaws, in all matters other than the election of Directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

Section 2.10. Inspectors of Elections; Opening and Closing the Polls. The Board by resolution shall appoint, or shall authorize an officer of the Corporation to appoint, one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspector(s) to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of the stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging such person's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such person's ability. The inspector(s) shall have the duties prescribed by law. The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 2.11. Conduct of Meetings. The Board may to the extent not prohibited by law adopt such rules and regulations for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may to

the extent not prohibited by law include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (e) limitations on the time allotted to questions or comments by participants. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE III
THE BOARD

Section 3.1.General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board. In addition to the powers and authorities expressly conferred upon the Board by these Bylaws, the Board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute, by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders. Except as otherwise provided by law, these Bylaws or by the Certificate of Incorporation, all decisions of the Board shall require the affirmative vote of a majority of the Directors present at a meeting at which a quorum is present.

Section 3.2. Number; Qualifications and Tenure. The number of the Directors constituting the entire Board shall be fixed form time to time by resolution of the Board. A Director need not be a stockholder of the Corporation.

Section 3.3. Regular Meetings. The Board shall meet at least quarterly. The Board may, by resolution and notice to each of the Directors, provide the time and place for the holding of additional regular meetings without other notice than such resolution and notice to the Directors.

Section 3.4. Special Meetings. A special meeting of the Board may be called at any time on two Business Days' prior notice at the request of (a) the Chairman of the Board or (b) any four Directors. As used in these Bylaws, the term "Business Day" shall mean any day on which banks are generally open to conduct business in the State of Texas. The place of any special meeting shall be the corporate headquarters of the Corporation unless otherwise agreed by a majority of the Directors.

Section 3.5. Notice. Written notice of all regular meetings of the Board must be given to all Directors at least 15 days prior to the regular meeting of the Board and two Business Days prior to any special meeting of the Board. All notices and other communications to be given to Directors shall be sufficiently given for all purposes hereunder if in writing and delivered by hand, courier or overnight delivery service or three days after being mailed by certified or registered mail, return receipt requested, with appropriate postage prepaid, or when received in

the form of a telegram or facsimile, and shall be directed to the address or facsimile number as such Director shall designate by notice to the Corporation. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice of such meeting, except for amendments to these Bylaws, as provided under Article IX. A meeting may be held at any time without notice if all the Directors are present or if those not present waive notice of the meeting in accordance with Section 7.4.

Section 3.6. Action by Consent of Board. To the extent permitted by applicable law, the Board and any committee thereof may act without a meeting so long as all members of the Board or committee shall have executed a written consent with respect to any Board action taken in lieu of a meeting.

Section 3.7. Conference Telephone Meetings. Members of the Board or any committee thereof may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 3.8. Quorum. A majority of the entire Board present in person, participating in accordance with Section 3.7 or represented by proxy, shall constitute a quorum for the transaction of business, but if at any meeting of the Board there shall be less than a quorum present, a majority of the Directors present may adjourn the meeting from time to time without further notice. Subject to any provisions of any law, these Bylaws or the Certificate of Incorporation, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board. The Directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Directors to leave less than a quorum.

Section 3.9. Vacancies; Increases in the Number of Directors. Except as otherwise provided in the Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of Directors may be filled by a majority of the Directors then in office, although less than a quorum, or a sole remaining Director; and any Director so chosen shall hold office until the next annual election and until his successor shall be duly elected and shall qualify, unless sooner displaced.

Section 3.10. Executive and Other Committees. (a) The Board may establish committees of the Board and may delegate certain of its responsibilities to such committees.

(b) The Board shall have an audit committee comprised of three Independent Directors, which audit committee shall establish a written audit committee charter in accordance with the rules of the New York Stock Exchange, Inc. (the "NYSE"), as amended from time to time. "Independent Director" shall mean a Director meeting the independence and experience requirements, as set forth by the NYSE as of the date of these Amended and Restated Bylaws for membership on the audit committee of the Board.

(c) Unless the Board shall otherwise provide, a majority of any committee may fix the time and place of its meetings and may determine its action. Notice of such meetings shall

be given to each member of the committee in the manner provided for in Section 3.5 of these Bylaws. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not Directors; provided, however, that no such committee shall have or may exercise any authority of the Board.

Section 3.11. Removal. Except as otherwise provided in the Certificate of Incorporation, any Director or the entire Board may be removed, with or without cause, by the holders of a majority of the Voting Stock.

Section 3.12. Records. The Board shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

ARTICLE IV
OFFICERS

Section 4.1. Elected Officers. The executive officers of the Corporation shall be selected by, and serve at the pleasure of, the Board. Such officers shall have the authority and duties delegated to each of them, respectively, by the Board from time to time. The elected officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, a Treasurer, and such other officers (including, without limitation, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents) as the Board from time to time may deem proper. The Chairman of the Board shall be chosen from among the Directors. All officers elected by the Board shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. The Board or any committee thereof may from time to time elect, or the Chairman of the Board may appoint, such other officers (including one or more Vice Presidents, Controllers, Assistant Secretaries and Assistant Treasurers), as may be necessary or desirable for the conduct of the business of the Corporation. Such other officers and agents shall have such duties and shall hold their offices for such terms as shall be provided in these Bylaws or as may be prescribed by the Board or such committee or by the Chairman of the Board, as the case may be.

Section 4.2. Election and Term of Office. The elected officers of the Corporation shall be elected annually by the Board at the regular meeting of the Board held after the annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until such person's successor shall have been duly elected and shall have qualified or until such person's death or until he or she shall resign or be removed pursuant to Section 4.9.

Section 4.3. Chairman of the Board. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board. He shall make reports to the Board and the stockholders and shall see that all orders and resolutions of the Board and of any committee thereof are carried into effect. The Chairman of the Board may also serve as President or Chief

Executive Officer, if so elected by the Board. The Directors also may elect a vice-chairman to act in the place of the Chairman upon his or her absence or inability to act.

Section 4.4. Chief Executive Officer. The Chief Executive Officer shall be responsible for the general management of the affairs of the Corporation and shall perform all duties incidental to such person's office which may be required by law and all such other duties as are properly required of him by the Board. Unless the Board has elected a vice-chairman and such vice-chairman is able to act in the place of the Chairman, the Chief Executive Officer, if he is also a director, shall, in the absence of or because of the inability to act of the Chairman, perform all duties of the Chairman of the Board and preside at all meetings of stockholders and the Board.

Section 4.5. President. The President shall act in a general executive capacity and shall assist the Chief Executive Officer in the administration and operation of the Corporation's business and general supervision of its policies and affairs. The President shall have such other powers and shall perform such other duties as shall be assigned to him by the Board or the Chairman of the Board.

Section 4.6. Vice Presidents. Each Executive Vice President and Senior Vice President and any Vice President shall have such powers and shall perform such duties as shall be assigned to him by the Board or the Chairman of the Board.

Section 4.7. Treasurer. (a) The Treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall cause the funds of the Corporation to be deposited in such banks as may be authorized by the Board, or in such banks as may be designated as depositories in the manner provided by resolution of the Board. The Treasurer shall, in general, perform all duties incident to the office of the Treasurer and shall have such further powers and duties and shall be subject to such directions as may be granted or imposed from time to time by the Board or the Chairman of the Board.

Section 4.8. Secretary. (a) The Secretary shall keep or cause to be kept, in one or more books provided for that purpose, the minutes of all meetings of the Board, the committees of the Board and the stockholders. The Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law; shall be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal; and shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and in general, shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board or the Chairman of the Board.

(b) Assistant Secretaries shall have such of the authority and perform such of the duties of the Secretary as may be provided in these Bylaws or assigned to them by the Board, the Chairman of the Board or the Secretary. Assistant Secretaries shall assist the Secretary in the performance of the duties assigned to the Secretary, and in assisting the Secretary, each Assistant Secretary shall for such purpose have the powers of the Secretary. During the Secretary's

absence or inability, the Secretary's authority and duties shall be possessed by such Assistant Secretary or Assistant Secretaries as the Board or the Chairman of the Board may designate.

Section 4.9. Removal. Any officer elected, or agent appointed, by the Board may be removed by the affirmative vote of a majority of the Board whenever, in its judgment, the best interests of the Corporation would be served thereby. Any officer or agent appointed by the Chairman of the Board may be removed by him whenever, in the judgment of the Chairman of the Board, the best interests of the Corporation would be served thereby. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of such person's successor, such person's death, such person's resignation or such person's removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

Section 4.10. Vacancies. A newly created elected office and a vacancy in any elected office because of death, resignation or removal may be filled by the Board for the unexpired portion of the term at any meeting of the Board. Any vacancy in an office appointed by the Chairman of the Board because of death, resignation or removal may be filled by the Chairman of the Board.

ARTICLE V
STOCK CERTIFICATES AND TRANSFERS

Section 5.1. Stock Certificates and Transfers. The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe. The shares of the stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof in person or by such person's attorney, upon surrender for cancellation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. The certificates of stock shall be signed, countersigned and registered in such manner as the Board may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. Notwithstanding the foregoing provisions regarding share certificates, the proper officers of the Corporation may provide that some or all of any or all classes or series of the Corporation's common or any preferred shares may be uncertificated shares.

Section 5.2. Lost, Stolen or Destroyed Certificates. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board or any financial officer may in its or such person's discretion require.

ARTICLE VI
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 6.1. Right to Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "proceeding"), by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a Director or officer of the Corporation or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a Director, officer, employee or agent or in any other capacity while serving as a Director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, to the fullest extent permitted by law, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, amounts paid or to be paid in settlement and excise taxes or penalties arising under the Employment Retirement Income Security Act of 1974, as in effect from time to time) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators; provided, however, that, except as provided in paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this Section 6.1 shall be a contract right and shall include the right to have the Corporation pay the expenses incurred in defending any such proceeding in advance of its final disposition, any advance payments to be paid by the Corporation within 20 calendar days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that, if and to the extent the DGCL requires, the payment of such expenses incurred by a Director or officer in such person's capacity as a Director or officer (and not in any other capacity in which service was or is rendered by such person while a Director or officer including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director or officer, to repay all amounts so advanced if it shall ultimately be determined that such Director or officer is not entitled to be indemnified under this Section 6.1 or otherwise. The Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification, and rights to have the Corporation pay the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VI with respect to the indemnification and advancement of expenses of Directors and officers of the Corporation.

Section 6.2. Right of Claimant to Bring Suit. If a claim under Section 6.1 of this Article VI is not paid in full by the Corporation within 30 calendar days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the

claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board, independent legal counsel or its stockholders) to have made a determination prior to the circumstances that the claimant has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6.3. Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 6.3 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested Directors or otherwise. No repeal or modification of this Article VI shall in any way diminish or adversely affect the rights of any Director, officer, employee or agent of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

Section 6.4. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 6.5. Severability. If any provision or provisions of this Article VI shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article VI (including, without limitation, each portion of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article VI (including, without limitation, each such portion of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision or provisions held invalid, illegal or unenforceable.

ARTICLE VII
MISCELLANEOUS PROVISIONS

Section 7.1. Fiscal Year. The fiscal year of the Corporation shall begin and end on such dates as the Board at any time shall determine by resolution.

Section 7.2. Dividends. The Board may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

Section 7.3. Seal. The corporate seal, if any, shall have inscribed thereon the words "Corporate Seal," the year of incorporation and the word "Delaware."

Section 7.4. Waiver of Notice. Whenever any notice is required to be given to any stockholder or Director under the provisions of the DGCL or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board or committee thereof need be specified in any waiver of notice of such meeting.

Section 7.5. Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board, and it shall be the duty of the Board to cause such audit to be done annually.

Section 7.6. Resignations. Any Director or any officer, whether elected or appointed, may resign at any time by giving written notice of such resignation to the Chairman of the Board or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board of the Secretary, or at such later time as is specified therein. No formal action shall be required of the Board or the stockholders to make any such resignation effective.

ARTICLE VIII
CONTRACTS, PROXIES, ETC.

Section 8.1. Contracts. Except as otherwise required by law, the Certificate of Incorporation, a Preferred Stock Designation or these Bylaws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board may from time to time direct. Such authority may be general or confined to specific instances as the Board may determine. Unless provided otherwise by resolution of the Board, the Chairman of the Board, the Chief Executive Officer, the President or any Executive Vice President, Senior Vice President or Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed for or on behalf of the Corporation. Subject to any restrictions imposed by the Board, the Chairman of the Board, the Chief Executive Officer, the President or any Executive Vice President, Senior Vice President or Vice President of the Corporation may delegate contractual powers to others under such person's jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 8.2. Proxies. Unless otherwise provided by resolution adopted by the Board, the Chief Executive Officer, the Chairman of the Board, the President or any Executive Vice President, Senior Vice President or Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to

cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he or she may deem necessary or proper in the premises.

ARTICLE IX
AMENDMENTS

These Bylaws, including this Article IX, may be altered, amended or repealed and new Bylaws may be adopted (a) at any annual or special meeting of stockholders by the affirmative vote of the holders of a majority of the voting power of the stock issued and outstanding and entitled to vote thereat or (b) by the affirmative vote of a majority of the Board; provided, however, that, in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, amendment, repeal or adoption of such Bylaws must be contained in the notice of such special meeting.

CERTIFICATE BY SECRETARY

The undersigned, being the secretary of the Corporation, hereby certifies that the foregoing code of bylaws was duly approved and adopted by the Board effective on _____________, 2001.

IN WITNESS WHEREOF, I have signed this certification on this ____ day of _____________, 2001.

_______________________________, Secretary

EXHIBIT 3.3

CERTIFICATE OF DESIGNATIONS
OF
SPECIAL PREFERRED VOTING STOCK
OF
OIL STATES INTERNATIONAL, INC.

Pursuant to the provisions of Section 151(g) of the General Corporation Law of the State of Delaware (the "DGCL"), and pursuant to Article Fourth of its Amended and Restated Certificate of Incorporation, the undersigned Oil States International, Inc., a company organized and existing under the DGCL (the "Company"), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority vested in the Board of Directors in accordance with the provisions of the Amended and Restated Certificate of Incorporation of the Corporation, the Board of Directors on ____________, 2001, adopted the following resolution creating a series of Preferred Stock, par value $.0001, designated as "Special Preferred Voting Stock":

RESOLVED, that pursuant to the authority expressly granted to and vested in the Board by the Amended and Restated Certificate of Incorporation, the Board hereby authorizes the creation of a series of preferred stock, par value $.0001 per share, of the Company, such series to be designated Special Preferred Voting Stock (the "Special Preferred Voting Stock"), and hereby fixes the designation and number of shares thereof and the other powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof (in addition to those set forth in the Amended and Restated Certificate of Incorporation that may be applicable to the Special Preferred Voting Stock) as follows:

Special Preferred Voting Stock Designated. A series of Preferred Stock, consisting of one share of such stock, is hereby designated as "Special Preferred Voting Stock." The outstanding share of Special Preferred Voting Stock shall be entitled at any relevant date to the number of votes (including for purposes of determining the presence of a quorum) determined in accordance with the terms and conditions of the "PTI Plan of Arrangement" (as such term is defined in that certain "Combination Agreement" dated as of July 31, 2000 by and among the Company, HWC Energy Services, Inc., Merger Sub-HWC, Inc., Sooner Inc., Merger Sub-Sooner, Inc. and PTI Group, Inc.) and the "PTI Exchangeable Shares" (as such term is defined in the PTI Plan of Arrangement) on all matters presented to the holders of Common Stock of the Company, with the Special Preferred Voting Stock and Common Stock voting together as a single class. The Special Preferred Voting Stock shall have no other voting rights except as required by law. No dividend shall be paid to the holder of the share of Special Preferred Voting Stock. The share of Special Preferred Voting Stock shall be entitled to $1.00 on liquidation of the Company in preference to any shares of Common Stock of the Company, but only after the liquidation preference of any other shares of Preferred Stock of the Company has been paid in full. The Special Preferred Voting Stock is not convertible into any other class or series of the

capital stock of the Company or into cash, property or other rights, and may not be redeemed, except pursuant to the last sentence of this Paragraph. The share of Special Preferred Voting Stock purchased or otherwise acquired by the Company shall be deemed retired and shall be canceled and may not thereafter be reissued or otherwise disposed of by the Company. So long as any Exchangeable Shares shall be outstanding, the number of shares comprising the Special Preferred Voting Stock shall not be increased or decreased. So long as any PTI Exchangeable Shares shall be outstanding, no other term of the Special Preferred Voting Stock shall be amended, except upon the approval of the holders of a majority of the then outstanding PTI Exchangeable Shares, acting through the holder of the outstanding share of Special Preferred Voting Stock. At such time as no PTI Exchangeable Shares shall be outstanding, the Special Preferred Voting Stock shall automatically be redeemed, with the $1.00 liquidation preference due and payable upon such redemption.

IN WITNESS WHEREOF, the undersigned has executed this Certificate and does affirm the foregoing as true this ______ day of __________________, 2001.

OIL STATES INTERNATIONAL, INC.

By:

Cindy B. Taylor
Senior Vice President and
Chief Financial Officer

EXHIBIT 5.1

[V&E Letterhead]

December 8, 2000

Oil States International, Inc.
Three Allen Center
333 Clay Street, Suite 3460
Houston, Texas 77002

Ladies and Gentlemen:

We are acting as counsel for Oil States International, Inc., a Delaware corporation (the "Company"), in connection with the proposed offer and sale (the "Offering") by the Company and certain stockholders set forth in the Registration Statement (as defined below) to the several U.S. underwriters (the "U.S. Underwriters") set forth in the U.S. Purchase Agreement (the "U.S. Purchase Agreement") to be executed in connection with the Offering by the Company, such stockholders and the U.S. Underwriters and to the several international managers (the "International Managers" and, together with the U.S. Underwriters, the "Underwriters") set forth in the International Purchase Agreement (the "International Purchase Agreement" and, together with the U.S. Purchase Agreement, the "Purchase Agreements") to be executed in connection with the Offering by the Company, such stockholders and the International Managers, pursuant to the prospectus forming a part of a Registration Statement on Form S-1, Registration No. 333-43400, originally filed with the Securities and Exchange Commission on August 10, 2000 (such Registration Statement, as amended at the effective date thereof, being referred to herein as the "Registration Statement"), of an aggregate of 10,300,000 shares of Common Stock, par value $.01 per share, of the Company ("Common Stock"), together with a maximum of 1,545,000 shares of Common Stock which may be sold by the Company to the Underwriters pursuant to the over-allotment options provided in the Purchase Agreements.

In connection with this opinion, we have assumed that (i) the Registration Statement, and any amendments thereto (including post-effective amendments), will have become effective, (ii) the shares of Common Stock will be issued and sold in compliance with applicable federal and state securities laws and in the manner described in the Registration Statement and the applicable prospectus and (iii) the Amended and Restated Certificate of Incorporation of the Company has become effective.

