OIL STATES INTERNATIONAL INC
Form 424B4
February 09, 2001

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FILED PURSUANT TO RULE: 424(B)(4)
REGISTRATION NO.: 333-43400

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 international managers are offering 2,000,000 shares outside the U.S. and Canada, and the U.S. underwriters are offering 8,000,000 shares in the U.S. and Canada.

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....................................	$9.00	$90,000,000
Underwriting discount....................................	$.63	$6,300,000
Proceeds, before expenses, to Oil States International......	$8.37	$83,700,000

The international managers may also purchase up to an additional 300,000 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 U.S. underwriters may similarly purchase up to an additional 1,200,000 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 February 14, 2001.

MERRILL LYNCH INTERNATIONAL

CREDIT SUISSE FIRST BOSTON

SIMMONS & COMPANY
INTERNATIONAL

The date of this prospectus is February 8, 2001.

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"]

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or

inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

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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.

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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.

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- 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. 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, the SCF Exchange 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.

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, 2000	YEAR ENDED DECEMBER 31, 1999(2)	YEAR ENDED DECEMBER 31,		
			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

	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)				
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 SEPTEMBER 30,	AT DECEMBER 31,		
	2000	1999	1998	1997
	(IN THOUSANDS)			
COMBINED BALANCE SHEET DATA:				
Cash and cash equivalents......................	$ 7,771	$ 3,216	$ 6,034	$ 21,03
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

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

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

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

(4) EBITDA 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 $6.29 per share in pro forma net tangible book value, based on an 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 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-20, in the third paragraph of the auditor's report appearing on page F-24 and in the first two paragraphs of Note 20 to Oil States' Consolidated Financial Statements on page F-52 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 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

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(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 $0.41 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 $2.71 per share. This represents an immediate increase in the pro forma combined net tangible book value of $2.30 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:

Initial public offering price per share....................		$ 9.00
Pro forma combined net tangible book value per share at September 30, 2000..................................	$0.41	
Increase per share attributable to new investors..........	2.30	
Pro forma combined net tangible book value per share after this offering..		2.71
Dilution per share to new investors.......................		$ 6.29

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%	

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(1) Excludes 4,275,555 shares to be issued to SCF in the SCF Exchange.

(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	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	34,253	33,881	33,881

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

Minority interest..............	(1,807)	(52)	--
Income (loss) from continuing operations.....................	$ (3,850)	$ 590	$ 2,602
Income (loss) from continuing operations per common share(7)			
Basic..........................			
Diluted........................			
Average shares outstanding(7)			
Basic..........................			
Diluted........................			

	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	$ 35,579	$ 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

	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

footnotes on following page

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

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

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

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

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

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

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

(8) EBITDA 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, the SCF Exchange 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, the SCF Exchange 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 Decem-

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

RESULTS OF OPERATIONS

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

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997
	(IN MILLIONS)				
Revenues					
Offshore Products	$ 84.1	$118.1	$154.3	$230.0	$113.9
Well Site Services	139.8	81.2	112.8	129.0	102.4
Total	$223.9	$199.3	$267.1	$359.0	$216.3
Operating Income (Loss)					
Offshore Products	$ 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

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 entered into a $150 million senior secured revolving credit facility. 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 var