OIL STATES INTERNATIONAL INC
Form S-1/A
February 08, 2001

1

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 8, 2001

REGISTRATION NO. 333-43400

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 6 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
THREE ALLEN CENTER
333 CLAY STREET, SUITE 3460
HOUSTON, TEXAS 77002
(713) 652-0582
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

SCOTT N. WULFE
VINSON & ELKINS L.L.P.
1001 FANNIN, SUITE 2300
HOUSTON, TEXAS 77002-6760
(713) 758-2222

JOE S. POFF
BAKER BOTTS L.L.P.
910 LOUISIANA
HOUSTON, TEXAS 77002
(713) 229-1234

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.

2

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.

3

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 FEBRUARY 8, 2001

PROSPECTUS

10,000,000 SHARES

[OIL STATES INTERNATIONAL, INC. LOGO]

COMMON STOCK

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

We expect the public offering price to be between $9.00 and $10.00 per share. Currently, no public market exists for the shares. The shares have been approved for listing 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......	$	$

The U.S. underwriters may also purchase up to an additional 1,200,000 shares from Oil States International stockholders 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 300,000 shares from Oil States International stockholders.

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 , 2001.

MERRILL LYNCH & CO.

CREDIT SUISSE FIRST BOSTON

SIMMONS & COMPANY
INTERNATIONAL

The date of this prospectus is , 2001.

4

ARTWORK

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

[depiction of hydraulic workover unit in operation 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"]

5

TABLE OF CONTENTS

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.

(i)

6

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 as defined, of $35.5 million, and for the nine months ended September 30, 2000, we had pro forma revenues of $437.4 million and EBITDA as defined of $49.9 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% 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 OneOffshore, 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 217 in 2000. 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 sustained increases in demand 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.

2

8

- 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.

THE SCF EXCHANGE

Concurrently with the closing of this offering, we will issue 4,275,555 shares of common stock to SCF in exchange for approximately $36 million of indebtedness of Oil States and Sooner which is held by SCF. This exchange is based on an assumed initial public offering price of $9.00 per share less underwriting discounts and commissions. To the extent the aggregate initial public offering proceeds are higher than $90 million then the amount of indebtedness exchanged will be reduced by 93.5% of such excess and the number of shares issued will be reduced accordingly. To the extent the aggregate initial public offering proceeds are less than $90 million, then the amount of indebtedness and the number of shares will be similarly increased. We refer to this transaction in this prospectus as the "SCF Exchange."

OUR STRUCTURE AND OWNERSHIP

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

[Chart depicting that purchasers in the offering will own 31.5% of our company, existing stockholders (other than SCF) will own 12.0%, SCF-III, L.P. will own 42.5% and SCF-IV, L.P. will own 14.0%, 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:

- 7,476,847 shares of common stock to the former shareholders of HWC, including 1,782,398 shares to be issued for the conversion of preferred stock issued by HWC;

- 7,597,152 shares of common stock to the former stockholders of Sooner, including 2,985,677 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 represent 20.8% 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.

4

10

THE OFFERING

Common stock offered by Oil States International:	
U.S. offering................................	8,000,000 shares
International offering.......................	2,000,000 shares
Total....................................	10,000,000 shares
Shares outstanding after the offering.............	48,156,387 shares

Use of proceeds...................

We estimate that our net proceeds from this offering will be approximately $80.5 million. We intend to use these net proceeds as follows:

- approximately $68.3 million to retire outstanding preferred stock of subsidiaries and subordinated indebtedness and pay related dividends and accrued interest as of September 30, 2000;

- approximately $1.3 million to pay net interest and dividends on the subordinated indebtedness and preferred stock discussed above accrued from September 30, 2000 to December 31, 2000;

- approximately $1.9 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 those rights; and
	- the balance to reduce bank debt.
	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 awards under our 2001 Equity Participation Plan. Under this plan, we have reserved for issuance 3,700,000 shares, of which options to purchase 1,211,920 shares at a weighted average exercise price of $7.34 per share have been issued as of December 31, 2000, giving effect to the Combination. In connection with this offering, we intend to grant under this plan additional options to purchase an aggregate of approximately 800,000 shares at an exercise price equal to the initial public offering price and approximately 100,000 shares of restricted stock.