In connection with the opinions expressed herein, we have examined, among other things, the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Company and the records of corporate proceedings that have occurred prior to the date hereof with respect to the Offering, the Registration Statement and the forms of the U.S. Purchase Agreement and the International Purchase Agreement. We have also reviewed such questions of law as we have deemed necessary or appropriate.

Based upon the foregoing, we are of the opinion that (i) the shares of Common Stock proposed to be issued and sold by the Company to the Underwriters have been validly authorized

for issuance and, upon the issuance and delivery thereof as set forth in the Registration Statement, will be validly issued, fully paid and nonassessable and (ii) the shares of Common Stock proposed to be sold by such selling stockholders have been validly authorized for issuance and, upon the consummation of the Combination (as defined in the Registration Statement) contemplated by the Combination Agreement dated as of July 31, 2000 among the Company and the other parties thereto, will be validly issued, fully paid and nonassessable.

This opinion is limited in all respects to the Constitution of the State of Delaware and the Delaware General Corporation Law, as interpreted by the courts of the State of Delaware and of the United States.

We hereby consent to the statements with respect to us under the heading "Legal Matters" in the prospectus forming a part of the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement, but we do not thereby admit that we are within the class of persons whose consent is required under the provisions of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission issued thereunder.

Very truly yours,

/s/ VINSON & ELKINS L.L.P.

Vinson & Elkins L.L.P.

EXHIBIT 10.5

THE 2001 EQUITY PARTICIPATION PLAN
OF
OIL STATES INTERNATIONAL, INC.

OIL STATES INTERNATIONAL, INC., a Delaware corporation, has adopted The 2001 Equity Participation Plan of Oil States International, Inc. (the "Plan"), effective ____________, 2001 (the "Effective Date"), for the benefit of its eligible employees, consultants and directors. This Plan is an amendment and restatement of the 1996 Equity Participation Plan of CE Holdings, Inc. ("ConEmsco Plan") to be effective as provided in Section 10.4.

The purposes of this Plan are as follows:

(1) To provide an additional incentive for Directors, Employees and consultants to further the growth, development and financial success of the Company by personally benefitting through the ownership of Company stock and/or rights which recognize such growth, development and financial success.

(2) To enable the Company to obtain and retain the services of Directors, Employees and consultants considered essential to the long range success of the Company by offering them an opportunity to own stock in the Company and/or rights which will reflect the growth, development and financial success of the Company.

ARTICLE I

DEFINITIONS

1.1 General. All references to share numbers and dollar amounts in this Plan shall be deemed to give effect to the concurrent reverse three-for-one split of the Common Stock to be effected on or before the Effective Date. Wherever the following terms are used in this Plan they shall have the meaning specified below, unless the context clearly indicates otherwise.

1.2 Affiliate. "Affiliate" shall mean any entity that, directly or through one or more intermediaries, is controlled by the Company or controls the Company as determined by the Committee.

1.3 Award Limit. "Award Limit" shall mean 400,000 shares of Common Stock.

1.4 Board. "Board" shall mean the Board of Directors of the Company.

1.5 Change of Control. "Change of Control" shall mean any of the following:

(a) any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), (other than a trustee or other fiduciary holding

securities under an employee benefit plan of the Company or any affiliate, SCF III, L.P., SCF IV, L.P., or any affiliate of SCF-III, L.P. or SCF-IV, L.P. or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires "beneficial ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities; provided, however, that if the Company engages in a merger or consolidation in which the Company or surviving entity in such merger or consolidation becomes a subsidiary of another entity, then references to the Company's then outstanding securities shall be deemed to refer to the outstanding securities of such parent entity;

(b) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (i) are directors of the Company as of the Effective Date, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least two-thirds of the Incumbent Directors at the time of such election or nomination, but Incumbent Director shall not include an individual whose election or nomination occurs as a result of either (1) an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or (2) an actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(c) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity (or if the surviving entity is or shall become a subsidiary of another entity, then such parent entity)) more than 50% of the combined voting power of the voting securities of the Company (or such surviving entity or parent entity, as the case may be) outstanding immediately after such merger or consolidation;

(d) the stockholders of the Company approve a plan of complete liquidation of the Company; or

(e) the sale or disposition (other than a pledge or similar encumbrance) by the Company of all or substantially all of the assets of the Company other than to a subsidiary or subsidiaries of the Company.

1.6 Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.7 Committee. "Committee" shall mean the Board or a subcommittee of the Board appointed as provided in Section 9.1.

1.8 Common Stock. "Common Stock" shall mean the common stock of the Company, par value $0.01 per share.

1.9 Company. "Company" shall mean Oil States International, Inc., a Delaware corporation.

1.10 Deferred Stock. "Deferred Stock" shall mean Common Stock awarded under Article VII of this Plan.

1.11 Director. "Director" shall mean a member of the Board who is not an Employee.

1.12 Dividend Equivalent. "Dividend Equivalent" shall mean a right to receive the equivalent value (in cash or Common Stock) of dividends paid on Common Stock, awarded under Article VII of this Plan.

1.13 Employee. "Employee" shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or of any Affiliate or Subsidiary.

1.14 Exchange Act. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.15 Fair Market Value. "Fair Market Value" of a share of Common Stock as of a given date shall be (i) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any (as reported in any reporting service approved by the Committee), on the trading day previous to such date, or if shares were not traded on the trading day previous to such date, then on the next preceding date on which a trade occurred, or (ii) if Common Stock is not traded on an exchange but is quoted on Nasdaq or a successor quotation system, the mean between the closing representative bid and asked prices for the Common Stock on the trading day previous to such date as reported by Nasdaq or such successor quotation system; or (iii) if Common Stock is not publicly traded on an exchange and not quoted on Nasdaq or a successor quotation system, the Fair Market Value of a share of Common Stock as established by the Committee acting in good faith. Notwithstanding the foregoing, the Fair Market Value of a share of Common Stock on the date of an initial public offering of Common Stock shall be the offering price under such initial public offering.

1.16 Grantee. "Grantee" shall mean an Employee or consultant granted a Performance Award, Dividend Equivalent, Stock Payment or Stock Appreciation Right, or an award of Deferred Stock, under this Plan.

1.17 Non-Qualified Stock Option. "Non-Qualified Stock Option" shall mean an Option which is not designated as an Incentive Stock Option by the Committee.

1.18 Option. "Option" shall mean a stock option granted under Article III of this Plan). An Option granted under this Plan shall, as determined by the Committee, be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to Directors, consultants and Employees employed by an Affiliate that is not a Subsidiary shall be Non-Qualified Stock Options.

1.19 Optionee. "Optionee" shall mean an Employee, consultant or Director granted an Option under this Plan.

1.20 Performance Award. "Performance Award" shall mean a performance or incentive award, other than an Option, Restricted Stock, Deferred Stock or Stock Payments, that is paid in cash, Common Stock or a combination of both, awarded under Article VII of this Plan.

1.21 Performance Objectives. "Performance Objectives" means the objectives, if any, established by the Committee that are to be achieved with respect to an Award granted under this Plan, which may be described in terms of Company-wide objectives, in terms of objectives that are related to performance of a division, subsidiary, department or function within the Company or an Affiliate in which the Participant receiving the Award is employed or in individual or other terms, and which will relate to the period of time determined by the Committee. The Performance Objectives intended to qualify under Section 162(m) of the Code shall be with respect to one or more of the following: (i) net income; (ii) pre-tax income; (iii) operating income; (iv) cash flow; (v) earnings per share; (vi) earnings before any one or more of the following items: interest, taxes, depreciation or amortization; (vii) return on equity; (viii) return on invested capital or assets; (ix) cost reductions or savings; (x) funds from operations and (xi) appreciation in the fair market value of the Company's common stock. Which objectives to use with respect to an Award, the weighting of the objectives if more than one is used, and whether the objective is to be measured against a Company-established budget or target, an index or a peer group of companies, shall be determined by the Committee in its discretion at the time of grant of the Award. A Performance Objective need not be based on an increase or a positive result and may include, for example, maintaining the status quo or limiting economic losses.

1.22 Plan. "Plan" shall mean The 2000 Equity Participation Plan of Oil States International, Inc.

1.23 QDRO. "QDRO" shall mean a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

1.24 Restricted Stock. "Restricted Stock" shall mean Common Stock awarded under Article VI of this Plan.

1.25 Restricted Stockholder. "Restricted Stockholder" shall mean an Employee or consultant granted an award of Restricted Stock under Article VI of this Plan.

1.26 Rule 16b-3. "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

1.27 Stock Payment. "Stock Payment" shall mean (i) a payment in the form of shares of Common Stock, or (ii) an option or other right to purchase shares of Common Stock, as part of a

deferred compensation arrangement, made in lieu of all or any portion of the compensation, including without limitation, salary, bonuses and commissions, that would otherwise become payable to an Employee or consultant in cash, awarded under Article VII of this Plan.

1.28 Subsidiary. "Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

ARTICLE II

SHARES SUBJECT TO PLAN

2.1 Shares Subject to Plan.

(a) The shares of stock subject to Options, awards of Restricted Stock, Performance Awards, Dividend Equivalents, awards of Deferred Stock, or Stock Payments shall be Common Stock. The aggregate number of such shares which may be issued upon exercise of such options or rights or upon any such awards under the Plan shall not exceed three million seven hundred thousand (3,700,000). The shares of Common Stock issuable upon exercise of such options or rights or upon any such awards may be either previously authorized but unissued shares or treasury shares.

(b) The maximum number of shares which may be subject to Options, Restricted Stock or Deferred Stock granted under the Plan to any individual in any calendar year shall not exceed the Award Limit. The maximum value of Performance Awards granted under the Plan to any individual in any calendar year shall not exceed $2.5 million.

2.2 Add-back Options and Other Rights. If any Option, or other right to acquire shares of Common Stock under any other award under this Plan, expires or is canceled without having been fully exercised or is exercised in whole or in part for cash as permitted by this Plan, the number of shares subject to such Option or other right but as to which such Option or other right was not exercised prior to its expiration or cancellation or was exercised for cash may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. If any share of Restricted Stock is forfeited by the Grantee, such share may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1.

ARTICLE III

GRANTING OF OPTIONS

3.1 Eligibility. Any Employee or consultant selected by the Committee pursuant to Section 3.4(a)(i) shall be eligible to be granted an Option. Each Director of the Company shall be granted Options at the times and in the manner set forth in Section 3.4(d).

3.2 Disqualification for Stock Ownership. No person may be granted an Incentive Stock Option under this Plan if such person, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any then existing Subsidiary unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code,

3.3 Qualification of Incentive Stock Options. No Incentive Stock Option shall be granted unless such Option, when granted, qualifies as an "incentive stock option" under Section 422 of the Code. No Incentive Stock Option shall be granted to any person who is not an employee of the Company or a Subsidiary.

3.4 Granting of Options

(a) The Committee shall from time to time, in its absolute discretion, and subject to applicable limitations of this Plan:

(i) Select from among the Employees or consultants (including Employees or consultants who have previously received Options or other awards under this Plan) such of them as in its opinion should be granted Options;

(ii) Subject to the Award Limit, determine the number of shares to be subject to such Options granted to the selected Employees or consultants;

(iii) Determine whether such Options are to be Incentive Stock Options or Non-Qualified Stock Options; and

(iv) Determine the terms and conditions of such Options, consistent with this Plan.

(b) Upon the selection of an Employee or consultant to be granted an Option, the Committee shall instruct the Secretary of the Company to issue the Option and may impose such conditions on the grant of the Option as it deems appropriate.

(c) Any Incentive Stock Option granted under this Plan may be modified by the Committee to disqualify such option from treatment as an "incentive stock option" under Section 422 of the Code.

(d) During the term of the Plan, (i) a person who is a Director as of the effective date of this Plan automatically shall be granted an option to purchase five thousand (5,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the Effective Date and on the date of each annual meeting of stockholders at which the Director is reelected to the Board, and (ii) a person who is initially elected or appointed to the Board automatically shall be granted (A) an option to purchase five thousand (5,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of such initial election or appointment and (B) an option to purchase five thousand (5,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of each annual meeting of stockholders occurring after such initial election or appointment at which the Director is reelected to the Board. Members of the Board who are Employees of the Company who subsequently retire from the Company and remain on the Board will not receive an initial Option grant pursuant to clause (ii)(A) of the preceding sentence, but to the extent that they are otherwise eligible, will receive, after retirement from the Company, Options as described in the clause (ii)(B) of the preceding sentence. All of the foregoing Option grants authorized by this Section 3.4(d) are subject to stockholder approval of the Plan.

ARTICLE IV

TERMS OF OPTIONS

4.1 Option Agreement. Each Option shall be evidenced by a Stock Option Agreement, which shall be executed by the Optionee and an authorized officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with this Plan.

4.2 Option Price. The price per share of the shares subject to each Option shall be set by the Committee; provided, however, that, except as provided in Section 8.1 with respect to assumed options, such price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted.

4.3 Option Term. The term of an Option shall be set by the Committee in its discretion; provided, however, that (i) in the case of Options granted to Directors, the term shall be ten (10) years from the date the Option is granted and (ii) in the case of Incentive Stock Options, the term shall not be more than ten (10) years from the date the Incentive Stock Option is granted, or five (5) years from such date if the Incentive Stock Option is granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary).

4.4 Option Vesting

(a) The period during which the right to exercise an Option in whole or in part vests in the Optionee shall be set by the Committee and the Committee may determine that an Option may not be exercised in whole or in part for a specified period after it is granted; provided, however, that, Options granted to Directors shall become exercisable in cumulative annual installments of 25% on each of the first, second, third and fourth annual meetings of the stockholders following the date the Option is granted. At any time after grant of an Option, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests.

(b) To the extent that the aggregate Fair Market Value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by an Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company and any parent or Subsidiary) exceeds $100,000, such Options shall be treated as Non-Qualified Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted. For purposes of this Section 4.4(b), the Fair Market Value of stock shall be determined as of the time the Option with respect to such stock is granted.

ARTICLE V

EXERCISE OF OPTIONS

5.1 Partial Exercise. An exercisable Option may be exercised in whole or in part; however, an Option shall not be exercisable with respect to fractional shares and the Committee may require that, by the terms of the Option, a partial exercise be with respect to a minimum number of shares.

5.2 Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company or his office:

(a) A written notice complying with the applicable rules established by the Committee stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Optionee or other person then entitled to exercise the Option or such portion;

(b) Such representations and documents as the Committee, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal or state securities laws or regulations. The Committee or Board may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 10.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option; and

(d) Full cash payment to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised. However, the Committee may in its discretion or provide in the grant agreement (i) that payment may be made, in whole or in part, through the delivery of shares of Common Stock owned by the Optionee, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery not in excess of the aggregate exercise price of the Option or exercised portion thereof and subject to such other limitations as the Committee may impose thereon, (ii) allow payment, in whole or in part, through the surrender of shares of Common Stock then issuable upon exercise of the Option having a Fair Market Value on the date of Option exercise equal to the aggregate exercise price of the Option or exercised portion thereof, (iii) allow payment, in whole or in part, through the delivery of property of any kind which constitutes good and valuable consideration; (iv) allow payment, in whole or in part, through the delivery of a full recourse promissory note bearing interest (at no less than such rate as shall then preclude the imputation of interest under the Code) and payable upon such terms as may be prescribed by the Committee, (v) allow payment through a cashless-broker procedure approved by the Company, or (vi) allow payment through any combination of the consideration provided above. In the case of a promissory note, the Committee may also prescribe the form of such note and the security to be given for such note. The Option may not be exercised, however, by delivery of a promissory note or by a loan from the Company when or where such loan or other extension of credit is prohibited by law.

5.3 Conditions to Issuance of Stock Certificates. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable;

(d) The lapse of such reasonable period of time following the exercise of the Option as the Committee may establish from time to time for reasons of administrative convenience; and

(e) The receipt by the Company of full payment for such shares, including payment of any applicable withholding tax.

5.4 Rights as Stockholders. The holders of Options shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such holders.

5.5 Ownership and Transfer Restrictions. The Committee, in its absolute discretion, may impose such restrictions on the ownership and transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such restriction shall be set forth in the respective Stock Option Agreement and may be referred to on the certificates evidencing such shares. The Committee may require the Optionee to give the Company prompt notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option within (i) two years from the date of granting such Option to such Optionee or (ii) one year after the transfer of such shares to such Optionee. The Committee may direct that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

5.6 Limitations on Exercise of Options Granted to Directors. No Option granted to a Director may be exercised to any extent by anyone after the first to occur of the following events:

(a) the expiration of twelve (12) months from the date of the Optionee's death;

(b) the expiration of twelve (12) months from the date of the Optionee's ceasing to be a Director by reason of his permanent and total disability (within the meaning of Section 22(e)(3) of the Code);

(c) the expiration of three (3) months from the date of the Optionee's ceasing to be a Director for any reason other than such Optionee's death or his permanent and total disability, unless the Optionee dies within said three-month period; or

(d) the expiration of ten (10) years from the date the Option was granted.

ARTICLE VI

AWARD OF RESTRICTED STOCK

6.1 Award of Restricted Stock

(a) The Committee shall from time to time, in its absolute discretion:

(i) Select from among the Employees or consultants (including Employees or consultants who have previously received other awards under this Plan) such of them as in its opinion should be awarded Restricted Stock; and

(ii) Determine the terms and conditions applicable to such Restricted Stock, consistent with this Plan, which may include the achievement of Performance Objectives.

(b) Upon the selection of an Employee or consultant to be awarded Restricted Stock, the Committee shall instruct the Secretary of the Company to issue such Restricted Stock and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

6.2 Restricted Stock Agreement. Restricted Stock shall be issued only pursuant to a Restricted Stock Agreement, which shall be executed by the selected Employee or consultant and an authorized officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with this Plan.

6.3 Rights as Stockholders. Upon delivery of the shares of Restricted Stock to the escrow holder, the Restricted Stockholder shall have, unless otherwise provided by the Committee, all the rights of a stockholder with respect to said shares, subject to the restrictions in his Restricted Stock Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that in the discretion of the Committee, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 6.4.

6.4 Restriction. All shares of Restricted Stock issued under this Plan (including any shares received by holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Restricted Stock Agreement, be subject to such restrictions as the Committee shall provide, which restrictions may include, without limitation, restrictions concerning voting rights and transferability and restrictions based on duration of employment with the Company, Company performance and individual performance; provided, however, that, by action taken after the Restricted Stock is issued, the Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions imposed by the terms of the Restricted Stock Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire.

6.5 Escrow. The Secretary of the Company or such other escrow holder as the Committee may appoint shall retain physical custody of each certificate representing Restricted Stock until all of the restrictions imposed under the Restricted Stock Agreement with respect to the shares evidenced by such certificate expire or shall have been removed.