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;

- our issuance of 4,275,555 shares of common stock to SCF in the SCF Exchange; and

- our sale of 10,000,000 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 10,000,000 shares at $9.00 per share and the application of the net proceeds to us as described in "Use of Proceeds";

- our issuance of 4,275,555 shares of common stock to SCF in exchange for approximately $36.0 million of our indebtedness held by SCF in the SCF Exchange;

- 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	19
	(IN THOUSANDS)				
COMBINED STATEMENT OF OPERATIONS DATA:					
Revenue..............................	$437,404	$487,380	$267,110	$359,034	$216
Expenses					
Costs of sales.....................	349,317	400,609	194,822	261,767	151
Selling, general and administrative..................	38,161	48,858	38,667	48,305	23
Depreciation and amortization.......	19,982	26,506	20,275	18,201	8
Other expense (income).............	57	2,448	2,448	4,928	
Operating income (loss)..............	29,887	8,959	10,898	25,833	32
Net interest expense.................	(6,691)	(6,544)	(12,496)	(15,301)	(8
Other income (expense)...............	40	(4,933)	(1,297)	115	
Income (loss) before income taxes.....	23,236	(2,518)	(2,895)	10,647	23
Income tax (expense) benefit.........	(3,338)	3,979	(4,654)	(9,745)	(11
Income (loss) from continuing					

operations before minority interest	19,898	1,461	(7,549)	902	12
Minority interest, net of taxes	(13)	(31)	610	2,988	(6
Income (loss) from continuing operations	$ 19,885	$ 1,430	$ (6,939)	$ 3,890	$ 5

footnotes on following page

7

13

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)		PRO FORMA COMBINED(3)		
			YEAR ENDED DECEMBER 31,		
	NINE MONTHS ENDED SEPTEMBER 30, 2000	YEAR ENDED DECEMBER 31, 1999(2)	1999	1998	19
	(IN THOUSANDS)				
OTHER FINANCIAL DATA:					
EBITDA as defined(4)	$ 49,869	$ 35,465	$ 31,173	$ 44,034	$ 41
Net income (loss) before goodwill amortization(5)	25,828	9,706	(4,144)	6,698	6
Capital expenditures			11,297	36,145	14
Net cash provided by (used in) operating activities			5,170	7,469	19
Net cash provided by (used in) investing activities			112,227	(61,864)	(67
Net cash provided by (used in) financing activities			(116,122)	42,473	101

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)	PRO FORMA COMBINED(3)		
		AT DECEMBER 31,		
	AT SEPTEMBER 30, 2000	1999	1998	1997
	(IN THOUSANDS)			
COMBINED BALANCE SHEET DATA:				
Cash and cash equivalents	$ 7,771	$ 3,216	$ 6,034	$ 21,03
Net property and equipment	145,067	142,242	138,374	95,03
Total assets	526,954	355,544	499,025	433,49
Total long-term debt	82,725	120,290	109,495	171,00
Redeemable preferred stock	--	25,064	20,150	22,65
Total stockholders' equity	316,886	58,462	73,644	91,30

----

(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 as defined consists of operating income (loss) before depreciation and amortization expense. EBITDA as defined 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 as defined calculation may not be comparable to other similarly titled measures of other companies. We have included EBITDA as defined 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 three years, ranging from less than $11 per barrel to over $37 per barrel. Spot gas prices have also been volatile, ranging from less than $1.25 per MMBtu to above $10.00 per MMBtu. 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.

During the first nine months of 2000, we purchased from a single supplier approximately 34% of the tubular goods we distributed and from three suppliers approximately 64% 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 35% 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 will be 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 63.3% 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, its other affiliates and its portfolio companies as the SCF group. Our certificate of incorporation provides that, so long as SCF and its affiliates continue to own at least 20% of our common stock, we renounce any interest in specified business opportunities. Our certificate of incorporation also provides that if an opportunity in the oilfield services industry is presented to a person who is a member 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; and

- such 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 $5.89 per share in pro forma net tangible book value, based on an assumed initial public offering price of $9.00. 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 $9.00, will be approximately $80.5 million, after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds to us as follows:

- approximately $45.8 million to retire $40.5 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 $1.9 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;

- approximately $1.3 million to pay net interest and dividends on the subordinated indebtedness and preferred stock discussed above accrued from September 30, 2000 to December 31, 2000; and

- the balance of approximately $9.0 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.