6.6 Legend. In order to enforce the restrictions imposed upon shares of Restricted Stock hereunder, the Committee shall cause a legend or legends to be placed on certificates representing all

shares of Restricted Stock that are still subject to restrictions under Restricted Stock Agreements, which legend or legends shall make appropriate reference to the conditions imposed thereby.

ARTICLE VII

PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, DEFERRED STOCK, STOCK PAYMENTS

7.1 Performance Awards. Any Employee or consultant selected by the Committee may be granted one or more Performance Awards. The value of such Performance Awards may be linked to the achievement of such specific Performance Objectives determined appropriate by the Committee over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Employee or consultant.

7.2 Dividend Equivalents. Any Employee or consultant selected by the Committee may be granted Dividend Equivalents based on the dividends declared on Common Stock, to be credited as of dividend payment dates, during the period between the date an Option, Deferred Stock or Performance Award is granted, and the date such Option, Deferred Stock or Performance Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Committee.

7.3 Stock Payments. Any Employee or consultant selected by the Committee may receive Stock Payments in the manner determined from time to time by the Committee. The number of shares shall be determined by the Committee and may be based upon the Fair Market Value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined appropriate by the Committee, determined on the date such Stock Payment is made or on any date thereafter.

7.4 Deferred Stock. Any Employee or consultant selected by the Committee may be granted an award of Deferred Stock in the manner determined from time to time by the Committee. The number of shares of Deferred Stock shall be determined by the Committee and may be linked to the achievement of such specific Performance Objectives determined to be appropriate by the Committee over any period or periods determined by the Committee. Common Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or Performance Objectives set by the Committee, as the case may be. Unless otherwise provided by the Committee, a Grantee of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the award has vested and the Common Stock underlying the award has been issued.

7.5 Performance Award Agreement, Dividend Equivalent Agreement, Deferred Stock Agreement, Stock Payment Agreement. Each Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment shall be evidenced by an agreement, which shall be executed by the Grantee and an authorized Officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with this Plan.

7.6 Term. The term of a Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment shall be set by the Committee in its discretion.

7.7 Exercise Upon Termination of Employment. A Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment is exercisable or payable only while the Grantee is an Employee or consultant; provided that the Committee may determine that the Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment may be exercised or paid subsequent to termination of employment or termination of consultancy without cause, or following a change in control of the Company, or because of the Grantee's retirement, death or disability, or otherwise.

7.8 Payment. Payment of the amount determined under Section 7.1 or 7.2 above shall be in cash, in Common Stock or a combination of both, as determined by the Committee. To the extent any payment under this Article VII is effected in Common Stock, it shall be made subject to satisfaction of all provisions of Section 5.3.

ARTICLE VIII

MERGED PLANS/REPLACEMENT AWARDS

8.1 The following plans have been merged into this Plan: the Sooner, Inc. 1998 Stock Option Plan and the HWC Energy Services, Inc. 1997 Stock Option Plan, and all stock options and other stock-based awards granted under such plans are converted into options and awards under this Plan with respect to Common Stock. In addition, the individual stock option grants made outside of a plan by Sooner, Inc. and PTI Group, Inc. to their respective employees and outstanding on the date of their respective mergers with the Company or a Company Subsidiary also are hereby assumed and converted into Company options. The number of shares and the exercise price of each assumed award shall be made pursuant to the applicable merger agreement between the Company and the stockholders of such entities.

ARTICLE IX

ADMINISTRATION

9.1 Committee. The Committee members shall be appointed by and hold office at the pleasure of the Board. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may be filled by the Board.

9.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of this Plan in accordance with its provisions. The Committee shall have the power to interpret this Plan and the agreements pursuant to which Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Dividend Equivalents or Stock Payments are granted or awarded, and to adopt such rules for the administration, interpretation, and application of this Plan as are consistent therewith and to interpret, amend or revoke any such rules. Any such grant or award under this Plan need not be the same with respect to each Optionee, Grantee or Restricted Stockholder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

9.3 Majority Rule; Unanimous Written Consent. The Committee shall act by a majority of its members in attendance at a meeting at which a quorum is present or by a memorandum or other written instrument signed by all members of the Committee.

9.4 Compensation; Professional Assistance, Good Faith Actions. Members of the Committee shall receive such compensation for their services as members as may be determined by the Board. All expenses and liabilities which members of the Committee incur in connection with the administration of this Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants, appraisers, brokers, or other persons. The Committee, the Company and the Company's officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee or the Board in good faith shall be final and binding upon all Optionees, Grantees, Restricted Stockholders, the Company and all other interested persons. No members of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to this Plan, Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Dividend Equivalents or Stock Payments, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Not Transferable. Except as provided below, Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Dividend Equivalents or Stock Payments under this Plan may not be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution or pursuant to a QDRO, unless and until such rights or awards have been exercised, or the shares underlying such rights or awards have been issued, and all restrictions applicable to such shares have lapsed. No Option, Restricted Stock award, Deferred Stock award, Performance Award, Dividend Equivalent or Stock Payment or interest or right therein shall be liable for the debts, contracts or engagements of the Optionee, Grantee or Restricted Stockholder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence. An Optionee may, with the consent of the Committee, transfer a Nonqualified Stock Option to such family members and persons as may be permitted by this Committee, subject to such restrictions and limitations, if any, that the Committee, in its discretion, may impose on such transfer.

During the lifetime of the Optionee or Grantee, only he may exercise an Option or other right or award (or any portion thereof) granted to him under the Plan unless it has been disposed of pursuant to a QDRO. After the death of the Optionee or Grantee, any exercisable portion of an Option or other right or award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement or other agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Optionee's or Grantee's will or under the then applicable laws of descent and distribution.

10.2 Amendment, Suspension or Termination of this Plan. This Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, without approval of the Company's stockholders given within twelve months before or after the action by the Committee, no action of the Committee may, except as provided in Section 10.3, increase the limits imposed in Section 2.1 on the maximum number of shares which may be issued under this Plan or reduce the exercise price of an Option, and no action of the Committee may be taken that would otherwise require stockholder approval as a matter of applicable law, regulation or rule. No amendment, suspension or termination of this Plan shall, without the consent of the holder of Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Dividend Equivalents or Stock Payments, materially alter or impair any rights or obligations under any Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Dividend Equivalents or Stock Payments theretofore granted or awarded, unless the award itself otherwise expressly so provides. No Options, Restricted Stock, Deferred Stock, Performance Awards, Dividend Equivalents or Stock Payments may be granted or awarded during any period of

suspension or after termination of this Plan, and in no event may any Incentive Stock Option be granted under this Plan after the first to occur of the following events:

(a) The expiration of ten years from the date the Plan is adopted by the Board; or

(b) The expiration of ten years from the date the Plan is approved by the Company's stockholders under Section 10.4.

10.3 Changes in Common Stock or Assets of the Company; Acquisition or Liquidation of the Company and Other Corporate Events.

(a) Subject to Section 10.3(e), in the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Committee's sole discretion, affects the Common Stock such that an adjustment is determined by the, Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Option, Restricted Stock award, Performance Award, Dividend Equivalent, Deferred Stock award or Stock Payment, then the Committee shall, in such manner as it may deem equitable, adjust any or all of

(i) the number and kind of shares of Common Stock (or other securities or property) with respect to which Options, Performance Awards, Dividend Equivalents or Stock Payments may be granted under the Plan, or which may be granted as Restricted Stock or Deferred Stock (including, but not limited to, adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued and adjustments of the Award Limit),

(ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Dividend Equivalents, or Stock Payments, and in the number and kind of shares of outstanding Restricted Stock or Deferred Stock, and

(iii) the grant or exercise price with respect to any Option, Performance Award, Dividend Equivalent or Stock Payment.

(b) Subject to Section 10.3(e), in the event of any corporate transaction or other event described in Section 10.3(a) which results in shares of Common Stock being exchanged for or converted into cash, securities (including securities of another corporation) or other property, the Committee will have the right to terminate this Plan as of the date of the event or transaction, in which case all options, rights and other awards granted under this Plan shall become the right to receive such cash, securities or other property, net of any applicable exercise price.

(c) Subject to Section 10.3(e), in the event of any corporate transaction or other event described in Section 10.3(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations, or accounting principles, the Committee in its discretion is hereby authorized to take any one or more of the following actions whenever the Committee determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any option, right or other award under this Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either automatically or upon the Optionee's request, for either the purchase of any such Option, Performance Award, Dividend Equivalent, or Stock Payment, or any Restricted Stock or Deferred Stock for an amount of cash equal to the amount that could have been attained upon the exercise of such option, right or award or realization of the Optionee's rights had such option, right or award been currently exercisable or payable or the replacement of such option, right or award with other rights or property selected by the Committee in its sole discretion;

(ii) In its sole and absolute discretion, the Committee may provide, either by the terms of such Option, Performance Award, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event that it cannot be exercised after such event;

(iii) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of such Option, Performance Award, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event, that, for a specified period of time prior to such transaction or event, such option, right or award shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in (1) Section 4.4 or (2) the provisions of such Option, Performance Award, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock;

(iv) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of such Option, Performance Award, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event, that upon such event, such option, right or award be assumed by the successor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(v) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Dividend Equivalents, or Stock Payments, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in

the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(vi) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide either by the terms of a Restricted Stock award or Deferred Stock award or by action taken prior to the occurrence of such event that, for a specified period of time prior to such event, the restrictions imposed under a Restricted Stock Agreement or a Deferred Stock Agreement upon some or all shares of Restricted Stock or Deferred Stock may be terminated; and

(vii) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may make adjustments to the Performance Objectives of any outstanding award.

(d) Notwithstanding anything in Sections 10.3(a), 10.3(c) or 10.3(e) to the contrary, except to the extent an award agreement expressly provides to the contrary, in the event of a Change of Control of the Company all outstanding awards automatically shall become fully vested immediately prior to such Change in Control (or such earlier time as set by the Committee), all restrictions, if any, with respect to such awards shall lapse, all performance criteria, if any, with respect to such awards shall be deemed to have been met at their target level.

(e) With respect to an award intended to qualify as performance-based compensation under Section 162(m), no adjustment or action described in this Section 10.3, other than as provided in Section 10.3(d), shall be taken by the Committee to the extent that such adjustment or action would cause such award to fail to so qualify under Section 162(m) or any successor provisions thereto.

10.4 Approval of Plan by Stockholders. This Plan will be submitted for the approval of the Company's stockholders within twelve months after the date of the Board's initial adoption of this Plan. Options, Performance Awards, Dividend Equivalents or Stock Payments may be granted and Restricted Stock or Deferred Stock may be awarded prior to such stockholder approval, provided that such Options, Performance Awards, Dividend Equivalents or Stock Payments shall not be exercisable and such Restricted Stock or Deferred Stock shall not vest prior to the time when this Plan is approved by the stockholders, and provided further that if such approval has not been obtained at the end of said twelve-month period, all Options, Performance Awards, Dividend Equivalents or Stock Payments previously granted and all Restricted Stock or Deferred Stock previously awarded under this Plan, to the extent made with respect to shares in excess of that number available for such awards immediately prior to this amendment and restatement of the ConEmsco Plan, shall thereupon be canceled and become null and void.

10.5 Tax Withholding. The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Optionee, Grantee or Restricted Stockholder of any sums required by applicable tax law to be withheld with respect to the issuance, vesting or exercise of any Option, Restricted Stock, Deferred Stock, Performance Award, Dividend Equivalent or Stock Payment. Subject to the timing requirements of Section 5.3, the Committee may, in its

discretion and in satisfaction of the foregoing requirement, allow such Optionee, Grantee or Restricted Stockholder to elect to have the Company withhold shares of Common Stock otherwise issuable under such Option or afterward (or allow the return of shares of Common Stock) having a Fair Market Value equal to the minimum tax sums required to be withheld by the Company. Notwithstanding the foregoing, any such person who is subject to Section 16b with respect to Company Stock may direct that the Company's tax withholding obligation be satisfied by withholding the appropriate number of shares from such award and/or the "constructive" tender already-owned shares of Common Stock.

10.6 Loans. The Committee may, in its discretion, extend one or more loans to Employees in connection with the exercise or receipt of an Option, Performance Award, Dividend Equivalent or Stock Payment granted under this Plan, or the issuance of Restricted Stock or Deferred Stock awarded under this Plan, The terms and conditions of any such loan shall be set by the Committee.

10.7 Limitations Applicable to Section 16 Persons and Performance-Based Compensation. Notwithstanding any other provision of this Plan, this Plan, and any Option, Performance Award, Dividend Equivalent or Stock Payment granted, or Restricted Stock or Deferred Stock awarded, to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan, Options, Performance Awards, Dividend Equivalents, Stock Payments, Restricted Stock and Deferred Stock granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule. Furthermore, notwithstanding any other provision of this Plan, any award intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as performance-based compensation as described in Section 162(m)(4)(C) of the Code.

10.8 Effect of Plan Upon Options and Compensation Plans. Except as provided in Section 8.1, this Plan amendment and restatement shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company (i) to establish any other forms of incentives or compensation for Employees, Directors or consultants of the Company or any Subsidiary or (ii) to grant or assume options or other rights otherwise than under this Plan in connection with any proper corporate purpose including but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, entity or association.

10.9 Compliance with Laws. This Plan, the granting and vesting of Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Dividend Equivalents or Stock Payments under this Plan and the issuance and delivery of shares of Common Stock and the payment of money under

this Plan or under Options, Performance Awards, Dividend Equivalents or Stock Payments granted or Restricted Stock or Deferred Stock awarded hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan, Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Dividend Equivalents or Stock Payments granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

10.10 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Plan.

10.11 Governing Law. This Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Texas without regard to conflicts of laws thereof.

EXHIBIT 10.6

OIL STATES INTERNATIONAL, INC.

DEFERRED COMPENSATION PLAN

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OIL STATES INTERNATIONAL, INC.

DEFERRED COMPENSATION PLAN

WITNESSETH:

WHEREAS, OIL STATES INTERNATIONAL, INC. (the "Company") desires to adopt the OIL STATES INTERNATIONAL, INC. DEFERRED COMPENSATION PLAN, hereinafter referred to as the "PLAN," to provide its directors and certain of its employees with the ability to electively defer, on a before-tax basis, compensation until the termination of their employment relationship with the Company and its Subsidiaries;

NOW, THEREFORE, the Company hereby adopts the Plan, effective , 2001.

I.

DEFINITIONS AND CONSTRUCTION

1.1 DEFINITIONS. Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary.

(1) ACCOUNT(s): A Member's Company Account and/or Deferral Account, including the amounts credited thereto.

(2) ANNUAL RETAINER: The annual retainer payable in cash by the Company to a member of its Board.

(3) BASE SALARY: The base rate of pay payable in cash by the Company to or for the benefit of a Member who is an employee of the Company for services rendered while a Member.

(4) CODE: The Internal Revenue Code of 1986, as amended.

(5) COMMITTEE: The administrative committee appointed by the Compensation Committee to administer the Plan.

(6) COMMITTEE FEES: The cash fees payable to a Director for attending regular or special meetings of a committee of the Board of Directors of Oil States International, Inc.

(7) COMPANY: Oil States International, Inc. and any Subsidiary which adopts the Plan pursuant to the provisions of Section 2.3.

(8) COMPANY ACCOUNT: An individual account for each Member who is an employee to which is credited with the Company Deferrals made on his behalf pursuant to Section 3.2 and which is credited (or debited) for such account's allocation of net income (or net loss) as provided in Section 3.3.

(9) COMPANY DEFERRALS: Deferrals made by the Company on a Member's behalf pursuant to Section 3.2.

(10) COMPENSATION: A Member's Base Salary, Incentive Pay, Annual Retainer and/or Committee Fees, as applicable.

(11) COMPENSATION COMMITTEE: The Compensation Committee of the Board of Directors of Oil States International, Inc.

(12) DEFERRAL ACCOUNT: An individual account for each Member to which is credited his Compensation deferrals pursuant to Section 3.1 and which is credited (or debited) for such account's allocation of net income (or net loss) as provided in Section 3.3.

(13) DIRECTOR: A member of the Board of Directors of Oil States International, Inc. who is not an employee of the Company or a Subsidiary.

(14) ELECTION DATE: The first day of each Plan Year; provided, however, with respect to an individual who first becomes eligible to participate in the Plan after the beginning of a Plan Year, his Election Date shall be the 30th day following the date he is notified that he first became eligible or such shorter period as may be established by the Committee.

(15) FUNDS: The investment funds designated from time to time for the deemed investment of Accounts pursuant to Article IV.

(16) INCENTIVE PAY: Bonuses and other forms of incentive payments as determined from time to time by the Compensation Committee, that are payable in cash by the Company to or for the benefit of a Member for services rendered while a Member.

(17) MEMBER: Each individual who has become a Member pursuant to Article II.

(18) PLAN: The Oil States International, Inc. Deferred Compensation Plan, as amended from time to time.

(19) PLAN YEAR: The calendar year; however, the initial Plan Year shall be a short year beginning ______________, 2001.

(20) RETIREMENT: A termination of employment with the Company and its Subsidiaries, other than due to death, after (i) reaching age 55 or (ii) completing 20 or more years of service; provided, however, with respect to a Member who is a Director, "Retirement" shall mean ceasing to be a member of the Board of Directors after reaching age 55, other than due to death.

(21) SUBSIDIARY: Any corporation that is a "subsidiary corporation" of the Company within the meaning of section 424(f) of the Code and any other entity that would be such a "subsidiary corporation" if the entity were a corporation.

(22) TRUST: The trust, if any, established under the Trust Agreement.

(23) TRUST AGREEMENT: The agreement, if any, entered into between the Company and the Trustee pursuant to Article X.

(24) TRUST FUND: The funds and properties, if any, held pursuant to the provisions of the Trust Agreement, together with all income, profits and increments thereto.

(25) TRUSTEE: The trustee or trustees qualified and acting under the Trust Agreement at any time.

(26) UNFORESEEABLE FINANCIAL EMERGENCY: An unexpected need of a Member for cash that (i) arises from a sudden and unexpected illness or accident of the Member or of a dependent of a Member, loss of the Member's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of such Member and (ii) would result in severe financial hardship to such Member if his Compensation deferral election was not canceled pursuant to Section 3.1(c) and/or if a benefit payment pursuant to Section 6.1 was not permitted. Cash needs arising from foreseeable events, such as the purchase of a house or education expenses for children, shall not be considered to be the result of an Unforeseeable Financial Emergency. Further, cash needs which may be relieved (a) through reimbursement or compensation by insurance or otherwise, or (b) by liquidation of the Member's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (c) by cessation of deferrals under the Plan shall not be considered to be Unforeseeable Financial Emergencies.

(27) VALUATION DATES: Each business day on which the principal securities markets are open. For purposes of effecting all Plan transactions, e.g., withdrawals, distributions and investment fund changes, the Valuation Date for any such transaction shall be the date on which the assets of the Trust Fund allocated to the affected Account are debited or credited, as the case may be. If there is no Trust Fund, the applicable Valuation Date shall be the date determined by the Committee.

1.2 NUMBER AND GENDER. Wherever appropriate herein, words used in the singular shall be considered to include the plural and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender.

1.3 HEADINGS. The headings of Articles and Sections herein are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

II.

PARTICIPATION

2.1 PARTICIPATION. Prior to each Election Date, the Committee, in its sole discretion, shall select and notify those management or highly compensated employees of the Company who shall be eligible to become Members as of such Election Date. However, only employees who are members of a "select group of management or highly compensated employees," within the meaning of Section 201 of ERISA, shall be eligible to participate. Each Director shall automatically be eligible to become a Member and shall be so notified by the Committee prior to the Election Date. Each such eligible person may become a Member on such Election Date by executing and filing with the Committee, prior to such Election Date, the Compensation deferral election form prescribed by the Committee for the Plan. Subject to the above ERISA requirements and the provisions of Section 2.2, a Member shall remain eligible to defer Compensation hereunder and receive an allocation of Company Deferrals, if any, for each Plan Year following his initial year of participation in the Plan.

2.2 CESSATION OF ACTIVE PARTICIPATION. Notwithstanding any provision herein to the contrary, an individual who has become a Member of the Plan, other than a Director, shall cease to be entitled to defer Compensation hereunder or receive an allocation of Company Deferrals, if any, effective as of any date designated by the Committee. Any such Committee action shall be communicated to the affected individual prior to the effective date of such action. Such an individual may again become entitled to defer Compensation hereunder and receive an allocation of Company Deferrals, if any, beginning on any subsequent Election Date selected by the Committee in its sole discretion.

2.3 ADOPTING SUBSIDIARIES. It is contemplated that Subsidiaries of the Company may adopt this Plan. Any Subsidiary, whether or not presently existing, may become a party hereto by appropriate action of its officers and the approval of the Committee, but without the need for approval of its board of directors or of the Compensation Committee. The provisions of the Plan shall apply equally to each Company and its employees in the same manner as is expressly provided for Oil States International, Inc. and its employees, except that the power to appoint or otherwise affect the Committee and the Trustee and the power to amend or terminate the Plan or amend the Trust Agreement shall be exercised by the Compensation Committee or Committee alone. Transfer of employment among Companies and Subsidiaries shall not be considered a termination of employment hereunder. Any Company may, by appropriate action of its officers without the need for approval of its board of directors or the Committee or the Compensation Committee, terminate its participation in the Plan. Moreover, the Committee may, in its discretion, terminate a Company's (other than Oil States International's) Plan participation at any time.

III.

ACCOUNT CREDITS AND ALLOCATIONS OF INCOME OR LOSS

3.1 MEMBER DEFERRALS.

(a) For each Plan Year (or applicable part thereof) a Member may elect to defer an integral percentage of from 1% to 100% of his (i) Base Salary, (ii) Incentive Pay, (iii) Annual Retainer and/or (iv) Committee Fees, as applicable. Compensation for a Plan Year not so deferred by such election shall be received by such Member in cash. A Member's election to defer an amount of his Compensation pursuant to this Section shall be made by executing a Compensation deferral election form pursuant to which the Member authorizes the Company to reduce his Compensation in the elected amount and the Company, in consideration thereof, agrees to credit an equal amount to such Member's Deferral Account maintained under the Plan. Compensation deferrals made by a Member shall be credited to such Member's Deferral Account as of a date determined in accordance with procedures established from time to time by the Committee; provided, however, that such deferrals shall be credited to the Member's Deferral Account no later than 30 days after the date upon which the Compensation deferred would have been received by such Member in cash if he had not elected to defer such amount pursuant to this Section 3.1. The reduction in a Member's Compensation for a Plan Year pursuant to his Compensation deferral election shall be effected by Compensation reductions within such Plan Year (or with respect to Incentive Pay for a Plan Year, the date it is scheduled to be paid even if after the close of such Plan Year) following the effective date of such election.

(b) A Member's Compensation deferral election shall become effective as of the Election Date which is on or after the election is executed by the Member and filed with the Company. Except as provided below, a Member's Compensation deferral election shall remain in force and effect for the entire Plan Year to which such election relates.

(c) In the event that the Committee, upon written petition of a Member, determines in its sole discretion that such Member has suffered an Unforeseeable Financial Emergency or that such Member will, absent termination of such Member's Compensation deferral election then in effect, suffer an Unforeseeable Financial Emergency, then such Member's Compensation deferral then in effect, if any, shall be terminated as soon as administratively practicable after such determination. A Member whose Compensation deferral election has been so terminated may again elect to defer a portion of his Compensation, effective as of any subsequent Election Date that is at least twelve months after the effective date of such termination, by executing and delivering to the Company a new Compensation deferral election prior to such Election Date.

3.2 COMPANY DEFERRALS. As of any date(s) selected by the Committee, the Company may credit a Member's Company Account with such amount, if any, as the Company shall determine

in its sole discretion, including, without limitation, amounts intended to make the Member "whole" had the Member participated in the Company's 401(k) plan and determined without regard to any limitations on benefits under such 401(k) plan. Such credits may be made on behalf of some Members but not others, and such credits may vary in amount among individual Members.

3.3 ALLOCATION OF NET INCOME OR LOSS AND CHANGES IN VALUE AMONG ACCOUNTS.

(a) As of each Valuation Date, the Committee shall cause to be determined the net income (or net loss) of each Fund for the period elapsed since the next preceding Valuation Date. The net income (or net loss) of each Fund since the next preceding Valuation Date shall be ascertained by the Committee or its designee in such manner as it deems appropriate, provided that such determination shall include any net increase or net decrease (whether or not realized) in the value of the assets of each such Fund since the next preceding Valuation Date, and may include expenses of administering the Fund, the Trust and the Plan.

(b) For purposes of allocations of net income (or net loss), each Member's Accounts (or subaccounts) shall be divided into subaccounts to reflect such Member's deemed investment designation in a particular Fund or Funds pursuant to Article IV. As of each Valuation Date, the net income (or net loss) of each Fund, separately and respectively, shall be allocated among the corresponding subaccounts of the Members who had such corresponding subaccounts on the next preceding Valuation Date, and each such corresponding subaccount shall be credited with (or debited for) that portion of such net income (or net loss) that the value of each such corresponding subaccount on such next preceding Valuation Date was of the value of all such corresponding subaccounts on such date; provided, however, that the value of such subaccounts as of the next preceding Valuation Date shall be reduced by the amount of any payments debited thereto in accordance with Section 7.4 since the next preceding Valuation Date.

(c) So long as there is any balance in any Account, such Account shall continue to receive allocations pursuant to this Section.

IV.

DEEMED INVESTMENT OF FUNDS

Each Member shall designate, in accordance with the procedures established from time to time by the Committee, the manner in which the amounts allocated to his Accounts shall be deemed to be invested from among the Funds made available from time to time for such purpose by the Committee. Such Member may designate one of such Funds for the deemed investment of all the amounts allocated to his Accounts or he may split the deemed investment of the amounts allocated to his Accounts between such Funds in such increments as the Committee may prescribe. If a Member fails to make a proper designation, then his Accounts shall be deemed to be invested in the Fund or Funds designated by the Committee from time to time in a uniform and nondiscriminatory manner.

A Member may change his deemed investment designation for future amounts to be allocated to his Accounts. Any such change shall be made in accordance with the procedures established by the Committee, and the frequency of such changes may be limited by the Committee.

A Member may elect to convert his deemed investment designation with respect to the amounts already allocated to his Accounts. Any such conversion shall be made in accordance with the procedures established by the Committee, and the frequency of such conversions may be limited by the Committee.

Notwithstanding anything herein to the contrary, at any time the Committee may change the Funds made available for purposes of the Plan, including "freezing" and deleting current Funds.

V.

VESTED INTERESTS

5.1 ACCOUNTS. A Member shall have a 100% vested (nonforfeitable) interest in his Accounts at all times.

VI.

IN-SERVICE DISTRIBUTIONS

6.1 EMERGENCY BENEFIT. In the event that the Committee, upon written petition of a Member, determines in its sole discretion that such Member has suffered an Unforeseeable Financial Emergency, such Member shall be entitled to a benefit in an amount not to exceed the lesser of (1) the amount determined by the Committee as necessary to meet such Member's needs created by the Unforeseeable Financial Emergency, or (2) the then value of such Member's Account(s). Such benefit shall be paid in a single lump sum, cash payment as soon as administratively practicable after the Committee has made its determinations with respect to the availability and amount of such benefit. If a Member's Account(s) are deemed to be invested in more than one Fund, such benefit shall be distributed pro rata from each Fund in which such Account(s) is deemed to be invested.

6.2 RESTRICTION ON IN-SERVICE DISTRIBUTIONS. This Article VI shall not be applicable to a Member following his termination with the Company and its Subsidiaries, and the amounts credited to such Member's Accounts shall be payable to such Member in accordance with the provisions of Article VII.

VII.

TERMINATION BENEFITS

7.1 AMOUNT OF BENEFIT. Upon a Member's termination with the Company and all of its Subsidiaries for any reason, or, without respect to a Member who is a Director, upon such Member ceasing to be a Director, the Member, or, in the event of the death of the Member, the Member's designated beneficiary, shall be entitled to a single lump sum payment equal in value to the Member's balance in his Accounts or, if eligible to receive his Accounts in installment payments pursuant to Section 7.5.

7.2 TIME OF PAYMENT. Payment of a Member's benefit under Section 7.1 shall be made or begin as soon as administratively practicable after the Valuation Date coincident with or next succeeding the termination date of the Member.

7.3 DESIGNATION OF BENEFICIARIES.

(a) Each Member shall have the right to designate the beneficiary or beneficiaries to receive payment of his benefit in the event of his death. Each such designation shall be made by executing the beneficiary designation form prescribed by the Committee and filing same with the Committee. Any such designation may be changed at any time by execution of a new designation in accordance with this Section.

(b) If no such designation is on file with the Committee at the time of the death of the Member or such designation is not effective for any reason as determined by the Committee, then the designated beneficiary or beneficiaries to receive such benefit shall be as follows:

(1) If a Member leaves a surviving spouse, his benefit shall be paid to such surviving spouse; and

(2) If a Member leaves no surviving spouse, his benefit shall be paid to such Member's executor or administrator, or to his heirs at law if there is no administration of such Member's estate.

7.4 PAYMENT OF BENEFITS. To the extent the Trust Fund has sufficient assets, the Trustee shall pay benefits to Members or their beneficiaries, except to the extent the Company pays the benefits directly and provides adequate evidence of such payment to the Trustee. To the extent the Trustee does not or cannot pay benefits out of the Trust Fund, the benefits shall be paid by the Company. Any benefit payments made to a Member or for his benefit pursuant to any provision of the Plan shall be debited to such Member's Accounts. All benefit payments shall be made in cash to the fullest extent practicable.

7.5 FORMS OF BENEFIT PAYMENTS.

(a) All benefits shall be paid in cash in one of the following forms as elected by the Member:

(i) a single lump sum payment; or

(ii) if his termination is due to his Retirement, in annual installment payments (e.g., 1/10, 1/9, etc. of the Account balance on the installment payment date) for a term certain not to exceed 10 years (as designated by the Member) beginning on the first of the month or as soon as reasonably practical following his Retirement and on each anniversary of such month. In the event of such Member's death prior to the end of the designated installment term, any unpaid balance shall be paid in a lump sum to his designated Beneficiary. If the Member terminates prior to his Retirement, distribution automatically shall be in a lump sum.

(b) A Member may elect, on the form prescribed by the Committee, one of the above forms of payment. Such election must be made not later than one year prior to the date such Member terminates. An election shall apply to all of the Member's Accounts. In the event a Member fails to elect the form in which his benefit payments are to be made prior to such date, such benefits shall be paid to such Member in the form of a single lump sum.

(c) With the consent of the Committee, a Member may change his elected form of benefit payment with respect to all of his Accounts, provided, that, no such change shall be effective if made within 12 months of the date such Member's employment terminates.

7.6 CASH-OUT OF BENEFIT. The Committee, in its sole discretion, may accelerate the payment of a terminated Member's Accounts at any time, notwithstanding the form of benefit payment elected by the Member.

7.7 UNCLAIMED BENEFITS. In the case of a benefit payable on behalf of a Member, if the Committee is unable to locate the Member or beneficiary to whom such benefit is payable, upon the Committee's determination thereof, such benefit shall be forfeited to the Company. Notwithstanding the foregoing, if subsequent to any such forfeiture the Member or beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit shall be restored to the Plan by the Company.

VIII.

ADMINISTRATION OF THE PLAN

8.1 APPOINTMENT OF COMMITTEE. The general administration of the Plan shall be vested in the Committee which shall be appointed by the Compensation Committee and shall consist of one or more persons. Any individual, whether or not an employee of the Company, is eligible to become a member of the Committee.

8.2 TERM, VACANCIES, RESIGNATION, AND REMOVAL. Each member of the Committee shall serve until he resigns, dies, or is removed by the Compensation Committee. At any time during his term of office, a member of the Committee may resign by giving written notice to the Compensation Committee and the Committee, such resignation to become effective upon the appointment of a substitute member or, if earlier, the lapse of thirty days after such notice is given as herein provided. At any time during his term of office, and for any reason, a member of the Committee may be removed by the Compensation Committee with or without cause, and the Compensation Committee may in its discretion fill any vacancy that may result therefrom. Any member of the Committee who is an employee of the Company shall automatically cease to be a member of the Committee as of the date he ceases to be employed by the Company or any Subsidiary.

8.3 SELF-INTEREST OF MEMBERS. No member of the Committee shall have any right to vote or decide upon any matter relating solely to himself under the Plan or to vote in any case in which his individual right to claim any benefit under the Plan is particularly involved. In any case in which a Committee member is so disqualified to act and the remaining members cannot agree, the Compensation Committee shall appoint a temporary substitute member to exercise all the powers of the disqualified member concerning the matter in which he is disqualified.

8.4 COMMITTEE POWERS AND DUTIES. The Committee shall supervise the administration and enforcement of the Plan according to the terms and provisions hereof and shall have all powers necessary to accomplish these purposes, including, but not by way of limitation, the right, power, authority, and duty:

(a) To make rules, regulations, and bylaws for the administration of the Plan that are not inconsistent with the terms and provisions hereof, and to enforce the terms of the Plan and the rules and regulations promulgated thereunder by the Committee;

(b) To construe in its discretion all terms, provisions, conditions, and limitations of the Plan;

(c) To correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Plan in such manner and to such extent as it shall deem in its discretion expedient to effectuate the purposes of the Plan;

(d) To employ and compensate such accountants, attorneys, investment advisors, and other agents, employees, and independent contractors as the Committee may deem necessary or advisable for the proper and efficient administration of the Plan;

(e) To determine in its discretion all questions relating to eligibility;

(f) To determine whether and when there has been a termination of a Member's employment with the Company and its Subsidiaries;

(g) To make a determination in its discretion as to the right of any person to a benefit under the Plan and to prescribe procedures to be followed by distributees in obtaining benefits hereunder;

(h) To receive and review reports from the Trustee as to the financial condition of the Trust Fund, including its receipts and disbursements; and

(i) To establish or designate Funds as investment options as provided in Article IV.

8.5 CLAIMS REVIEW. In any case in which a claim for Plan benefits of a Member or beneficiary is denied or modified, the Committee shall furnish written notice to the claimant within ninety days (or within 180 days if additional information requested by the Committee necessitates an extension of the ninety-day period), which notice shall:

(a) State the specific reason or reasons for the denial or modification;

(b) Provide specific reference to pertinent Plan provisions on which the denial or modification is based;

(c) Provide a description of any additional material or information necessary for the Member, his beneficiary, or representative to perfect the claim and an explanation of why such material or information is necessary; and

(d) Explain the Plan's claim review procedure as contained herein.

In the event a claim for Plan benefits is denied or modified, if the Member, his beneficiary, or a representative of such Member or beneficiary desires to have such denial or modification reviewed, he must, within sixty days following receipt of the notice of such denial or modification, submit a

written request for review by the Committee of its initial decision. In connection with such request, the Member, his beneficiary, or the representative of such Member or beneficiary may review any pertinent documents upon which such denial or modification was based and may submit issues and comments in writing. Within sixty days following such request for review the Committee shall, after providing a full and fair review, render its final decision in writing to the Member, his beneficiary or the representative of such Member or beneficiary stating specific reasons for such decision and making specific references to pertinent Plan provisions upon which the decision is based. If special circumstances require an extension of such sixty-day period, the Committee's decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review. If an extension of time for review is required, written notice of the extension shall be furnished to the Member, beneficiary, or the representative of such Member or beneficiary prior to the commencement of the extension period.

8.6 COMPANY TO SUPPLY INFORMATION. The Company shall supply full and timely information to the Committee, including, but not limited to, information relating to each Member's Compensation, termination of employment and such other pertinent facts as the Committee may require. The Company shall advise the Trustee of such of the foregoing facts as are deemed necessary for the Trustee to carry out the Trustee's duties under the Plan and the Trust Agreement. When making a determination in connection with the Plan, the Committee shall be entitled to rely upon the aforesaid information furnished by the Company.

8.7 INDEMNITY. To the extent permitted by applicable law, the Company shall indemnify and save harmless each member of the Committee and the Compensation Committee against any and all expenses, liabilities and claims (including legal fees incurred to defend against such liabilities and claims) arising out of their discharge in good faith of responsibilities under or incident to the Plan. Expenses and liabilities arising out of willful misconduct shall not be covered under this indemnity. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, as such indemnities are permitted under applicable law.

IX.

ADMINISTRATION OF FUNDS

9.1 PAYMENT OF EXPENSES. All expenses incident to the administration of the Plan and Trust, including but not limited to, legal, accounting, Trustee fees, and expenses of the Committee, may be paid by the Company and, if not paid by the Company, shall be paid by the Trustee from the Trust Fund.

9.2 TRUST FUND PROPERTY. All income, profits, recoveries, contributions, forfeitures and any and all moneys, securities and properties of any kind at any time received or held by the Trustee shall be held for investment purposes as a commingled Trust Fund pursuant to the terms of the Trust Agreement. The Committee shall maintain one or more Accounts in the name of each Member, but the maintenance of an Account designated as the Account of a Member shall not mean that such Member shall have a greater or lesser interest than that due him by operation of the Plan and shall not be considered as segregating any funds or property from any other funds or property contained in the commingled fund. No Member shall have any title to any specific asset in the Trust Fund.

X.