Pending these uses, we intend to invest the net proceeds in short-term interest-bearing, investment-grade securities. After 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 have been redeemed or repaid.

In addition, we will retire an aggregate of approximately $36.0 million of our subordinated indebtedness held by SCF in the SCF Exchange.

The selling stockholders will sell shares of common stock to the underwriters if the underwriters exercise their over-allotment options. We will not receive any proceeds from the sale of common stock by the selling stockholders. See "Selling Stockholders."

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. The payment of dividends will be restricted by our existing credit facilities and our new revolving credit facility. 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 (1) our sale of 10,000,000 shares of our common stock in the offering at an assumed initial public offering price of $9.00 and the application of the estimated net proceeds to us from the offering of $80.5 million and (2) our issuance of 4,275,555 shares of common stock to SCF in exchange for approximately $36.0 million of our indebtedness held by SCF in the SCF Exchange.

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	$100,526
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; 33,880,832 shares issued and outstanding pro forma combined; 48,156,387 shares issued and outstanding as adjusted(1)	60,575	482
Additional paid-in capital	151,524	331,247
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	187,592	316,886
Total capitalization	$400,152	$417,412

----

(1) Excludes 1,211,920 shares of common stock issuable upon exercise of options issued as of December 31, 2000 to be outstanding under our 2001 Equity Participation Plan upon completion of the offering. Also excludes approximately 800,000 shares of common stock to be issuable upon exercise of options and approximately 100,000 shares of restricted stock to be granted in connection with the offering and which will be outstanding under our 2001 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 $0.39 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 $80.5 million of estimated net proceeds, our pro forma net tangible book value at September 30, 2000 would have been $3.11 per share. This represents an immediate increase in the pro forma combined net tangible book value of $2.72 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		$ 9.00
Pro forma combined net tangible book value per share at September 30, 2000	$0.39	
Increase per share attributable to new investors	2.72	
Pro forma combined net tangible book value per share after this offering		3.11
Dilution per share to new investors		$ 5.89

These computations assume that no additional shares are issued upon exercise of outstanding stock options granted under our 2001 Equity Participation Plan. As of December 31, 2000, options to purchase 1,211,920 shares of common stock at a weighted average exercise price of $7.34 per share have been granted under the 2001 Equity Participation Plan, giving effect to the Combination. See "Management -- Equity Participation Plan."

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		AVERAG PRICE P SHARE
	NUMBER	PERCENT	AMOUNT (IN THOUSANDS)	PERCENT	
Existing stockholders(1)	34,069,495	75.2%	$141,792	58.9%	$ 4.16
Optionholders(2)	1,211,920	2.7	8,897	3.7	7.34
New investors	10,000,000	22.1	90,000	37.4	9.00
Total	45,281,415	100.0%	$240,689	100.0%	

----

(1) Excludes 4,275,555 shares to be issued to SCF in the SCF Exchange at an effective offering price equal to the initial public offering price less underwriting discounts and commissions.

(2) Excludes options to purchase approximately 800,000 shares of our common stock and approximately 100,000 shares of restricted stock to be granted in connection with the offering and options to purchase 6,667 shares of our

common stock which expired subsequent to September 30, 2000.

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 10,000,000 shares at $9.00 per share and the application of the net proceeds to us as described in "Use of Proceeds";

- our issuance of 4,275,555 shares of common stock to SCF in exchange for approximately $36.0 million of our indebtedness held by SCF in the SCF Exchange;