NATURE OF THE PLAN

The Plan is intended to constitute an unfunded, unsecured plan of deferred compensation for (i) the Directors and (ii) for a select group of management or highly compensated employees of the Company. Plan benefits herein provided are to be paid out of the Company's general assets. Nevertheless, subject to the terms hereof and of the Trust Agreement, the Company may, in the sole discretion of the Committee, transfer money or other property to the Trustee and the Trustee shall pay Plan benefits to Members and their beneficiaries out of the Trust Fund.

The Company, in its sole discretion, may establish the Trust and enter into the Trust Agreement. In such event, the Company shall remain the owner of all assets in the Trust Fund and the assets shall be subject to the claims of Company creditors if the Company ever becomes insolvent. For purposes hereof, the Company shall be considered "insolvent" if (a) the Company is unable to pay its debts as they become due, or (b) the Company is subject to a pending proceeding as a debtor under the United Sates Bankruptcy Code (or any successor federal statute). The chief executive officer of the Company and its board of directors shall have the duty to inform the Trustee in writing if the Company becomes insolvent. Such notice given under the preceding sentence by any party shall satisfy all of the parties' duty to give notice. When so informed, the Trustee shall suspend payments to the Members and hold the assets for the benefit of the Company's general creditors. If the Trustee receives a written allegation that the Company is insolvent, the Trustee shall suspend payments to the Members and hold the Trust Fund for the benefit of the Company's general creditors, and shall determine within the period specified in the Trust Agreement whether the Company is insolvent. If the Trustee determines that the Company is not insolvent, the Trustee shall resume payments to the Members. No Member or beneficiary shall have any preferred claim to, or any beneficial ownership interest in, any assets of the Trust Fund.

XI.

MISCELLANEOUS

11.1 NOT CONTRACT OF EMPLOYMENT. The adoption and maintenance of the Plan shall not be deemed to be a contract between the Company and any person or to be consideration for the employment of any person. Nothing herein contained shall be deemed to give any person the right to be retained in the employ of the Company or to restrict the right of the Company to discharge any person at any time nor shall the Plan be deemed to give the Company the right to require any person to remain in the employ of the Company or to restrict any person's right to terminate his employment at any time.

11.2 ALIENATION OF INTEREST FORBIDDEN. The interest of a Member or his beneficiary or beneficiaries hereunder may not be sold, transferred, assigned, or encumbered in any manner, either voluntarily or involuntarily, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be null and void; neither shall the benefits hereunder be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person to whom such benefits or funds are payable, nor shall they be an asset in bankruptcy or subject to garnishment, attachment or other legal or equitable proceedings.

11.3 WITHHOLDING. All Compensation deferrals and payments provided for hereunder shall be subject to applicable tax withholding and other deductions as shall be required of the Company under any applicable law.

11.4 AMENDMENT AND TERMINATION. The Compensation Committee may from time to time, in its discretion, amend, in whole or in part, any or all of the provisions of the Plan; provided, however, that no amendment may be made that would materially impair the rights of a Member with respect to amounts already allocated to his Accounts. The Committee may also similarly amend the Plan provided that no such amendment may materially increase the obligations of the Company hereunder. The Compensation Committee may terminate the Plan at any time. In the event that the Plan is terminated, the balance in a Member's Accounts shall be paid to such Member or his designated beneficiary in a single lump sum, cash payment in full satisfaction of all of such Member's or beneficiary's benefits hereunder.

11.5 SEVERABILITY. If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

11.6 GOVERNING LAWS. ALL PROVISIONS OF THE PLAN SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF TEXAS (WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES) EXCEPT TO THE EXTENT PREEMPTED BY APPLICABLE FEDERAL LAW.

EXECUTED ____________________________________, 2001, effective for all purposes as provided above.

OIL STATES INTERNATIONAL, INC.

By: ----------------------------------

Name: ----------------------------

Title: ---------------------------

ADOPTING SUBSIDIARIES

[Names]

EXHIBIT 10.7

OIL STATES INTERNATIONAL, INC.

ANNUAL INCENTIVE COMPENSATION PLAN

1. INTENT.

The purpose of this Annual Incentive Compensation Plan (the "Plan") is to promote the interests of Oil States International, Inc. (the "Company") and its stockholders by motivating the key employees of the Company and its affiliates to produce outstanding results, encouraging superior performance, increasing productivity, and aiding in the ability to attract and retain such key employees through annual cash bonus opportunities.

2. PLAN GUIDELINES.

The administration of the Plan and any potential financial remuneration to come as a result of its implementation is subject to the determination by the Compensation Committee of the Company's Board of Directors that the performance goals for the applicable periods have been achieved. The Plan is an additional compensation program designed to encourage Plan participants (designated by the Company's Compensation Committee) to exceed specified objective performance targets for the designated period. Payments under the Plan will be made upon approval by the Company's Compensation Committee after it reviews the performance results for the designated period.

3. PERFORMANCE TARGETS.

3.1 Designation of Performance Targets. The Compensation Committee shall determine the performance target or targets to be used for each calendar year (a "Plan Year") for determining the bonuses to be paid as a result of this Plan. Performance targets may be based on Company, regional, business units and/or individual achievements, or any combination of the same or on such other factors as the Compensation Committee may determine. Different performance targets may be established for different Participants for any Plan Year. Satisfactory results as determined by the Compensation Committee, in its sole discretion, must be achieved in order for a performance payment to occur under the Plan.

3.2 Equitable Adjustment to Performance Targets. The performance criteria applicable to any Participant for a Plan Year shall be subject to equitable adjustment at the sole discretion of the Compensation Committee to reflect the occurrence of any significant events during the Plan Year.

4. PARTICIPANTS.

Employees of the Company and its affiliates eligible to participate in the Plan shall be designated by the Compensation Committee, in consultation with the Company's President.

5. PERFORMANCE PAY.

A Participant's designated target bonus for a Plan Year will be determined under criteria established or approved by the Compensation Committee for that Plan Year. In the discretion of the Compensation Committee, different target bonuses may be established for Participants. Care will be used in communicating to any Participant his performance targets and potential performance amount for a Plan Year. The amount of target bonus, if any, a Participant may receive for any Plan Year will depend upon the performance level achieved for that Plan Year, as determined by the Compensation Committee.

6. TERMINATION OF EMPLOYMENT.

A Participant's termination of employment for any reason prior to a performance payment will result in the Participant's forfeiture of any right, title or interest in a performance payment under the Plan, unless and to the extent waived by the Compensation Committee, in its sole discretion.

7. AMENDMENT AND TERMINATION.

The Company's Compensation Committee, at its sole discretion, reserves the right to amend the Plan and to terminate the Plan at any time.

8. ADMINISTRATION OF PLAN.

8.1 Administration. The Compensation Committee may delegate the responsibility for the day-to-day administration and operation of the Plan to the President (or his designee(s)) of the Company or any participating affiliate. The Compensation Committee (or the person(s) to which administrative authority has been delegated) shall have the authority to interpret and construe any and all provisions of the Plan. Any determination made by the Compensation Committee (or the person(s) to which administrative authority has been delegated) shall be final and conclusive and binding on all persons.

8.2 Indemnification. Neither the Company, any participating affiliate, the Board of Directors, any member or any committee thereof, nor any employee of the Company or any participating affiliate shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith; and the members of the Company's Board of Directors, the Compensation Committee and/or the employees of the Company and any participating affiliate shall be entitled to indemnification and reimbursement by the Company to the maximum extent permitted by law in respect of any claim, loss, damage or expense (including

counsel's fees) arising from their acts, omission and conduct in their official capacity with respect to the Plan.

9. GENERAL PROVISIONS.

9.1 Non-Guarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between the Company and/or a participating affiliate and a Participant, and nothing in this Plan shall confer upon any Participant any right to continued employment with the Company or a participating affiliate, or to interfere with the right of the Company or a participating affiliate to discharge a Participant, with or without cause.

9.2 Interests Not Transferable. No benefits under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment or other legal process, or encumbrance of any kind, and any attempt to do so shall be void.

9.3 Facility Payment. Any amounts payable hereunder to any person under legal disability or who, in the judgment of the Compensation Committee or its designee, is unable to properly manage his financial affairs, may be paid to the legal representative of such person, or may be applied for the benefit of such person in any manner which the Compensation Committee or its designee may select, and each participating affiliate shall be relieved of any further liability for payment of such amounts.

9.4 Tax Withholding. The Company and/or any participating affiliate may deduct from any payments otherwise due under this Plan to a Participant (or beneficiary) amounts required by law to be withheld for purposes of federal, state or local taxes.

9.5 Gender and Number. Words in the masculine gender shall include the feminine gender, the plural shall include the singular and the singular shall include the plural.

9.6 Controlling Law. To the extent not superseded by federal law, the law of the State of Texas shall be controlling in all matters relating to the Plan.

9.7 No Rights to Award. No person shall have any claim to be granted any award under the Plan, and there is no obligation for uniformity of treatment of participants. The terms and conditions of awards need not be the same with respect to each recipient.

9.8 Severability. If any provision of the Plan or any award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or award, or would disqualify the Plan or any award under the law deemed applicable by the Compensation Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Compensation Committee, materially altering the intent of the Plan or the award, such provision shall be stricken

as to such jurisdiction, person or award and the remainder of the Plan and any such award shall remain in full force and effect.

9.9 No Trust or Fund Created. Neither the Plan nor any award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any participating affiliate and a participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any participating affiliate pursuant to an award, such right shall be no greater than the right of any general unsecured creditor of the Company or any participating affiliate.

9.10 Headings. Headings are given to the Sections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

EXHIBIT 10.8

EXECUTIVE AGREEMENT

This Executive Agreement ("Agreement") between Oil States International, Inc., a Delaware corporation (the "Company"), and Douglas E. Swanson (the "Executive") is made and entered into effective as of the date of the consummation of the initial public offering of the common stock of the Company (the "Effective Date").

WHEREAS, Executive is a key executive of the Company or a subsidiary; and

WHEREAS, the Company believes it to be in the best interests of its stockholders to attract, retain and motivate key executives and ensure continuity of management; and

WHEREAS, it is in the best interest of the Company and its stockholders if the key executives can approach material business development decisions objectively and without concern for their personal situation; and

WHEREAS, the Company recognizes that the possibility of a Change of Control (as defined below) of the Company may result in the departure of key executives to the detriment of the Company and its stockholders; and

WHEREAS, the Board of Directors of the Company has authorized this Agreement and certain similar agreements in order to retain and motivate key management and to ensure continuity of key management;

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive agree as follows:

1. TERM OF AGREEMENT

A. This Agreement shall commence on the Effective Date and, subject to the provisions for earlier termination in this Agreement, shall continue in effect through the third anniversary of the Effective Date; provided, however, commencing on the Effective Date and on each day thereafter, the term of this Agreement shall automatically be extended for one additional day unless the Board of Directors of the Company shall give written notice to Executive that the term shall cease to be so extended in which event the Agreement shall terminate on the third anniversary of the date such notice is given.

B. Notwithstanding anything in this Agreement to the contrary, this Agreement, if in effect on the date of a Change of Control, shall automatically be extended for the 24- month period following the Change of Control.

C. Termination of this Agreement shall not alter or impair any rights of Executive arising hereunder on or before such termination.

2. CERTAIN DEFINITIONS

A. "Cause" shall mean:

(i) Executive's conviction of (or plea of nolo contendere to) a felony, dishonesty or a breach of trust as regards the Company or any subsidiary;

(ii) Executive's commission of any act of theft, fraud, embezzlement or misappropriation against the Company or any subsidiary that is materially injurious to the Company or such subsidiary regardless of whether a criminal conviction is obtained;

(iii) Executive's willful and continued failure to devote substantially all of his business time to the Company's business affairs (excluding failures due to illness, incapacity, vacations, incidental civic activities and incidental personal time) which failure is not remedied within a reasonable time after written demand is delivered by the Company, which demand specifically identifies the manner in which the Company believes that Executive has failed to devote substantially all of his business time to the Company's business affairs; or

(iv) Executive's unauthorized disclosure of confidential information of the Company that is materially injurious to the Company.

For purposes of this definition, no act, or failure to act, on Executive's part shall be deemed "willful" unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interest of the Company.

B. "Change of Control" shall mean any of the following:

(i) any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any affiliate, SCF III, L.P., SCF IV, L.P., or any affiliate of SCF-III, L.P. or SCF-IV, L.P. or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires "beneficial ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities; provided, however, that if the Company engages in a merger or consolidation in which the Company or surviving entity in such merger or consolidation becomes a subsidiary of another entity, then references to the Company's then outstanding securities shall be deemed to refer to the outstanding securities of such parent entity;

(ii) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (i) are directors of the Company as of the Effective Date, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least two-thirds of the Incumbent Directors at the time of such election or nomination, but Incumbent Director shall not include an individual whose election or nomination occurs as a result of either (1) an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or (2) an actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors of the Company;

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity (or if the surviving entity is or shall become a subsidiary of another entity, then such parent entity)) more than 50% of the combined voting power of the voting securities of the Company (or such surviving entity or parent entity, as the case may be) outstanding immediately after such merger or consolidation;

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company; or

(v) the sale or disposition (other than a pledge or similar encumbrance) by the Company of all or substantially all of the assets of the Company other than to a subsidiary or subsidiaries of the Company.

C. "Date of Termination" shall mean the date the Notice of Termination is given unless such termination is by Executive in which event the Date of Termination shall not be less than 30 days following the date the Notice of Termination is given. Further, a Notice of Termination given by Executive due to a Good Reason event that is corrected by the Company before the Date of Termination shall be void.

D. "Good Reason" shall mean:

(i) a material reduction in Executive's authority, duties or responsibilities from those in effect immediately prior to the Change of Control or the assignment to Executive duties or responsibilities inconsistent in any material respect from those of Executive in effect immediately prior to the Change of Control;

(ii) a material reduction of Executive's compensation and benefits, including, without limitation, annual base salary, annual bonus, and equity incentive

opportunities, from those in effect immediately prior to the Change of Control;

(iii) the Company fails to obtain a written agreement from any successor or assigns of the Company to assume and perform this Agreement as provided in Section 9 hereof; or

(iv) the Company requires Executive, without Executive's consent, to be based at any office located more than 50 miles from the Company's offices to which Executive was based immediately prior to the Change of Control, except for travel reasonably required in the performance of Executive's duties.

Notwithstanding the above however, Good Reason shall not exist with respect to a matter unless Executive gives the Company written notice of such matter within 30 days of the date Executive knows or should reasonably have known of its occurrence. If Executive fails to give such notice timely, Executive shall be deemed to have waived all rights Executive may have under this Agreement with respect to such matter.

E. "Notice of Termination" shall mean a written notice delivered to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

F. "Protected Period" shall mean the 24-month period beginning on the effective date of a Change of Control.

G. "Target AICP" shall mean the targeted value of Executive's annual incentive compensation plan bonus for the year in which the Date of Termination occurs or the fiscal year immediately preceding the Change of Control, whichever is a greater amount.

H. "Termination Base Salary" shall mean Executive's base salary at the rate in effect at the time the Notice of Termination is given or, if a greater amount, Executive's base salary at the rate in effect immediately prior to the Change of Control.

3. NO EMPLOYMENT AGREEMENT.

This Agreement shall be considered solely as a "severance agreement" obligating the Company to pay Executive certain amounts of compensation and to provide certain benefits in the event and only in the event of Executive's termination of employment for the specified reasons and at the times specified herein. The parties agree that this Agreement shall not be considered an employment agreement and that Executive is an "at will" employee of the Company.

4. REGULAR SEVERANCE BENEFITS.

Subject to Section 13, if the Company terminates Executive's employment (i) other than for Cause and (ii) not during the Protected Period, Executive shall receive the following compensation and benefits from the Company:

A. Within 15 days of the Date of Termination the Company shall pay to Executive in a lump sum, in cash, an amount equal to two times the sum of Executive's (i) Termination Base Salary and (ii) Target AICP.

B. Notwithstanding anything in any Company stock plan or grant agreement to the contrary, all restricted shares and restricted stock units of Executive shall become 100% vested and all restrictions thereon shall lapse as of the Date of Termination and the Company shall promptly deliver such shares to Executive.

C. For the 24-month period following the Date of Termination (the "Regular Severance Period"), the Company shall continue to provide Executive and Executive's eligible family members, based on the cost sharing arrangement between the Company and similarly situated active employees, with medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, dental and disability benefits under another employer's plans during this Regular Severance Period, the Company's obligations under this Section 4C shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Company. In the event Executive is ineligible under the terms of the Company's health and other welfare benefit plans or programs to continue to be so covered, the Company shall provide Executive with substantially equivalent coverage through other sources or will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of providing Executive such benefit coverage. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code") on the Date of Termination.

CHANGE OF CONTROL SEVERANCE BENEFITS

5. SEVERANCE BENEFITS. Subject to Section 13, if either (a) Executive terminates his employment during the Protected Period for a Good Reason event or (b) the Company terminates Executive's employment during the Protected Period other than for Cause, Executive shall receive the following compensation and benefits from the Company:

A. Within 15 days of the Date of Termination the Company shall pay to Executive in a lump sum, in cash, an amount equal to three times the sum of Executive's (i) Termination Base Salary and (ii) Target AICP.

B. Notwithstanding anything in any Company stock plan or grant agreement to the contrary, (i) all restricted shares and restricted stock units of Executive shall become 100% vested and all restrictions thereon shall lapse as of the Date of Termination and the Company shall promptly deliver such shares to Executive and (ii) each then outstanding stock option of Executive shall become 100% exercisable and, excluding any incentive stock option granted prior to the Effective Date, shall remain exercisable for the remainder of such option's term.

C. Executive shall be fully vested in Executive's accrued benefits under all qualified pension, nonqualified pension, profit sharing, 401(k), deferred compensation and supplemental plans maintained by the Company for Executive's benefit, except to that the extent the acceleration of vesting of such benefits would violate any applicable law or require the Company to accelerate the vesting of the accrued benefits of all participants in such plan or plans, in which event the Company shall pay Executive a lump sum amount, in cash, within 15 days following the Date of Termination, equal to the present value of such unvested accrued benefits that cannot become vested under the plan for the reasons provided above.

D. For the 36-month period following the Date of Termination (the "COC Severance Period"), the Company shall continue to provide Executive and Executive's eligible family members, based on the cost sharing arrangement between Executive and the Company on the Date of Termination, with medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, dental and disability benefits under another employer's plans during this COC Severance Period, the Company's obligations under this Section 5D shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Company. In the event Executive is ineligible under the terms of the Company's health and other welfare benefit plans or programs to continue to be so covered, the Company shall provide Executive with substantially equivalent coverage through other sources or will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of providing Executive such benefit coverage. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Code on the Date of Termination.

E. Throughout the term of the COC Severance Period or until Executive accepts other employment, including as an independent contractor, with a new employer,

whichever occurs first, Executive shall be entitled to receive outplacement services, payable by the Company, with an aggregate cost not to exceed 15% of Executive's Termination Base Salary, with an executive outplacement service firm reasonably acceptable to the Company and Executive.

6. PARACHUTE TAX GROSS UP.

If any payment (including without limitation any imputed income) made, or benefit provided, to or on behalf of Executive pursuant to this Agreement, including any accelerated vesting or any deferred compensation or other award, in connection with a "change in control" of the Company (within the meaning of Section 280G of the Code) results in Executive being subject to the excise tax imposed by Section 4999 of the Code (or any successor or similar provision) the Company shall promptly pay Executive an additional amount in cash (the "Additional Amount") such that the net amount of all such payments and benefits received by Executive after paying all applicable taxes (including penalties and interest) on such payments and benefits, including on such Additional Amount, shall be equal to the net after- tax amount of the payments and benefits (excluding the Additional Amount) that Executive would have received if Section 4999 were not applicable to such payments and benefits. Such determinations shall be made by the Company's independent certified public accountants.

7. ACCELERATED VESTING OF OPTIONS UPON A CHANGE OF CONTROL.

Notwithstanding any provisions of any Company stock option plan or option agreement to the contrary, upon a Change of Control all outstanding unvested stock options, if any, granted to Executive under any Company stock option plan (or options substituted therefor covering the stock of a successor corporation) shall be fully vested and exercisable as to all shares of stock covered thereby effective as of the date of the Change of Control.

8. MITIGATION.

Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise nor, except as provided in Section 4C and Section 5D, shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned or benefit received by Executive as the result of employment by another employer or self-employment, by retirement benefits, by offset against any amount claimed to be owed by Executive to the Company or otherwise, except that any severance payments or benefits that Executive is entitled to receive pursuant to a Company severance plan or program for employees in general shall reduce the amount of payments and benefits otherwise payable or to be provided under this Agreement.

9. SUCCESSOR AGREEMENT.

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and

to the same extent that the Company would be required to perform if no succession had taken place. Failure of the successor to so assume shall constitute a breach of this Agreement and entitle Executive to the benefits hereunder as if triggered by a termination by the Company other than for Cause.

10. INDEMNITY.

In any situation where under applicable law the Company has the power to indemnify, advance expenses to and defend Executive in respect of any judgements, fines, settlements, loss, cost or expense (including attorneys fees) of any nature related to or arising out of Executive's activities as an agent, employee, officer or director of the Company or in any other capacity on behalf of or at the request of the Company, then the Company shall promptly on written request, indemnify Executive, advance expenses (including attorney's fees) to Executive and defend Executive to the fullest extent permitted by applicable law, including but not limited to making such findings and determinations and taking any and all such actions as the Company may, under applicable law, be permitted to have the discretion to take so as to effectuate such indemnification, advancement or defense. Such agreement by the Company shall not be deemed to impair any other obligation of the Company respecting Executive's indemnification or defense otherwise arising out of this or any other agreement or promise of the Company under any statute.

11. NOTICE.

For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and delivered by United States certified or registered mail (return receipt requested, postage prepaid) or by courier guaranteeing overnight delivery or by hand delivery (with signed receipt required), addressed to the respective addresses set forth below, and such notice or communication shall be deemed to have been duly given two days after deposit in the mail, one day after deposit with such overnight carrier or upon delivery with hand delivery. The addresses set forth below may be changed by a writing in accordance herewith.

Company:	Executive:
Oil States International, Inc. 333 Clay Street, Suite 3460 Houston, Texas 77002 Attn: Chairman of the Board	

12. ARBITRATION.

The parties agree to resolve any claim or controversy arising out of or relating to this Agreement, including but not limited to the termination of employment of Executive, by binding arbitration under the Federal Arbitration Act before one arbitrator in Houston, Texas, administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court

having jurisdiction thereof. The fees and expenses of the arbitrator shall be borne solely by the non-prevailing party or, in the event there is no clear prevailing party, as the arbitrator deems appropriate. Except as provided above, each party shall pay its own costs and expenses (including, without limitation, attorneys' fees) relating to any mediation/arbitration proceeding conducted under this Section 12.

13. WAIVER AND RELEASE.

As a condition to the receipt of any payment or benefit under this Agreement, Executive must first execute and deliver to the Company a binding general release, as prepared by the Company, that releases the Company, its officers, directors, employees, agents, subsidiaries and affiliates from any and all claims and from any and all causes of action of any kind or character that Executive may have arising out of Executive's employment with the Company or the termination of such employment, but excluding (i) any claims and causes of action that Executive may have arising under or based upon this Agreement, and (ii) any vested rights Executive may have under any employee benefit plan or deferred compensation plan or program of the Company.

14. EMPLOYMENT WITH AFFILIATES.

Employment with the Company for purposes of this Agreement includes employment with any entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of all outstanding equity interests, and employment with any entity which has a direct or indirect interest of 50% or more of the total combined voting power of all outstanding equity interests of the Company. For purposes of this Agreement, "Good Reason" shall be construed to refer to Executive's positions, duties, and responsibilities in the position or positions in which Executive serves immediately before the Change of Control, but shall not include titles or positions with subsidiaries and affiliates of the Company that are held primarily for administrative convenience.

15. GOVERNING LAW.

(a) THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS IN HARRIS COUNTY, TEXAS, FOR THE PURPOSES OF ANY PROCEEDING ARISING OUT OF THIS AGREEMENT.

16. ENTIRE AGREEMENT.

This Agreement is an integration of the parties' agreement and no agreement or representatives, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

This Agreement hereby expressly terminates, rescinds and replaces in full any prior agreement (written or oral) between the parties relating to the subject matter hereof, including, without limitation, that certain [   ] Agreement between the parties dated ________________________.

17. WITHHOLDING OF TAXES.

The Company shall withhold from all payments and benefits provided under this Agreement all taxes required to be withheld by applicable law.

18. BENEFICIARY.

In the event Executive dies before receiving the lump sum severance payment to which Executive was entitled hereunder, Executive's spouse or, if there is no spouse, the beneficiary designated by Executive under the Company-sponsored group term life insurance plan, shall receive such payment.

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement effective for all purposes as of the Effective Date.

OIL STATES INTERNATIONAL, INC.

By:

Name:

Title:

EXECUTIVE

Douglas E. Swanson

EXHIBIT 10.9

EXECUTIVE AGREEMENT

This Executive Agreement ("Agreement") between Oil States International, Inc., a Delaware corporation (the "Company"), and Cindy B. Taylor (the "Executive") is made and entered into effective as of the date of the consummation of the initial public offering of the common stock of the Company (the "Effective Date").

WHEREAS, Executive is a key executive of the Company or a subsidiary; and

WHEREAS, the Company believes it to be in the best interests of its stockholders to attract, retain and motivate key executives and ensure continuity of management; and

WHEREAS, it is in the best interest of the Company and its stockholders if the key executives can approach material business development decisions objectively and without concern for their personal situation; and

WHEREAS, the Company recognizes that the possibility of a Change of Control (as defined below) of the Company may result in the departure of key executives to the detriment of the Company and its stockholders; and

WHEREAS, the Board of Directors of the Company has authorized this Agreement and certain similar agreements in order to retain and motivate key management and to ensure continuity of key management;

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive agree as follows:

1. TERM OF AGREEMENT

A. This Agreement shall commence on the Effective Date and, subject to the provisions for earlier termination in this Agreement, shall continue in effect through the third anniversary of the Effective Date; provided, however, commencing on the Effective Date and on each day thereafter, the term of this Agreement shall automatically be extended for one additional day unless the Board of Directors of the Company shall give written notice to Executive that the term shall cease to be so extended in which event the Agreement shall terminate on the third anniversary of the date such notice is given.

B. Notwithstanding anything in this Agreement to the contrary, this Agreement, if in effect on the date of a Change of Control, shall automatically be extended for the 24-month period following the Change of Control.

C. Termination of this Agreement shall not alter or impair any rights of Executive arising hereunder on or before such termination.

2. CERTAIN DEFINITIONS

A. "Cause" shall mean:

(i) Executive's conviction of (or plea of nolo contendere to) a felony, dishonesty or a breach of trust as regards the Company or any subsidiary;

(ii) Executive's commission of any act of theft, fraud, embezzlement or misappropriation against the Company or any subsidiary that is materially injurious to the Company or such subsidiary regardless of whether a criminal conviction is obtained;

(iii) Executive's willful and continued failure to devote substantially all of his business time to the Company's business affairs (excluding failures due to illness, incapacity, vacations, incidental civic activities and incidental personal time) which failure is not remedied within a reasonable time after written demand is delivered by the Company, which demand specifically identifies the manner in which the Company believes that Executive has failed to devote substantially all of his business time to the Company's business affairs; or

(iv) Executive's unauthorized disclosure of confidential information of the Company that is materially injurious to the Company.

For purposes of this definition, no act, or failure to act, on Executive's part shall be deemed "willful" unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interest of the Company.

B. "Change of Control" shall mean any of the following:

(i) any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any affiliate, SCF III, L.P., SCF IV, L.P., or any affiliate of SCF-III, L.P. or SCF-IV, L.P. or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires "beneficial ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities; provided, however, that if the Company engages in a merger or consolidation in which the Company or surviving entity in such merger or consolidation becomes a subsidiary of another entity, then references to the Company's then outstanding securities shall be deemed to refer to the outstanding securities of such parent entity;

(ii) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (i) are directors of the Company as of the Effective Date, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least two-thirds of the Incumbent Directors at the time of such election or nomination, but Incumbent Director shall not include an individual whose election or nomination occurs as a result of either (1) an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or (2) an actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors of the Company;

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity (or if the surviving entity is or shall become a subsidiary of another entity, then such parent entity)) more than 50% of the combined voting power of the voting securities of the Company (or such surviving entity or parent entity, as the case may be) outstanding immediately after such merger or consolidation;

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company; or

(v) the sale or disposition (other than a pledge or similar encumbrance) by the Company of all or substantially all of the assets of the Company other than to a subsidiary or subsidiaries of the Company.

C. "Date of Termination" shall mean the date the Notice of Termination is given unless such termination is by Executive in which event the Date of Termination shall not be less than 30 days following the date the Notice of Termination is given. Further, a Notice of Termination given by Executive due to a Good Reason event that is corrected by the Company before the Date of Termination shall be void.

D. "Good Reason" shall mean:

(i) a material reduction in Executive's authority, duties or responsibilities from those in effect immediately prior to the Change of Control or the assignment to Executive duties or responsibilities inconsistent in any material respect from those of Executive in effect immediately prior to the Change of Control;

(ii) a material reduction of Executive's compensation and benefits, including, without limitation, annual base salary, annual bonus, and equity incentive

opportunities, from those in effect immediately prior to the Change of Control;

(iii) the Company fails to obtain a written agreement from any successor or assigns of the Company to assume and perform this Agreement as provided in Section 9 hereof; or

(iv) the Company requires Executive, without Executive's consent, to be based at any office located more than 50 miles from the Company's offices to which Executive was based immediately prior to the Change of Control, except for travel reasonably required in the performance of Executive's duties.

Notwithstanding the above however, Good Reason shall not exist with respect to a matter unless Executive gives the Company written notice of such matter within 30 days of the date Executive knows or should reasonably have known of its occurrence. If Executive fails to give such notice timely, Executive shall be deemed to have waived all rights Executive may have under this Agreement with respect to such matter.

E. "Notice of Termination" shall mean a written notice delivered to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

F. "Protected Period" shall mean the 24-month period beginning on the effective date of a Change of Control.

G. "Target AICP" shall mean the targeted value of Executive's annual incentive compensation plan bonus for the year in which the Date of Termination occurs or the fiscal year immediately preceding the Change of Control, whichever is a greater amount.

H. "Termination Base Salary" shall mean Executive's base salary at the rate in effect at the time the Notice of Termination is given or, if a greater amount, Executive's base salary at the rate in effect immediately prior to the Change of Control.

3. NO EMPLOYMENT AGREEMENT.

This Agreement shall be considered solely as a "severance agreement" obligating the Company to pay Executive certain amounts of compensation and to provide certain benefits in the event and only in the event of Executive's termination of employment for the specified reasons and at the times specified herein. The parties agree that this Agreement shall not be considered an employment agreement and that Executive is an "at will" employee of the Company.

4. REGULAR SEVERANCE BENEFITS.

Subject to Section 13, if the Company terminates Executive's employment (i) other than for Cause and (ii) not during the Protected Period, Executive shall receive the following compensation and benefits from the Company:

A. Within 15 days of the Date of Termination the Company shall pay to Executive in a lump sum, in cash, an amount equal to 1.5 times the sum of Executive's (i) Termination Base Salary and (ii) Target AICP.

B. Notwithstanding anything in any Company stock plan or grant agreement to the contrary, all restricted shares and restricted stock units of Executive shall become 100% vested and all restrictions thereon shall lapse as of the Date of Termination and the Company shall promptly deliver such shares to Executive.

C. For the 24-month period following the Date of Termination (the "Regular Severance Period"), the Company shall continue to provide Executive and Executive's eligible family members, based on the cost sharing arrangement between the Company and similarly situated active employees, with medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, dental and disability benefits under another employer's plans during this Regular Severance Period, the Company's obligations under this Section 4C shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Company. In the event Executive is ineligible under the terms of the Company's health and other welfare benefit plans or programs to continue to be so covered, the Company shall provide Executive with substantially equivalent coverage through other sources or will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of providing Executive such benefit coverage. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code") on the Date of Termination.

CHANGE OF CONTROL SEVERANCE BENEFITS

5. SEVERANCE BENEFITS. Subject to Section 13, if either (a) Executive terminates his employment during the Protected Period for a Good Reason event or (b) the Company terminates Executive's employment during the Protected Period other than for Cause, Executive shall receive the following compensation and benefits from the Company:

A. Within 15 days of the Date of Termination the Company shall pay to Executive in a lump sum, in cash, an amount equal to 2.5 times the sum of Executive's (i) Termination Base Salary and (ii) Target AICP.

B. Notwithstanding anything in any Company stock plan or grant agreement to the contrary, (i) all restricted shares and restricted stock units of Executive shall become 100% vested and all restrictions thereon shall lapse as of the Date of Termination and the Company shall promptly deliver such shares to Executive and (ii) each then outstanding stock option of Executive shall become 100% exercisable and, excluding any incentive stock option granted prior to the Effective Date, shall remain exercisable for the remainder of such option's term.

C. Executive shall be fully vested in Executive's accrued benefits under all qualified pension, nonqualified pension, profit sharing, 401(k), deferred compensation and supplemental plans maintained by the Company for Executive's benefit, except to that the extent the acceleration of vesting of such benefits would violate any applicable law or require the Company to accelerate the vesting of the accrued benefits of all participants in such plan or plans, in which event the Company shall pay Executive a lump sum amount, in cash, within 15 days following the Date of Termination, equal to the present value of such unvested accrued benefits that cannot become vested under the plan for the reasons provided above.

D. For the 36-month period following the Date of Termination

(the "COC Severance Period"), the Company shall continue to provide Executive and Executive's eligible family members, based on the cost sharing arrangement between Executive and the Company on the Date of Termination, with medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, dental and disability benefits under another employer's plans during this COC Severance Period, the Company's obligations under this Section 5D shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Company. In the event Executive is ineligible under the terms of the Company's health and other welfare benefit plans or programs to continue to be so covered, the Company shall provide Executive with substantially equivalent coverage through other sources or will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of providing Executive such benefit coverage. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Code on the Date of Termination.

E. Throughout the term of the COC Severance Period or until Executive accepts other employment, including as an independent contractor, with a new employer,

whichever occurs first, Executive shall be entitled to receive outplacement services, payable by the Company, with an aggregate cost not to exceed 15% of Executive's Termination Base Salary, with an executive outplacement service firm reasonably acceptable to the Company and Executive.

6. PARACHUTE TAX GROSS UP.

If any payment (including without limitation any imputed income) made, or benefit provided, to or on behalf of Executive pursuant to this Agreement, including any accelerated vesting or any deferred compensation or other award, in connection with a "change in control" of the Company (within the meaning of Section 280G of the Code) results in Executive being subject to the excise tax imposed by Section 4999 of the Code (or any successor or similar provision) the Company shall promptly pay Executive an additional amount in cash (the "Additional Amount") such that the net amount of all such payments and benefits received by Executive after paying all applicable taxes (including penalties and interest) on such payments and benefits, including on such Additional Amount, shall be equal to the net after-tax amount of the payments and benefits (excluding the Additional Amount) that Executive would have received if Section 4999 were not applicable to such payments and benefits. Such determinations shall be made by the Company's independent certified public accountants.

7. ACCELERATED VESTING OF OPTIONS UPON A CHANGE OF CONTROL.

Notwithstanding any provisions of any Company stock option plan or option agreement to the contrary, upon a Change of Control all outstanding unvested stock options, if any, granted to Executive under any Company stock option plan (or options substituted therefor covering the stock of a successor corporation) shall be fully vested and exercisable as to all shares of stock covered thereby effective as of the date of the Change of Control.

8. MITIGATION.

Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise nor, except as provided in Section 4C and Section 5D, shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned or benefit received by Executive as the result of employment by another employer or self_employment, by retirement benefits, by offset against any amount claimed to be owed by Executive to the Company or otherwise, except that any severance payments or benefits that Executive is entitled to receive pursuant to a Company severance plan or program for employees in general shall reduce the amount of payments and benefits otherwise payable or to be provided under this Agreement.

9. SUCCESSOR AGREEMENT.

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and

to the same extent that the Company would be required to perform if no succession had taken place. Failure of the successor to so assume shall constitute a breach of this Agreement and entitle Executive to the benefits hereunder as if triggered by a termination by the Company other than for Cause.

10. INDEMNITY.

In any situation where under applicable law the Company has the power to indemnify, advance expenses to and defend Executive in respect of any judgements, fines, settlements, loss, cost or expense (including attorneys fees) of any nature related to or arising out of Executive's activities as an agent, employee, officer or director of the Company or in any other capacity on behalf of or at the request of the Company, then the Company shall promptly on written request, indemnify Executive, advance expenses (including attorney's fees) to Executive and defend Executive to the fullest extent permitted by applicable law, including but not limited to making such findings and determinations and taking any and all such actions as the Company may, under applicable law, be permitted to have the discretion to take so as to effectuate such indemnification, advancement or defense. Such agreement by the Company shall not be deemed to impair any other obligation of the Company respecting Executive's indemnification or defense otherwise arising out of this or any other agreement or promise of the Company under any statute.

11. NOTICE.

For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and delivered by United States certified or registered mail (return receipt requested, postage prepaid) or by courier guaranteeing overnight delivery or by hand delivery (with signed receipt required), addressed to the respective addresses set forth below, and such notice or communication shall be deemed to have been duly given two days after deposit in the mail, one day after deposit with such overnight carrier or upon delivery with hand delivery. The addresses set forth below may be changed by a writing in accordance herewith.