- 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 FO
	NINE MONTHS ENDED SEPTEMBER 30, 2000	YEAR ENDED DECEMBER 31, 1999(2)	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	YEAR EN 1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
COMBINED STATEMENT OF OPERATIONS DATA:					
Revenue..........................	$437,404	$487,380	$223,909	$199,298	$267,110
Expenses					
Costs of sales................	349,317	400,609	156,461	143,040	194,822
Selling, general and administrative.............	38,161	48,858	31,812	28,653	38,667
Depreciation and amortization(6).............	19,982	26,506	15,667	15,943	20,275
Other expense (income)........	57	2,448	57	21	2,448
Operating income (loss).........	29,887	8,959	19,912	11,683	10,898
Net interest income (expense)...	(6,691)	(6,544)	(8,545)	(9,986)	(12,496)
Other income (expense)..........	40	(4,933)	40	(622)	(1,297)
Income (loss) before income taxes........................	23,236	(2,518)	11,407	1,075	(2,895)
Income tax (expense) benefit....	(3,338)	3,979	(8,416)	(4,386)	(4,654)
Income (loss) from continuing operations before minority interest.....................	19,898	1,461	2,991	(3,311)	(7,549)
Minority interest..............	(13)	(31)	(2,873)	(767)	610
Income (loss) from continuing operations...................	$ 19,885	$ 1,430	$ 118	$ (4,078)	$ (6,939)
Income (loss) from continuing operations per common share(7)					
Basic........................	$ 0.41	$ 0.03	$ 0.00	$ (0.12)	$ (0.20)
Diluted......................	$ 0.41	$ 0.03	$ 0.00	$ (0.12)	$ (0.20)
Average shares outstanding(7)					
Basic........................	48,156	48,156	33,881	33,881	33,881
Diluted......................	48,529	48,529	34,433	33,881	33,881

HISTORICAL

FIVE MONTHS

SEVEN MONTHS

	YEAR ENDED DECEMBER 31, 1996(4)	ENDED DECEMBER 31, 1995(4)(5)	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			

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)		PRO FORMA COMBINED(3)		PRO
	NINE MONTHS ENDED SEPTEMBER 30, 2000	YEAR ENDED DECEMBER 31, 1999(2)	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999	1999
			(IN THOUSANDS)		
OTHER DATA:					
EBITDA as defined(8)	$49,869	$35,465	$ 36,466	$ 27,626	$ 31,17

Net income (loss) before goodwill amortization(9)................	25,828	9,706	2,202	(1,893)	(4,14
Capital expenditures.............			11,325	7,803	11,29
Net cash provided by (used in) operating activities...........			27,979	10,652	5,17
Net cash provided by (used in) investing activities...........			(13,383)	119,260	112,22
Net cash provided by (used in) financing activities...........			(2,064)	(125,820)	(116,12

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

footnotes on following page

	PRO FORMA COMBINED, ACQUISITIONS AND OFFERING(1)	PRO FORMA COMBINED(3)	PRO FORMA COMBIN	
	AT SEPTEMBER 30, 2000	AT SEPTEMBER 30, 2000	AT	
			1999	1998
			(IN THOUSANDS)	
CONSOLIDATED BALANCE SHEET DATA:				
Cash and cash equivalents...............	$ 7,771	$ 5,284	$ 3,216	$ 6,034
Net property and equipment.............	145,067	140,420	142,242	138,374
Total assets............................	526,954	348,088	355,544	499,025
Long-term debt and capital leases,				

excluding current portion............	82,725	96,181	120,290	109,495
Redeemable preferred stock of subsidiaries.........................	--	25,293	25,064	20,150
Total stockholders' equity.............	316,886	55,542	58,462	73,644

----

(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 as defined consists of operating income (loss) before depreciation and amortization expense. EBITDA as defined 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 as defined calculation herein may not be comparable to other similarly titled measures of other companies. We have included EBITDA as defined 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 $11 per barrel in early 1999. With this decline in pricing, many of our customers substantially reduced their capital spending and related activities. This industry downturn continued through most of 1999. The rig count in the United States and Canada, as measured by Baker Hughes Incorporated, fell from 1,481 rigs in February 1998 to 559 rigs in April 1999. This downturn in activity had a material adverse effect on demand for our products and services, and our operations suffered as a result.

The price of crude oil has increased significantly over the last 18 months due to improved demand for oil and supply reductions by OPEC member countries. This improvement in crude oil pricing has led to increases in the rig count, particularly in Canada and the United States. As of December 29, 2000, the rig count in the United States and Canada, as measured by Baker Hughes, was 1,436. 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 recent periods. As a result, we believe that capital spending within the industry has lagged the improvement in crude oil prices.

THE COMBINATION

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

L.E. Simmons & Associates, Incorporated is the ultimate general partner of SCF-III, 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, the SCF Exchange and the offering:

[Chart depicting that purchasers in the offering will own 20.8% of our company, existing stockholders (other than SCF) will own 15.9%, SCF-III, L.P. will own 43.9% and SCF-IV, L.P. will own 19.4%, in each case following the Combination and the offering. The chart also depicts that Oil States will own 100% of HWC, 100% (indirectly) of PTI and 100% of Sooner following the Combination and the offering.]

The financial results of Oil States, HWC and PTI have been combined for the three 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 December 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	$ 13.5	$ 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	(31.8)	(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 $26.8 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 $3.2 million, or 11.2%, to $31.8 million compared to $28.6 million during the nine months ended September 30, 1999. Selling, general and administrative expenses in our well site services segment increased $4.8 million, partially offset by a $1.6 million decrease in our offshore products segment. We reduced costs in our offshore products segment in response to the market downturn in offshore construction activity.

Depreciation and Amortization. Depreciation and amortization totaled $15.7 million during the nine months ended September 30, 2000 compared to $15.9 million in the nine months ended September 30, 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 $5.5 million to $13.5 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 $31.8 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

26

32

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. Selling, general and administrative expense was $48.3 million during 1998 compared to $23.7 million during 1997, an increase of $24.6 million. 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.

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 $40.5 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. Concurrently with the closing of the offering, we will issue 4,275,555 shares of common stock to SCF in exchange for approximately $36.0 million of our indebtedness held by SCF in the SCF Exchange.

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 L5.0 million 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. These Canadian facilities provide for up to $42.3 million in borrowings. Interest is calculated at the Canadian prime rate plus a margin of up to 1.0% per year or the bankers acceptance rate plus a margin ranging from 1.0% to 2.0% 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 was drawn as of September 30, 2000, 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 1.75% to 2.5% per year. We expect to terminate these facilities other than our L5.0 million overdraft credit facility 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.

We have a commitment to enter into a $150 million senior secured revolving credit facility at the closing of the offering. Credit Suisse First Boston, New York branch, an affiliate of Credit Suisse First Boston Corporation, will act as administrative agent, collateral agent, book manager and lead arranger. Credit Suisse First Boston Canada, an affiliate of Credit Suisse First Boston Corporation, will act as Canadian administrative agent, collateral agent, book manager and lead arranger. Up to $45.0 million of the new credit facility will be made available in the form of loans denominated in Canadian dollars and may be made to our principal Canadian operating subsidiaries. This new credit facility will replace our existing credit facilities that we expect to terminate at the closing of the offering, 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 $86 million under this new facility at the closing of the offering to repay amounts outstanding under our existing credit facilities, including the Sooner credit facility. 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 LIBOR (or, in the case of Canadian dollar denominated loans, the Bankers' Acceptance discount rate) plus a margin ranging from 1.5% to 2.5%; or

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

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

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

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

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

- incur additional indebtedness;

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

- pay dividends;

- repurchase and redeem capital stock;

- sell assets other than in the ordinary course of business;

- make liens;

- engage in sale-leaseback transactions;

- make specified loans and investments;

- make acquisitions;

- enter into mergers, consolidations and similar transactions;

- enter into hedging arrangements;

- enter into transactions with affiliates;

- change the businesses we and our subsidiaries conduct; and

- amend debt and other material agreements.

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

- a ratio of EBITDA to interest expense of not less than 3.0 to 1.0;

- a level of consolidated net tangible assets of not less than $120 million plus 50% of each quarter's consolidated net income (but not loss);

- a maximum ratio of total debt to EBITDA of not greater than 3.5 to 1.0; and

- a maximum ratio of total senior debt to EBITDA of not greater than 3.0 to 1.0.

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

After completion of the offering and the contemplated $150 million revolving credit facility, we anticipate that approximately $64 million will be available to be drawn under this facility. In addition, at September 30, 2000, $1.1 million was available to be drawn under the L5.0 million overdraft credit facility.

After giving effect to the offering, the application of the net proceeds to us as described in "Use of Proceeds," the SCF Exchange and the repayment of approximately $2.6 million in subordinated debt since September 30, 2000, we expect that we will have an aggregate of approximately $13.3 million of subordinated debt outstanding following the offering. This subordinated debt will become due and payable at various times over the period from February 2001 to November 2005.

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 adopted SFAS No. 133 effective January 1, 2001, and 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, revolving lines of credit and subordinated debt subject to the risk of loss associated with movements in interest rates.

At December 31, 2000, we had floating rate obligations totaling approximately $118 million, including $34.0 million of Sooner debt, for amounts borrowed under our revolving lines of credit, long-term notes payable and subordinated debt. 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, 2000 levels, our combined interest expense would increase by a total of approximately $98,000 per month.

Foreign Currency Exchange Rate Risk. Our operations are conducted in various countries around the world in a number of different currencies. As such, our earnings are subject to change due to movements in foreign currency exchange rates when transactions are denominated in currencies other than the U.S. dollar, which is our functional currency. In order to mitigate the effects of exchange rate risks, we generally pay a portion of our expenses in local currencies and a substantial portion of our contracts provide for collections from customers in U.S. dollars. As of December 31, 2000, we had Canadian dollar-denominated debt totaling approximately $25 million.

We have not hedged any foreign currency exposure at December 31, 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 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 P
	QUARTER ENDED SEPTEMBER 30,	YEAR ENDED JUNE 30,	PERIOD FR

	2000	1999	2000(1)	1999	AUGUST 1, TO JULY 2,
			(IN THOUSANDS, EXCEPT SHARE DAT		
COMBINED STATEMENT OF OPERATIONS DATA:					
Revenue................................	$ 58,926	$ 44,680	$258,985	$108,768	$185,09
Expenses:					
Cost of goods sold....................	53,252	40,619	235,134	108,613	165,49
Selling, general and administrative...	1,871	1,835	7,665	6,310	20,93
Depreciation and amortization.........	382	359	1,641	1,055	88
Operating income (loss)................	3,421	1,867	14,545	(7,210)	(2,22
Investment and other income............	(2)	133	538	613	1,36
Interest expense.......................	(974)	(1,313)	(4,583)	(4,450)	(5
Income (loss) before income taxes.......	2,445	687	10,500	(11,047)	(92
Income tax expense (benefit)............	542	17	245	(596)	
Net income (loss) from continuing operations...........................	1,903	670	10,255	(10,451)	(92
Discontinued operations (net of income taxes)...............................	--	--	--	--	-
Net income (loss)......................	$ 1,903	$ 670	$ 10,255	$(10,451)	$ (92
Income (loss) per common share:					
Basic and diluted....................	$ 72.69	$ 28.26	$ 421.88	$(589.62)	$(132.0
Weighted average shares outstanding...	26,178	23,706	24,308	17,725	7,00
OTHER DATA:					
EBITDA as defined(2)...................	$ 3,803	$ 2,226	$ 16,186	$ (6,155)	$ (1,34
Net income (loss) before goodwill amortization(3)......................	2,062	912	10,844	(9,925)	(92
Capital expenditures...................	36	119	782	622	2,18
Net cash provided by (used in) operating activities...........................	7,895	10,687	20,301	17,778	(8,09
Net cash provided by (used in) investing activities...........................	(38)	(98)	9	(93,868)	(8,43
Net cash provided by (used in) financing activities...........................	(7,248)	(10,499)	(23,284)	80,942	(5,00
CONSOLIDATED BALANCE SHEET DATA (AT END OF PERIOD):					
Cash and cash equivalents..............	$ 2,487	$ 4,941	$ 1,878	$ 4,852	$ 45
Net property and equipment.............	4,647	5,031	4,794	5,085	5,36
Total assets...........................	110,266	98,795	110,268	104,151	59,09
Long-term debt.........................	48,298	65,219	53,661	74,336	-
Total stockholders' equity.............	27,883	13,896	25,980	13,250	32,94

----

(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 as defined consists of operating income (loss) before depreciation and amortization expense. EBITDA as defined 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 as defined calculation herein may not be comparable to other similarly titled measures of other companies. We have included EBITDA as defined 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 July 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% 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 OneOffshore, Inc., the number of wells drilled in water depths greater than 1,500 feet has increased from 39 in 1990 to 217 in 2000. 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 sustained increases in demand 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 OneOffshore, 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 December 31, 2000, there were approximately 55 semisubmersible rigs and 29 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 68 semi-submersible rigs and 30 drillship-type rigs capable of this deepwater drilling. In addition, there are three new tension leg platforms and eight new Spars scheduled for completion by the year 2003. At the end of 2000, there were only 11 tension leg platforms and three Spars in operation worldwide. The number of FPSO vessels is currently expected to increase from 62 FPSOs in operation worldwide at the end of 2000 to 87 by the end of 2003, and the number of floating production semisubmersibles is anticipated to increase from 36 to 43 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

41

47

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 December 31, 2000 was $36.5 million compared to backlog of $33.6 million at December 31, 1999. Our backlog consists of firm customer purchase orders for which satisfactory credit or financing arrangements exist and delivery is scheduled. Our backlog has increased $2.9 million from December 31, 1999 due primarily to an increase in our flexible bearings and connector products backlog, partially offset by reductions in our subsea pipeline products and our marine winches, mooring systems and drilling equipment backlog.

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, and for the first nine months of 2000 were Shell Oil Company Inc., Global Marine Inc. and Noble Drilling Corporation. None of these customers accounted for greater than 5% of our revenues in either period 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 between 15% and 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, 1999 and 2000 were 943, 843, 625 and 918, 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 December 29, 2000, 1,114 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, alliances and international supply/logistics agreements. During 1999 and the first nine months of 2000, 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 arrangements. Although our alliances 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 arrangements 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., and for the first nine months of 2000 were Unocal Corporation, Conoco Inc. and El Paso Energy Corporation. None of these customers accounted for greater than 5% of our revenues in either period 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

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, 1999 and 2000 were 943, 843, 625 and 918, 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 December 29, 2000, 1,114 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 December 31, 2000 we had 27 "stand alone" hydraulic workover units. Of these 27 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 West Africa. Utilization of our hydraulic workover units varies from period to period. As of December 31, 2000, eight 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 12 to 14 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. and for the first nine months of 2000 were TotalFinaElf S.A., Chevron Corporation and Apache Corporation. None of these customers accounted for greater than 5% of our revenues in either period 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 December 31, 2000, 11 of the 12 rigs were working or under contract.

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 and the first nine months of 2000 included Anadarko Petroleum Corporation and Chevron Corporation, neither of which accounted for greater than 5% of our revenues in either period 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 and for the first nine months of 2000 were Schlumberger Ltd., Halliburton Company and The Coastal Corporation. None of these customers accounted for greater than 5% of our revenues in either period 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 and for the first nine months of 2000 included Syncrude Canada, Ltd. and Ensign Resource Service Group Inc. None of these customers accounted for greater than 5% of our revenues in either period 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 currently have operations on properties where 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 fac
Arlington, Texas (lease)..................	42,491	Offshore products manufacturing fac
Arlington, Texas..........................	44,780	Elastomer Technology Center
Arlington, Texas..........................	60,000	Molding and aerospace facilities
Houston, Texas (lease)....................	16,000	Offshore products manufacturing fac
Houston, Texas............................	65,105	Offshore products manufacturing fac
Houston, Texas (lease)....................	54,050	Offshore products manufacturing fac
Lampasas, Texas...........................	47,500	Molding facility for offshore produ
Crosby, Texas.............................	109 acres	Tubular yard
Belle Chasse, Louisiana (lease)...........	20,000	Accommodations manufacturing facili
Lafayette, Louisiana (lease)..............	9 acres	Accommodations equipment yard
Houma, Louisiana (lease)..................	24,000	Accommodations manufacturing facili
Houma, Louisiana..........................	24,000	Hydraulic well control yard and off
Houma, Louisiana..........................	8,400	Well control office and training fa

Houma, Louisiana........................	64,659	Offshore products manufacturing fac
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 facili
Edmonton, Alberta........................	31,000	Accommodations office and warehouse
Aberdeen, Scotland (lease)...............	56,021	Offshore products manufacturing fac
Bathgate, Scotland.......................	28,000	Offshore products manufacturing fac
Spruce Grove, Alberta....................	15,000	Accommodations facility and equipme
Grande Prairie, Alberta..................	18,000	Accommodations facility and equipme
Peace River, Alberta.....................	80 acres	Accommodations equipment yard
Aberdeen, Scotland (lease)...............	6,260	Tubular yard
Barrow, England..........................	14,551	Offshore products manufacturing fac
Singapore, Asia (lease)..................	13,411	Offshore products warehouse and yar
Macae, Brazil (lease)....................	18,729	Offshore products manufacturing fac
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

53

59

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 December 31, 2000, we had 2,805 full-time employees, 845 of whom are in our offshore products segment, 91 of whom are in our tubular services segment and 1,869 of whom are in our well site services segment. In addition, we are party to collective bargaining agreements covering approximately 361 employees located in Canada. We believe relations with our employees are good.

54

60

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table provides information regarding our executive officers and directors as of December 31, 2000:

NAME	AGE	POSITION(S)
L.E. Simmons..........................	54	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.........................	58	Vice President -- Offshore Products
Sandy Slator..........................	56	Vice President -- Well Site Services
Jay Trahan............................	54	Vice President -- Well Site Services
Martin Lambert(1).....................	45	Director
Mark G. Papa(1).......................	54	Director
Gary L. Rosenthal(1)..................	51	Director
Andrew L. Waite.......................	40	Director
Stephen A. Wells......................	57	Director

----

(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

56

62

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 L.L.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. Since September 2000, he has served as President of AXIA Incorporated, a diversified manufacturing company. From July 1998 to September 2000, he also served as Chairman of the Board and Chief Executive Officer of AXIA Incorporated. 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, Canyon Offshore, Inc., a provider of remotely operated vehicle services, and Hornbeck Leevac Marine Services, Inc., an operator of offshore supply vessels and other marine assets. 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, the

Chairman of the Board of GRT Inc., a hydrocarbon research and technology company, and a director of DFB Pharmaceuticals, Inc., a pharmaceuticals and health care products manufacturer.

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 2002. The terms of the directors of the other two classes will expire at the annual meetings of stockholders to be held in 2003 (Class II) and 2004 (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 2001 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 2001 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.

58

64

EXECUTIVE COMPENSATION

The following table presents information regarding the compensation of our Chief Executive Officer and our four other most highly compensated executive officers during 2000. 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	$225,481	--	--
Cindy B. Taylor(2) Senior Vice President -- Chief Financial Officer and Treasurer	$100,000	$135,000	--
Howard Hughes Vice President -- Offshore Products	$225,000	$ 73,163	$12,665(3)
Jay Trahan Vice President -- Well Site Services	$200,000	--	3,000(3)

Michael R. Chaddick.................................... Vice President -- Tubular Services	$159,600	$ 72,201	--

----

(1) Mr. Swanson joined our company in January 2000. Mr. Swanson's annual base salary following the completion of the offering will be $375,000.

(2) Ms. Taylor joined our company in May 2000. Ms. Taylor's annual base salary following the completion of the offering will be $200,000.

(3) Reflects payments made to the Oil States and HWC 401(k) plans on behalf of Messrs. Hughes and Trahan, respectively, to fund base retirement contributions, 401(k) matching contributions and discretionary profit sharing contributions.

2001 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 December 31, 2000, giving effect to the Combination, options to purchase 1,211,920 shares at a weighted average exercise price of $7.34 per share were outstanding. In connection with the offering, we intend to grant under the plan additional options to purchase an aggregate of approximately 800,000 shares at an exercise price equal to the initial public offering price and approximately 100,000 shares of restricted stock.

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 2011.

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 have adopted an annual incentive compensation plan 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 has an employment agreement with HWC. In connection with the closing of the Combination and the offering, this employment agreement will be terminated, and we will enter into separate executive agreements with the named executive officers, including Mr. Trahan.

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 $1.2 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 2001 Equity Participation Plan. In connection with this offering, we intend to grant under this plan additional options to purchase an aggregate of approximately 800,000 shares at an exercise price equal to the initial public offering price and approximately 100,000 shares of restricted stock. Following the Combination and the offering, options to purchase approximately 2,011,920 shares of our common stock will be outstanding under the 2001 Equity Participation Plan.

The following table contains information concerning stock options held by the named executive officers as of December 31, 2000, giving effect to the Combination. No stock options were exercised in 2000 by any named executive officer.

OPTION VALUES AT DECEMBER 31, 2000