Company: Executive:

Oil States International, Inc.
333 Clay Street, Suite 3460
Houston, Texas 77002
Attn: Chairman of the Board

12. ARBITRATION.

The parties agree to resolve any claim or controversy arising out of or relating to this Agreement, including but not limited to the termination of employment of Executive, by binding arbitration under the Federal Arbitration Act before one arbitrator in Houston, Texas, administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court

having jurisdiction thereof. The fees and expenses of the arbitrator shall be borne solely by the non-prevailing party or, in the event there is no clear prevailing party, as the arbitrator deems appropriate. Except as provided above, each party shall pay its own costs and expenses (including, without limitation, attorneys' fees) relating to any mediation/arbitration proceeding conducted under this Section 12.

13. WAIVER AND RELEASE.

As a condition to the receipt of any payment or benefit under this Agreement, Executive must first execute and deliver to the Company a binding general release, as prepared by the Company, that releases the Company, its officers, directors, employees, agents, subsidiaries and affiliates from any and all claims and from any and all causes of action of any kind or character that Executive may have arising out of Executive's employment with the Company or the termination of such employment, but excluding (i) any claims and causes of action that Executive may have arising under or based upon this Agreement, and (ii) any vested rights Executive may have under any employee benefit plan or deferred compensation plan or program of the Company.

14. EMPLOYMENT WITH AFFILIATES.

Employment with the Company for purposes of this Agreement includes employment with any entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of all outstanding equity interests, and employment with any entity which has a direct or indirect interest of 50% or more of the total combined voting power of all outstanding equity interests of the Company. For purposes of this Agreement, "Good Reason" shall be construed to refer to Executive's positions, duties, and responsibilities in the position or positions in which Executive serves immediately before the Change of Control, but shall not include titles or positions with subsidiaries and affiliates of the Company that are held primarily for administrative convenience.

15. GOVERNING LAW.

(a) THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS IN HARRIS COUNTY, TEXAS, FOR THE PURPOSES OF ANY PROCEEDING ARISING OUT OF THIS AGREEMENT.

16. ENTIRE AGREEMENT.

This Agreement is an integration of the parties' agreement and no agreement or representatives, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

This Agreement hereby expressly terminates, rescinds and replaces in full any prior agreement (written or oral) between the parties relating to the subject matter hereof, including, without limitation, that certain [ ] Agreement between the parties dated _________________.

17. WITHHOLDING OF TAXES.

The Company shall withhold from all payments and benefits provided under this Agreement all taxes required to be withheld by applicable law.

18. BENEFICIARY.

In the event Executive dies before receiving the lump sum severance payment to which Executive was entitled hereunder, Executive's spouse or, if there is no spouse, the beneficiary designated by Executive under the Company-sponsored group term life insurance plan, shall receive such payment.

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement effective for all purposes as of the Effective Date.

OIL STATES INTERNATIONAL, INC.

By: ------------------------------

Name: ---------------------------

Title: ---------------------------

EXECUTIVE

Cindy B. Taylor

EXHIBIT 10.10

EXECUTIVE AGREEMENT

This Executive Agreement ("Agreement") between Oil States International, Inc., a Delaware corporation (the "Company"), and _______________ (the "Executive") is made and entered into effective as of the date of the consummation of the initial public offering of the common stock of the Company (the "Effective Date").

WHEREAS, Executive is a key executive of the Company or a subsidiary; and

WHEREAS, the Company believes it to be in the best interests of its stockholders to attract, retain and motivate key executives and ensure continuity of management; and

WHEREAS, it is in the best interest of the Company and its stockholders if the key executives can approach material business development decisions objectively and without concern for their personal situation; and

WHEREAS, the Company recognizes that the possibility of a Change of Control (as defined below) of the Company may result in the departure of key executives to the detriment of the Company and its stockholders; and

WHEREAS, the Board of Directors of the Company has authorized this Agreement and certain similar agreements in order to retain and motivate key management and to ensure continuity of key management;

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive agree as follows:

1. TERM OF AGREEMENT

A. This Agreement shall commence on the Effective Date and, subject to the provisions for earlier termination in this Agreement, shall continue in effect through the third anniversary of the Effective Date; provided, however, commencing on the Effective Date and on each day thereafter, the term of this Agreement shall automatically be extended for one additional day unless the Board of Directors of the Company shall give written notice to Executive that the term shall cease to be so extended in which event the Agreement shall terminate on the third anniversary of the date such notice is given.

B. Notwithstanding anything in this Agreement to the contrary, this Agreement, if in effect on the date of a Change of Control, shall automatically be extended for the 24-month period following the Change of Control.

C. Termination of this Agreement shall not alter or impair any rights of Executive arising hereunder on or before such termination.

2. CERTAIN DEFINITIONS

A. "Cause" shall mean:

(i) Executive's conviction of (or plea of nolo contendere to) a felony, dishonesty or a breach of trust as regards the Company or any subsidiary;

(ii) Executive's commission of any act of theft, fraud, embezzlement or misappropriation against the Company or any subsidiary that is materially injurious to the Company or such subsidiary regardless of whether a criminal conviction is obtained;

(iii) Executive's willful and continued failure to devote substantially all of his business time to the Company's business affairs (excluding failures due to illness, incapacity, vacations, incidental civic activities and incidental personal time) which failure is not remedied within a reasonable time after written demand is delivered by the Company, which demand specifically identifies the manner in which the Company believes that Executive has failed to devote substantially all of his business time to the Company's business affairs; or

(iv) Executive's unauthorized disclosure of confidential information of the Company that is materially injurious to the Company.

For purposes of this definition, no act, or failure to act, on Executive's part shall be deemed "willful" unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interest of the Company.

B. "Change of Control" shall mean any of the following:

(i) any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any affiliate, SCF III, L.P., SCF IV, L.P., or any affiliate of SCF-III, L.P. or SCF-IV, L.P. or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires "beneficial ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities; provided, however, that if the Company engages in a merger or consolidation in which the Company or surviving entity in such merger or consolidation becomes a subsidiary of another entity, then references to the Company's then outstanding securities shall be deemed to refer to the outstanding securities of such parent entity;

(ii) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (i) are directors of the Company as of the Effective Date, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least two-thirds of the Incumbent Directors at the time of such election or nomination, but Incumbent Director shall not include an individual whose election or nomination occurs as a result of either (1) an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or (2) an actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors of the Company;

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity (or if the surviving entity is or shall become a subsidiary of another entity, then such parent entity)) more than 50% of the combined voting power of the voting securities of the Company (or such surviving entity or parent entity, as the case may be) outstanding immediately after such merger or consolidation;

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company; or

(v) the sale or disposition (other than a pledge or similar encumbrance) by the Company of all or substantially all of the assets of the Company other than to a subsidiary or subsidiaries of the Company.

C. "Date of Termination" shall mean the date the Notice of Termination is given unless such termination is by Executive in which event the Date of Termination shall not be less than 30 days following the date the Notice of Termination is given. Further, a Notice of Termination given by Executive due to a Good Reason event that is corrected by the Company before the Date of Termination shall be void.

D. "Good Reason" shall mean:

(i) a material reduction in Executive's authority, duties or responsibilities from those in effect immediately prior to the Change of Control or the assignment to Executive duties or responsibilities inconsistent in any material respect from those of Executive in effect immediately prior to the Change of Control;

(ii) a material reduction of Executive's compensation and benefits, including, without limitation, annual base salary, annual bonus, and equity incentive

opportunities, from those in effect immediately prior to the Change of Control;

(iii) the Company fails to obtain a written agreement from any successor or assigns of the Company to assume and perform this Agreement as provided in Section 9 hereof; or

(iv) the Company requires Executive, without Executive's consent, to be based at any office located more than 50 miles from the Company's offices to which Executive was based immediately prior to the Change of Control, except for travel reasonably required in the performance of Executive's duties.

Notwithstanding the above however, Good Reason shall not exist with respect to a matter unless Executive gives the Company written notice of such matter within 30 days of the date Executive knows or should reasonably have known of its occurrence. If Executive fails to give such notice timely, Executive shall be deemed to have waived all rights Executive may have under this Agreement with respect to such matter.

E. "Notice of Termination" shall mean a written notice delivered to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

F. "Protected Period" shall mean the 24-month period beginning on the effective date of a Change of Control.

G. "Target AICP" shall mean the targeted value of Executive's annual incentive compensation plan bonus for the year in which the Date of Termination occurs or the fiscal year immediately preceding the Change of Control, whichever is a greater amount.

H. "Termination Base Salary" shall mean Executive's base salary at the rate in effect at the time the Notice of Termination is given or, if a greater amount, Executive's base salary at the rate in effect immediately prior to the Change of Control.

3. NO EMPLOYMENT AGREEMENT.

This Agreement shall be considered solely as a "severance agreement" obligating the Company to pay Executive certain amounts of compensation and to provide certain benefits in the event and only in the event of Executive's termination of employment for the specified reasons and at the times specified herein. The parties agree that this Agreement shall not be

considered an employment agreement and that Executive is an "at will" employee of the Company.

4. REGULAR SEVERANCE BENEFITS.

Subject to Section 13, if the Company terminates Executive's employment (i) other than for Cause and (ii) not during the Protected Period, Executive shall receive the following compensation and benefits from the Company:

A. Within 15 days of the Date of Termination the Company shall pay to Executive in a lump sum, in cash, an amount equal to one times the sum of Executive's (i) Termination Base Salary and (ii) Target AICP.

B. Notwithstanding anything in any Company stock plan or grant agreement to the contrary, all restricted shares and restricted stock units of Executive shall become 100% vested and all restrictions thereon shall lapse as of the Date of Termination and the Company shall promptly deliver such shares to Executive.

C. For the 24-month period following the Date of Termination (the "Regular Severance Period"), the Company shall continue to provide Executive and Executive's eligible family members, based on the cost sharing arrangement between the Company and similarly situated active employees, with medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, dental and disability benefits under another employer's plans during this Regular Severance Period, the Company's obligations under this Section 4C shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Company. In the event Executive is ineligible under the terms of the Company's health and other welfare benefit plans or programs to continue to be so covered, the Company shall provide Executive with substantially equivalent coverage through other sources or will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of providing Executive such benefit coverage. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code") on the Date of Termination.

CHANGE OF CONTROL SEVERANCE BENEFITS

5. SEVERANCE BENEFITS. Subject to Section 13, if either (a) Executive terminates his employment during the Protected Period for a Good Reason event or (b) the Company

terminates Executive's employment during the Protected Period other than for Cause, Executive shall receive the following compensation and benefits from the Company:

A. Within 15 days of the Date of Termination the Company shall pay to Executive in a lump sum, in cash, an amount equal to two times the sum of Executive's (i) Termination Base Salary and (ii) Target AICP.

B. Notwithstanding anything in any Company stock plan or grant agreement to the contrary, (i) all restricted shares and restricted stock units of Executive shall become 100% vested and all restrictions thereon shall lapse as of the Date of Termination and the Company shall promptly deliver such shares to Executive and (ii) each then outstanding stock option of Executive shall become 100% exercisable and, excluding any incentive stock option granted prior to the Effective Date, shall remain exercisable for the remainder of such option's term.

C. Executive shall be fully vested in Executive's accrued benefits under all qualified pension, nonqualified pension, profit sharing, 401(k), deferred compensation and supplemental plans maintained by the Company for Executive's benefit, except to that the extent the acceleration of vesting of such benefits would violate any applicable law or require the Company to accelerate the vesting of the accrued benefits of all participants in such plan or plans, in which event the Company shall pay Executive a lump sum amount, in cash, within 15 days following the Date of Termination, equal to the present value of such unvested accrued benefits that cannot become vested under the plan for the reasons provided above.

D. For the 36-month period following the Date of Termination (the "COC Severance Period"), the Company shall continue to provide Executive and Executive's eligible family members, based on the cost sharing arrangement between Executive and the Company on the Date of Termination, with medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, dental and disability benefits under another employer's plans during this COC Severance Period, the Company's obligations under this Section 5D shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Company. In the event Executive is ineligible under the terms of the Company's health and other welfare benefit plans or programs to continue to be so covered, the Company shall provide Executive with substantially equivalent coverage through other sources or will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of providing Executive such benefit coverage. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Code on the Date of Termination.

E. Throughout the term of the COC Severance Period or until Executive accepts other employment, including as an independent contractor, with a new employer, whichever occurs first, Executive shall be entitled to receive outplacement services, payable by the Company, with an aggregate cost not to exceed 15% of Executive's Termination Base Salary, with an executive outplacement service firm reasonably acceptable to the Company and Executive.

6. PARACHUTE TAX GROSS UP.

If any payment (including without limitation any imputed income) made, or benefit provided, to or on behalf of Executive pursuant to this Agreement, including any accelerated vesting or any deferred compensation or other award, in connection with a "change in control" of the Company (within the meaning of Section 280G of the Code) results in Executive being subject to the excise tax imposed by Section 4999 of the Code (or any successor or similar provision) the Company shall promptly pay Executive an additional amount in cash (the "Additional Amount") such that the net amount of all such payments and benefits received by Executive after paying all applicable taxes (including penalties and interest) on such payments and benefits, including on such Additional Amount, shall be equal to the net after-tax amount of the payments and benefits (excluding the Additional Amount) that Executive would have received if Section 4999 were not applicable to such payments and benefits. Such determinations shall be made by the Company's independent certified public accountants.

7. ACCELERATED VESTING OF OPTIONS UPON A CHANGE OF CONTROL.

Notwithstanding any provisions of any Company stock option plan or option agreement to the contrary, upon a Change of Control all outstanding unvested stock options, if any, granted to Executive under any Company stock option plan (or options substituted therefor covering the stock of a successor corporation) shall be fully vested and exercisable as to all shares of stock covered thereby effective as of the date of the Change of Control.

8. MITIGATION.

Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise nor, except as provided in Section 4C and Section 5D, shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned or benefit received by Executive as the result of employment by another employer or self_employment, by retirement benefits, by offset against any amount claimed to be owed by Executive to the Company or otherwise, except that any severance payments or benefits that Executive is entitled to receive pursuant to a Company severance plan or program for employees in general shall reduce the amount of payments and benefits otherwise payable or to be provided under this Agreement.

9. SUCCESSOR AGREEMENT.

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place. Failure of the successor to so assume shall constitute a breach of this Agreement and entitle Executive to the benefits hereunder as if triggered by a termination by the Company other than for Cause.

10. INDEMNITY.

In any situation where under applicable law the Company has the power to indemnify, advance expenses to and defend Executive in respect of any judgements, fines, settlements, loss, cost or expense (including attorneys fees) of any nature related to or arising out of Executive's activities as an agent, employee, officer or director of the Company or in any other capacity on behalf of or at the request of the Company, then the Company shall promptly on written request, indemnify Executive, advance expenses (including attorney's fees) to Executive and defend Executive to the fullest extent permitted by applicable law, including but not limited to making such findings and determinations and taking any and all such actions as the Company may, under applicable law, be permitted to have the discretion to take so as to effectuate such indemnification, advancement or defense. Such agreement by the Company shall not be deemed to impair any other obligation of the Company respecting Executive's indemnification or defense otherwise arising out of this or any other agreement or promise of the Company under any statute.

11. NOTICE.

For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and delivered by United States certified or registered mail (return receipt requested, postage prepaid) or by courier guaranteeing overnight delivery or by hand delivery (with signed receipt required), addressed to the respective addresses set forth below, and such notice or communication shall be deemed to have been duly given two days after deposit in the mail, one day after deposit with such overnight carrier or upon delivery with hand delivery. The addresses set forth below may be changed by a writing in accordance herewith.

Company: Executive:

Oil States International, Inc.
333 Clay Street, Suite 3460
Houston, Texas 77002
Attn: Chairman of the Board

12. ARBITRATION.

The parties agree to resolve any claim or controversy arising out of or relating to this Agreement, including but not limited to the termination of employment of Executive, by binding arbitration under the Federal Arbitration Act before one arbitrator in Houston, Texas, administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitrator shall be borne solely by the non-prevailing party or, in the event there is no clear prevailing party, as the arbitrator deems appropriate. Except as provided above, each party shall pay its own costs and expenses (including, without limitation, attorneys' fees) relating to any mediation/arbitration proceeding conducted under this Section 12.

13. WAIVER AND RELEASE.

As a condition to the receipt of any payment or benefit under this Agreement, Executive must first execute and deliver to the Company a binding general release, as prepared by the Company, that releases the Company, its officers, directors, employees, agents, subsidiaries and affiliates from any and all claims and from any and all causes of action of any kind or character that Executive may have arising out of Executive's employment with the Company or the termination of such employment, but excluding (i) any claims and causes of action that Executive may have arising under or based upon this Agreement, and (ii) any vested rights Executive may have under any employee benefit plan or deferred compensation plan or program of the Company.

14. EMPLOYMENT WITH AFFILIATES.

Employment with the Company for purposes of this Agreement includes employment with any entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of all outstanding equity interests, and employment with any entity which has a direct or indirect interest of 50% or more of the total combined voting power of all outstanding equity interests of the Company. For purposes of this Agreement, "Good Reason" shall be construed to refer to Executive's positions, duties, and responsibilities in the position or positions in which Executive serves immediately before the Change of Control, but shall not include titles or positions with subsidiaries and affiliates of the Company that are held primarily for administrative convenience.

15. GOVERNING LAW.

(a) THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS IN

HARRIS COUNTY, TEXAS, FOR THE PURPOSES OF ANY PROCEEDING ARISING OUT OF THIS AGREEMENT.

16. ENTIRE AGREEMENT.

This Agreement is an integration of the parties' agreement and no agreement or representatives, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. This Agreement hereby expressly terminates, rescinds and replaces in full any prior agreement (written or oral) between the parties relating to the subject matter hereof, including, without limitation, that certain [ ] Agreement between the parties dated ________________________.

17. WITHHOLDING OF TAXES.

The Company shall withhold from all payments and benefits provided under this Agreement all taxes required to be withheld by applicable law.

18. BENEFICIARY.

In the event Executive dies before receiving the lump sum severance payment to which Executive was entitled hereunder, Executive's spouse or, if there is no spouse, the beneficiary designated by Executive under the Company-sponsored group term life insurance plan, shall receive such payment.

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement effective for all purposes as of the Effective Date.

OIL STATES INTERNATIONAL, INC.

By: ----------------------------

Name: --------------------------

Title: -------------------------

EXECUTIVE

EXHIBIT 10.11

OIL STATES INTERNATIONAL, INC.
CHANGE OF CONTROL SEVERANCE PLAN
FOR SELECTED MEMBERS OF MANAGEMENT

Oil States International, Inc., a Delaware corporation (the "Company"), hereby adopts this Oil States International, Inc. Change of Control Severance Plan for Selected Members of Management (the "Plan"), effective as of _______________, 2001 (the "Effective Date").

1. Purpose. The purpose of the Plan is to aid the Company's ability to obtain and retain the services of those key management employees of the Company and its Affiliated Entities whom the Compensation Committee believes are important to the success of the Company by providing them with certain severance benefits upon a qualifying termination of their employment on or following a Change of Control of the Company.

2. Definitions.

"Affiliated Entity" means any entity that, directly or through one or more intermediaries, is controlled by the Company or controls the Company, as determined by the Compensation Committee.

"Annual Base Salary" means the Eligible Employee's annual rate of base salary as in effect immediately prior to the Change of Control.

"Cause" means:

(i) the Eligible Employee's gross negligence or wilful misconduct in the performance of the Eligible Employee's duties and responsibilities;

(ii) a material violation of any Company or Affiliated Entity's material policy, including, without limitation, dishonesty or the theft, embezzlement or misappropriation or material misuse of any Company or Affiliated Entity's funds or property;

(iii) any conviction of (or plea of nolo contendere by) the Eligible Employee for a felony; or

(iv) the Eligible Employee's willful and continued failure, after written notice from the Company or Affiliated Entity, to perform substantially the Eligible Employee's duties and responsibilities.

"Change of Control" means any of the following:

(i) any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), (other than a trustee or

other fiduciary holding securities under an employee benefit plan of the Company or any affiliate, SCF III, L.P., SCF IV, L.P., or any affiliate of SCF-III, L.P. or SCF-IV, L.P. or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires "beneficial ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities; provided, however, that if the Company engages in a merger or consolidation in which the Company or surviving entity in such merger or consolidation becomes a subsidiary of another entity, then references to the Company's then outstanding securities shall be deemed to refer to the outstanding securities of such parent entity;

(ii) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (i) are directors of the Company as of the Effective Date, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least two-thirds of the Incumbent Directors at the time of such election or nomination, but Incumbent Director shall not include an individual whose election or nomination occurs as a result of either (1) an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or (2) an actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity (or if the surviving entity is or shall become a subsidiary of another entity, then such parent entity)) more than 50% of the combined voting power of the voting securities of the Company (or such surviving entity or parent entity, as the case may be) outstanding immediately after such merger or consolidation;

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company; or

(v) the sale or disposition (other than a pledge or similar encumbrance) by the Company of all or substantially all of the assets of the Company other than to a subsidiary or subsidiaries of the Company.

"Committee" means the Compensation Committee of the Board of Directors of the Company.

"Company" means Oil States International, Inc. and any successor thereto.

"Eligible Employee" means an individual who, immediately prior to the Change of Control, is both (i) listed on Attachment A hereto by action of the Committee and (ii) an employee of the Company or of an Affiliated Entity. The Committee may provide on Attachment A for different classes of Eligible Employees and provide on Attachment B for different Severance Benefits to the different classes of Eligible Employees.

"Good Reason" means, without the Eligible Employee's prior written consent, (i) a material reduction in the Eligible Employee's authority, duties, or responsibilities from those in effect immediately prior to the Change of Control, (ii) a reduction in the Eligible Employee's Annual Base Salary when compared with the same as in effect immediately prior to the Change of Control, or (iii) the assignment of the Eligible Employee to a principal place of work that is more than 50 miles from the Eligible Employee's principal place of work immediately prior to the Change of Control. Notwithstanding the above however, Good Reason shall not exist with respect to a matter unless the Eligible Employee gives the Company written notice of such matter within 30 days of the date the Eligible Employee knows or should reasonably have known of its occurrence. If the Eligible Employee fails to give such notice timely, he shall be deemed to have waived all rights he may have under this Plan with respect to such matter.

"One Week's Pay" means the Eligible Employee's Annual Base Salary divided by 52.

"Plan" means the Company's Change of Control Severance Plan for Selected Members of Management as set forth herein, as it may be amended from time to time.

"Plan Administrator" means the Company.

"Protected Period" means the 12 month period beginning on a Change of Control.

"Qualified Termination" means the Eligible Employee's employment with the Company and its Affiliated Entities is terminated during the Protected Period (i) by the Company or Affiliated Entity other than for Cause or (ii) by the Eligible Employee for a Good Reason; provided, however, an Eligible Employee whose employment is terminated by the Company or the Eligible Employee in conjunction with the disposition of stock or assets of the Company or an Affiliated Entity shall not constitute a Qualified Termination if the Eligible Employee is offered comparable employment (in terms of the Good Reason events, i.e., authority, duties and responsibilities; Annual Base Salary; and place of work) with the entity (or an affiliate thereof) that acquired such stock or assets, whether or not the employment offer is accepted. Further, no termination shall be for a Good Reason unless the Company or Affiliated Entity, as the case may be, fails to correct such matter within 30 days of its receipt of written notice of the Good Reason event from the Eligible Employee and during such 30-day period the Eligible Employee may not terminate for Good Reason.

"Release" means a general release and waiver of all employment related claims of the Eligible Employee in the form prepared by the Company.

"Severance Benefits" means the benefits provided on Attachment B hereto, which, if different classes of Eligible Employees are set forth on Attachment A, may be different benefits for such different classes of Eligible Employees.

"Target AICP" means the targeted value of the Eligible Employee's annual incentive compensation plan bonus for the year in which his Qualified Termination occurs or the fiscal year immediately preceding the Change of Control, whichever is a greater amount

3. Eligibility for Severance Benefits.

(a) Prior to a Change of Control, the Committee, in its discretion, may at any time or times add an employee to Attachment A, delete an employee from Attachment A, create different classes of Eligible Employees and change an Eligible Employee from one class to another class on Attachment A.

(b) No employee shall have any vested rights under this Plan prior to a Change of Control and unless the employee is an Eligible Employee who incurs a Qualified Termination, no benefits shall be payable to such employee under this Plan.

4. Severance Benefits.

(a) Subject to the further provisions of this Section 4, the Severance Benefits to which an Eligible Employee who incurs a Qualified Termination shall be entitled are those provided in Attachment B hereto and applicable to such Eligible Employee. Severance Benefits are in addition to any earned, but unpaid, Annual Base Salary and accrued vacation of the Eligible Employee through the date of the Qualified Termination.

(b) Notwithstanding provisions of this Plan to the contrary, as a condition to the receipt of any Severance Benefit under this Plan, an Eligible Employee (or beneficiary thereof) must first execute and deliver to the Company a binding general release, as prepared by the Company, that releases the Company, its officers, directors, employees, agents, subsidiaries and affiliates from any and all claims and from any and all causes of action of any kind or character that the Eligible Employee may have arising out of the Eligible Employee's employment with the Company and the Affiliated Entities or the termination of such employment, but excluding (i) any claims and causes of action that the Eligible Employee may have arising under or based upon this Plan, and (ii) any vested rights the Eligible Employee may have under any other employee benefit plan or deferred compensation plan or program of the Company or an Affiliated Entity.

(c) If an Eligible Employee is entitled to receive similar severance benefits under another severance plan, program or policy of the Company or an Affiliated Entity, the Severance Benefits

under this Plan shall be reduced by the similar severance benefits provided or to be provided to the Eligible Employee under such other plan, program or policy.

(d) In the event an Eligible Employee dies after a Qualified Termination and before receiving the lump sum severance payment to which the Eligible Employee was entitled hereunder, the Eligible Employee's spouse or, if there is no spouse, the beneficiary designated by the Eligible Employee under the Company-sponsored group term life insurance plan, shall receive such payment.

(e) Notwithstanding any provisions of this Plan to the contrary, payments or benefits otherwise to be provided to an Eligible Employee under this Plan shall be reduced to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended.

5. Administration of the Plan.

(a) The Plan Administrator shall have the authority to control and manage the operation and administration of the Plan. The duties of the Plan Administrator shall be performed by one or more employees of the Company and the Affiliated Entities as are from time to time designated by the Chief Executive Officer of the Company. Such employees shall be indemnified by the Company against any and all liabilities arising by reason of any act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto.

(b) Subject to the terms of the Plan, the Plan Administrator may from time to time adopt such procedures, rules and regulations as it deems appropriate for the administration of the Plan. In this regard, the Plan Administrator shall have such powers as may be necessary to discharge its duties under the Plan, including the power:

(i) to administer, interpret and construe the Plan and to determine all questions with regard to employment, eligibility, Severance Benefits and other matters for the purpose of administering the Plan, provided that all such actions shall be applied in a nondiscriminatory manner;

(ii) to prescribe procedures to be followed and the forms to be executed by Eligible Employees filing application for Severance Benefits under the Plan;

(iii) to appoint or employ individuals to assist in the administration of the Plan and any other agents it deems advisable, including legal counsel, who may be the legal counsel to the Company on other matters; and

(iv) to delegate to others any administrative or ministerial duties as it may deem necessary or appropriate for the administration of the Plan.

(c) If any claim for a Severance Benefit is denied, the Company shall notify the claimant within a reasonable time of such denial setting forth the specific reasons therefor, and afford such claimant a reasonable opportunity for a full and fair review of the decision denying his claim. Notice of such denial shall set forth, in addition to the specific reasons for the denial, the following: (i) reference to pertinent provisions of the Plan; (ii) such additional information as may be relevant to denial of the claim; (iii) an explanation of the claims review procedure; (iv) advice that such claimant may request the opportunity to review pertinent Plan documents and submit a statement of issues and comments. The claimant will have 60 days to request a review of the denial by the Company, which will provide a full and fair review. The request shall be in writing. The claimant may review pertinent Plan documents and submit comments in writing. The Company shall render a decision within 60 days after claimant's request for review (which may be extended to 120 days if circumstances so require) and shall advise claimant in writing of its decision on such review specifying its reasons and identifying appropriate provisions of the Plan.

(d) Notwithstanding anything herein to the contrary, the Eligible Employee may (but shall not be required to) elect that his or her claim for Severance Benefits be settled by arbitration in the city in which the Eligible Employee resides at such time in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(e) When it is determined that an Eligible Employee entitled to Severance Benefits is legally incompetent, the Severance Benefits may be paid or provided to the spouse, legal guardian or custodian of such person and such payment shall constitute a complete discharge of all liability of the Company and the Plan with respect to such payment.

7. Amendment and Termination of the Plan.

(a) Subject to the provisions of Section 7(b), the Company, by action of the Committee, reserves the right, at any time and from time to time, to amend or terminate in whole or in part any or all provisions of the Plan. The Chief Executive Officer may also amend the Plan provided such amendment does not materially increase the obligations of the Company under the Plan in the aggregate or with respect to any Eligible Employee. Each amendment of the Plan shall be in writing, and shall become effective on the date specified therein.

(b) No amendment or termination of the Plan shall be made (or become effective) on or after the date of a Change of Control that would adversely affect the Severance Benefits that an Eligible Employee would have received under the Plan but for such amendment or termination.

8. General

(a) Except to the extent preempted by applicable federal law, this Plan shall be governed by the laws of the State of Texas, without regard to conflict of laws principles thereof.

(b) The Plan is intended to conform with, and be administered in conformance with, all applicable requirements of the Employee Retirement Income Security Act of 1974, as amended. Should any provision herein be inconsistent with any such a requirement, the Plan Administrator shall construe such provision in a manner that is consistent with such requirement, but is also as nearly consistent as is practical with the original intention of such provision.

(c) This Plan does not constitute a contract or guarantee of employment to any Eligible Employee.

(d) Benefits may not be assigned, encumbered, pledged or alienated by an Eligible Employee other than by will or the laws of descent and distribution.

(e) The Company shall be entitled to withhold from all payments of Severance Benefits or other compensation due an Eligible Employee all taxes required by applicable law to be withheld by the Company with respect to the Severance Benefits.

OIL STATES INTERNATIONAL, INC.

By: ------------------------------

Name: ----------------------------

Title: --------------------------

ATTACHMENT A
ELIGIBLE EMPLOYEES

NAME	CLASS
	I
	I
	I
	I
	I
	II
	II
	II
	II
	II
	III
	III

SEVERANCE BENEFITS

A. Severance Pay

On or as soon as reasonably practical following an Eligible Employee's Qualified Termination and compliance with Section 4(b), the Company shall pay such Eligible Employee a lump sum amount in cash (less all applicable tax withholdings) equal to the sum of (x) and (y), where (x) is equal to the product of One Week's Base Salary and the following multiplier, based on his Class:

Class I	--	104
Class II	--	52
Class III	--	26

and (y) is equal to the product of (i) the Eligible Employee's Target AICP and (ii) the quotient of his applicable multiplier, based on his class as set with above, divided by 52.

B. Continued Health Plan Coverage

Following a Qualified Termination, an Eligible Employee may continue his or her coverage under the Company's group health plan for the number of months specified below by his Class (the "Severance Period") by timely paying the Company his or her monthly premium equal to the monthly premium charged by the Company to an active employee for similar coverage:

Class I	--	104
Class II	--	52
Class III	--	26

An Eligible Employee's Severance Period shall terminate if the Eligible Employee fails to timely pay the required monthly premium. An Eligible Employee's period of COBRA coverage, if applicable, will not begin until the end of the applicable Severance Period.

C. Outplacement Services

The Company shall provide, at such times and places as it reasonably chooses, outplacement counseling to the Eligible Employee. The Company will have the sole discretion in the selection of the outside vendor, the services to be provided to the Eligible Employee, and the duration of such services. The amount of such services provided to an Eligible Employee shall not exceed $15,000.

EXHIBIT 10.13

RESTRICTED STOCK AGREEMENT

THIS AGREEMENT is made as of ________________, 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 ______________ 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 _____________, 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 _______________, 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.

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: ---------------------------------------

Name: -------------------------------------

Title: ------------------------------------

DOUGLAS E. SWANSON

EXHIBIT 21.1

LIST OF SUBSIDIARIES OF THE REGISTRANT

The following represents the Registrant's direct and indirect subsidiaries upon the consummation of the Combination and the offering. Unless otherwise indicated, each subsidiary will be wholly-owned, directly or indirectly, by the Registrant.

Conemsco Acquisition Company (TX)
CECO Holdings, Inc. (DE)
Continental Supply Company (DE)
Continental Emsco Company (DE)
Oil States Industries, Inc. (DE)
Oil States Subsea Ventures, Inc. (TX)
Oil States MCS, Inc. (DE)
Oil States Industries do Brasil Instalacoes Maritimas Ltda. (Brazil)
Oil States Industries (UK) Limited (UK)
Oil States Industries (Asia) Pte Ltd. (Singapore)
Oil States Hydro Tech Systems, Inc. (DE)
OS MCS, Ltd. (UK)
Oil States Klaper Limited (UK)
Hydra-Lok Leasing Ltd. (UK)
Hydro Tech Systems, Inc. (TX)
Oil States Offshore Marine, Inc. (TX)
Oil States Rubber Co. (TX)
CE Drilling Products, Inc. (TX)
CE Distribution Services, Inc. (DE)
Oil States Skagit SMATCO, Inc. (LA)
ELASTOMERIC ACTUATORS, INC. (TX)(1)
892489 Alberta Inc. (Alberta)
892492 Alberta Inc. (Alberta)
892493 Alberta Inc. (Alberta)
3045843 Nova Scotia Company (Nova Scotia)
HWC Energy Services, Inc. (TX)
HWC Energy Services Canada Inc. (Alberta)
HWCES International (Cayman Islands)
HWC Holdings Inc. (DE)
Specialty Rental Tool & Supply, Inc. (TX)
Capstar Drilling, Inc. (TX)
Hydraulic Well Control, Inc. (LA)
HWC Limited (LA)
Signa Engineering Corporation (TX)(2)
PTI Group Inc. (Alberta)
Ekati Services Ltd. (NW Territories)(3)
Norwel Developments Limited (NW Territories)
General Marine Leasing, Inc. (LA)
General Marine Construction (LA)
General Marine Offshore Equipment (LA)
Diamond Resource Services Ltd. (Alberta)
Travco Industrial Housing Ltd. (Alberta)

Crown Camp Services Ltd. (Alberta)
PTI Peru S.A. (Peru)
Inversiones Y Rentas PTI Limitada (Chile)
Delta PTI Servicios Limitada (Chile)(4)
Crown Camp Services Inc. (Alaska)
Alimentation de la paix inc. (Quebec)
PTI Camp Installations Ltd. (Alberta)
Inserv Institutional Services Corp. (Canada)
Heritage Meats Ltd. (Alberta)
PTI Camp Services Limited (Cyprus)
PTI International Ltd. (Alberta)
PTI International Ltd. (Russia)
Sooner Inc. (DE)
Sooner Pipe Inc. (OK)
Chickasaw Distributors (TX)(5)
AZ Terminal Corporation (OK)
Sooner Holding Company (DE)
Sooner Pipe and Supply UK LTD (UK)
Sooner Pipe & Supply Nigeria LTD (Nigeria)
Sooner Pipe & Supply (Canada) LTD (Alberta)
Sooner Pipe & Supply Venezuela S.A. (Venezuela)

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(1) 60% owned indirectly by the Registrant.

(2) 28.6% owned indirectly by the Registrant.

(3) 49% owned indirectly by the Registrant.

(4) 50% owned indirectly by the Registrant.

(5) 20% owned indirectly by the Registrant.

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated August 14, 2000 and August 14, 1998, with respect to the financial statements of Sooner, Inc. and Sooner Pipe and Supply Corporation, respectively, included in Amendment No. 3 to the Registration Statement (Form S-1, No. 333-43400) and related Prospectus of Oil States International, Inc. for the registration of 10,300,000 shares of its common stock.

/s/ Ernst & Young LLP

Tulsa, Oklahoma

December 8, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTS

As independent public accountants, we hereby consent to the use of our report dated July 14, 2000 with respect to HWC Energy Services, Inc., and subsidiaries (and all references to our firm) included in this Form S-1, Amendment No. 3 to the Oil States International, Inc.'s previously filed Registration Statement File No. 333-43400.

/s/ Arthur Andersen LLP

Houston, Texas

December 8, 2000

EXHIBIT 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our firm) included in or made part of this registration statement File No. 333-43400.

ARTHUR ANDERSEN LLP

/s/ ARTHUR ANDERSEN LLP

Dallas, Texas

December 8, 2000

EXHIBIT 23.4

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the inclusion in Amendment No. 3 to the Registration Statement on Form S-1 (No. 333-43400) and related Prospectus of Oil States International, Inc. of our report dated July 7, 2000 relating to the consolidated financial statements of PTI Group Inc. for the years ended December 31, 1999, 1998 and the 358 day period ended December 31, 1997. We also consent to the reference to our firm under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Chartered
Accountants

Edmonton, Alberta, Canada

December 8, 2000

EXHIBIT 23.9

December 8, 2000

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of Oil States International, Inc. of our report dated January 29, 1999, relating to the financial statements of CE Franklin Ltd., which appears in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta