

OIL STATES INTERNATIONAL, INC

Form 10-Q

April 30, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

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

**For the quarterly period ended March 31, 2010**

**OR**

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

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

**Commission file number: 1-16337  
OIL STATES INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

Delaware

76-0476605

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

Three Allen Center, 333 Clay Street, Suite 4620,  
Houston, Texas

77002

(Address of principal executive offices)

(Zip Code)

(713) 652-0582

(Registrant's telephone number, including area code)  
None

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)

YES ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large Accelerated Non-Accelerated Filer o Smaller Reporting Company o  
Accelerated Filer o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO ☒

The Registrant had 50,109,167 shares of common stock outstanding and 3,257,567 shares of treasury stock as of April 27, 2010.

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OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (In Thousands, Except Per Share Amounts)

|                                                                                         | <b>THREE MONTHS<br/>ENDED<br/>MARCH 31,</b> |             |
|-----------------------------------------------------------------------------------------|---------------------------------------------|-------------|
|                                                                                         | <b>2010</b>                                 | <b>2009</b> |
| Revenues                                                                                | \$ 532,345                                  | \$ 667,098  |
| Costs and expenses:                                                                     |                                             |             |
| Cost of sales and services                                                              | 406,510                                     | 520,209     |
| Selling, general and administrative expenses                                            | 35,153                                      | 34,646      |
| Depreciation and amortization expense                                                   | 31,078                                      | 28,022      |
| Other operating income                                                                  | (201)                                       | (676)       |
|                                                                                         | 472,540                                     | 582,201     |
| Operating income                                                                        | 59,805                                      | 84,897      |
| Interest expense                                                                        | (3,470)                                     | (4,245)     |
| Interest income                                                                         | 78                                          | 318         |
| Equity in earnings of unconsolidated affiliates                                         | 29                                          | 460         |
| Other income                                                                            | 762                                         | 162         |
| Income before income taxes                                                              | 57,204                                      | 81,592      |
| Income tax expense                                                                      | (16,789)                                    | (25,346)    |
| Net income                                                                              | 40,415                                      | 56,246      |
| Less: Net income attributable to noncontrolling interest                                | 172                                         | 118         |
| Net income attributable to Oil States International, Inc.                               | \$ 40,243                                   | \$ 56,128   |
| Net income per share attributable to Oil States International, Inc. common stockholders |                                             |             |
| Basic                                                                                   | \$ 0.81                                     | \$ 1.13     |
| Diluted                                                                                 | \$ 0.78                                     | \$ 1.13     |
| Weighted average number of common shares outstanding:                                   |                                             |             |
| Basic                                                                                   | 49,896                                      | 49,517      |
| Diluted                                                                                 | 51,920                                      | 49,664      |

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

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OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands)

|                                                      | <b>MARCH 31,<br/>2010<br/>(UNAUDITED)</b> | <b>DECEMBER<br/>31,<br/>2009</b> |
|------------------------------------------------------|-------------------------------------------|----------------------------------|
| <b>ASSETS</b>                                        |                                           |                                  |
| Current assets:                                      |                                           |                                  |
| Cash and cash equivalents                            | \$ 77,326                                 | \$ 89,742                        |
| Accounts receivable, net                             | 396,841                                   | 385,816                          |
| Inventories, net                                     | 471,306                                   | 423,077                          |
| Prepaid expenses and other current assets            | 16,020                                    | 26,933                           |
| Total current assets                                 | 961,493                                   | 925,568                          |
| Property, plant, and equipment, net                  | 764,467                                   | 749,601                          |
| Goodwill, net                                        | 219,779                                   | 218,740                          |
| Investments in unconsolidated affiliates             | 5,195                                     | 5,164                            |
| Other noncurrent assets                              | 32,162                                    | 33,313                           |
| Total assets                                         | \$ 1,983,096                              | \$ 1,932,386                     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>          |                                           |                                  |
| Current liabilities:                                 |                                           |                                  |
| Accounts payable and accrued liabilities             | \$ 218,263                                | \$ 208,541                       |
| Income taxes                                         | 4,706                                     | 14,419                           |
| Current portion of long-term debt                    | 158,069                                   | 464                              |
| Deferred revenue                                     | 72,811                                    | 87,412                           |
| Other current liabilities                            | 4,557                                     | 4,387                            |
| Total current liabilities                            | 458,406                                   | 315,223                          |
| Long-term debt                                       | 14,998                                    | 164,074                          |
| Deferred income taxes                                | 54,316                                    | 55,332                           |
| Other noncurrent liabilities                         | 15,806                                    | 15,691                           |
| Total liabilities                                    | 543,526                                   | 550,320                          |
| Stockholders' equity:                                |                                           |                                  |
| Oil States International, Inc. stockholders' equity: |                                           |                                  |
| Common stock                                         | 534                                       | 531                              |
| Additional paid-in capital                           | 478,234                                   | 468,428                          |
| Retained earnings                                    | 1,000,358                                 | 960,115                          |
| Accumulated other comprehensive income               | 52,700                                    | 44,115                           |
| Treasury stock                                       | (93,289)                                  | (92,341)                         |

|                                                           |              |              |
|-----------------------------------------------------------|--------------|--------------|
| Total Oil States International, Inc. stockholders' equity | 1,438,537    | 1,380,848    |
| Noncontrolling interest                                   | 1,033        | 1,218        |
| Total stockholders' equity                                | 1,439,570    | 1,382,066    |
| Total liabilities and stockholders' equity                | \$ 1,983,096 | \$ 1,932,386 |

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

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OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In Thousands)

|                                                                                   | <b>THREE MONTHS<br/>ENDED MARCH 31,</b> |             |
|-----------------------------------------------------------------------------------|-----------------------------------------|-------------|
|                                                                                   | <b>2010</b>                             | <b>2009</b> |
| Cash flows from operating activities:                                             |                                         |             |
| Net Income                                                                        | \$ 40,415                               | \$ 56,246   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                         |             |
| Depreciation and amortization                                                     | 31,078                                  | 28,022      |
| Deferred income tax provision (benefit)                                           | (2,514)                                 | 97          |
| Excess tax benefits from share-based payment arrangements                         | (683)                                   |             |
| Equity in earnings of unconsolidated subsidiaries, net of dividends               | (29)                                    | (460)       |
| Non-cash compensation charge                                                      | 3,699                                   | 2,901       |
| Accretion of debt discount                                                        | 1,764                                   | 1,642       |
| (Gain) loss on disposal of assets                                                 | (902)                                   | 40          |
| Other, net                                                                        | (241)                                   | 703         |
| Changes in working capital                                                        | (59,303)                                | 8,590       |
| Net cash flows provided by operating activities                                   | 13,284                                  | 97,781      |
| Cash flows from investing activities:                                             |                                         |             |
| Capital expenditures                                                              | (37,175)                                | (32,670)    |
| Proceeds from note receivable                                                     |                                         | 21,166      |
| Other, net                                                                        | 1,520                                   | (2,706)     |
| Net cash flows used in investing activities                                       | (35,655)                                | (14,210)    |
| Cash flows from financing activities:                                             |                                         |             |
| Revolving credit borrowings (repayments)                                          | 6,843                                   | (72,560)    |
| Debt repayments                                                                   | (137)                                   | (111)       |
| Issuance of common stock                                                          | 5,426                                   |             |
| Excess tax benefits from share-based payment arrangements                         | 683                                     |             |
| Other, net                                                                        | (947)                                   | (275)       |
| Net cash flows provided by (used in) financing activities                         | 11,868                                  | (72,946)    |
| Effect of exchange rate changes on cash                                           | (1,874)                                 | (410)       |
| Net increase (decrease) in cash and cash equivalents from continuing operations   | (12,377)                                | 10,215      |
| Net cash used in discontinued operations operating activities                     | (39)                                    | (74)        |
| Cash and cash equivalents, beginning of period                                    | 89,742                                  | 30,199      |
| Cash and cash equivalents, end of period                                          | \$ 77,326                               | \$ 40,340   |

Non-cash financing activities:

|                                                                                       |            |    |
|---------------------------------------------------------------------------------------|------------|----|
| Reclassification of 2 3/8% contingent convertible senior notes to current liabilities | \$ 157,623 | \$ |
|---------------------------------------------------------------------------------------|------------|----|

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

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**OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**1. ORGANIZATION AND BASIS OF PRESENTATION**

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

The preparation of consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. If the underlying estimates and assumptions, upon which the financial statements are based, change in future periods, actual amounts may differ from those included in the accompanying condensed consolidated financial statements.

The financial statements included in this report should be read in conjunction with the Company's audited financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2009.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the FASB) which are adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

In October 2009, the FASB issued an accounting standards update that modified the accounting and disclosures for revenue recognition in a multiple-element arrangement. These amendments, effective for fiscal years beginning on or after June 15, 2010 (early adoption is permitted), modify the criteria for recognizing revenue in multiple-element arrangements and the scope of what constitutes a non-software deliverable. The Company has adopted this change, and it did not have a material impact on the Company's financial condition, results of operations or disclosures contained in our notes to the condensed consolidated financial statements.

In December 2009, the FASB issued an accounting standards update which amends previously issued accounting guidance for the consolidation of variable interest entities (VIEs). These amendments require a qualitative approach to identifying a controlling financial interest in a VIE, and require ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. These amendments are effective for annual reporting periods beginning after November 15, 2009. The adoption of these amendments did not have a material impact on our financial condition, results of operations or cash flows.

In January 2010, the FASB issued an accounting standards update which requires reporting entities to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. These amendments are effective for annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for annual periods beginning after December 15, 2010. The adoption of the amendments pertaining to Level 1 and Level 2 fair value measurements did not have a material impact on our financial condition, results of

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operations or cash flows. We do not expect the adoption of the amendments regarding Level 3 fair value measurements to have a material impact on our financial condition, results of operations or cash flows.

**3. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS**

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

|                                  | <b>MARCH<br/>31,<br/>2010</b> | <b>DECEMBER<br/>31,<br/>2009</b> |
|----------------------------------|-------------------------------|----------------------------------|
| <b>Accounts receivable, net:</b> |                               |                                  |
| Trade                            | \$ 310,295                    | \$ 287,148                       |
| Unbilled revenue                 | 89,092                        | 102,527                          |
| Other                            | 1,939                         | 1,087                            |
| Total accounts receivable        | 401,326                       | 390,762                          |
| Allowance for doubtful accounts  | (4,485)                       | (4,946)                          |
|                                  | <b>\$ 396,841</b>             | <b>\$ 385,816</b>                |

|                                             | <b>MARCH<br/>31,<br/>2010</b> | <b>DECEMBER<br/>31,<br/>2009</b> |
|---------------------------------------------|-------------------------------|----------------------------------|
| <b>Inventories, net:</b>                    |                               |                                  |
| Tubular goods                               | \$ 311,288                    | \$ 265,717                       |
| Other finished goods and purchased products | 69,213                        | 66,489                           |
| Work in process                             | 41,513                        | 43,729                           |
| Raw materials                               | 57,818                        | 55,421                           |
| Total inventories                           | 479,832                       | 431,356                          |
| Inventory reserves                          | (8,526)                       | (8,279)                          |
|                                             | <b>\$ 471,306</b>             | <b>\$ 423,077</b>                |

|                                            | <b>ESTIMATED<br/>USEFUL<br/>LIFE</b> | <b>MARCH<br/>31,<br/>2010</b> | <b>DECEMBER<br/>31,<br/>2009</b> |
|--------------------------------------------|--------------------------------------|-------------------------------|----------------------------------|
| <b>Property, plant and equipment, net:</b> |                                      |                               |                                  |
| Land                                       |                                      | \$ 19,610                     | \$ 19,426                        |
| Buildings and leasehold improvements       | 1-50 years                           | 169,246                       | 165,526                          |
| Machinery and equipment                    | 2-29 years                           | 303,130                       | 301,900                          |
| Accommodations assets                      | 3-15 years                           | 410,531                       | 383,332                          |
| Rental tools                               | 4-10 years                           | 152,161                       | 151,050                          |
| Office furniture and equipment             | 1-10 years                           | 29,657                        | 29,817                           |
| Vehicles                                   | 2-10 years                           | 72,831                        | 72,142                           |
| Construction in progress                   |                                      | 76,958                        | 65,652                           |
| Total property, plant and equipment        |                                      | <b>1,234,124</b>              | <b>1,188,845</b>                 |

|                                |            |            |
|--------------------------------|------------|------------|
| Less: Accumulated depreciation | (469,657)  | (439,244)  |
|                                | \$ 764,467 | \$ 749,601 |

|                                                  | <b>MARCH<br/>31,<br/>2010</b> | <b>DECEMBER<br/>31,<br/>2009</b> |
|--------------------------------------------------|-------------------------------|----------------------------------|
| <b>Accounts payable and accrued liabilities:</b> |                               |                                  |
| Trade accounts payable                           | \$ 164,057                    | \$ 145,200                       |
| Accrued compensation                             | 24,578                        | 35,834                           |
| Accrued insurance                                | 7,889                         | 8,133                            |
| Accrued taxes, other than income taxes           | 7,284                         | 4,216                            |
| Reserves related to discontinued operations      | 2,372                         | 2,411                            |
| Other                                            | 12,083                        | 12,747                           |
|                                                  | \$ 218,263                    | \$ 208,541                       |

#### 4. EARNINGS PER SHARE

The calculation of earnings per share attributable to Oil States International, Inc. is presented below (in thousands, except per share amounts):

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|                                                           | <b>THREE MONTHS ENDED<br/>MARCH 31</b> |             |
|-----------------------------------------------------------|----------------------------------------|-------------|
|                                                           | <b>2010</b>                            | <b>2009</b> |
| Basic earnings per share:                                 |                                        |             |
| Net income attributable to Oil States International, Inc. | \$40,243                               | \$56,128    |
| Weighted average number of shares outstanding             | 49,896                                 | 49,517      |
| Basic earnings per share                                  | \$ 0.81                                | \$ 1.13     |
| Diluted earnings per share:                               |                                        |             |
| Net income attributable to Oil States International, Inc. | \$40,243                               | \$56,128    |
| Weighted average number of shares outstanding             | 49,896                                 | 49,517      |
| Effect of dilutive securities:                            |                                        |             |
| Options on common stock                                   | 599                                    | 104         |
| 2 3/8% Convertible Senior Subordinated Notes              | 1,220                                  |             |
| Restricted stock awards and other                         | 205                                    | 43          |
| Total shares and dilutive securities                      | 51,920                                 | 49,664      |
| Diluted earnings per share                                | \$ 0.78                                | \$ 1.13     |

Our calculation of diluted earnings per share for the three months ended March 31, 2010 and 2009 excludes 403,468 shares and 2,224,516 shares, respectively, issuable pursuant to outstanding stock options and restricted stock awards, due to their antidilutive effect.

**5. BUSINESS ACQUISITIONS AND GOODWILL**

In June 2009, we acquired the 51% majority interest in a venture we had previously accounted for under the equity method. The business acquired supplies accommodations and other services to mining operations in Canada. Consideration paid for the business was \$2.3 million in cash and estimated contingent consideration of \$0.3 million. The operations of this acquired business have been included in the accommodations segment.

Changes in the carrying amount of goodwill for the three month period ended March 31, 2010 are as follows (in thousands):

|                                                      | <b>Rental<br/>Tools</b> | <b>Drilling<br/>and<br/>Other</b> | <b>Total<br/>Well Site<br/>Services</b> | <b>Accommodations</b> | <b>Offshore<br/>Products</b> | <b>Tubular<br/>Services</b> | <b>Total</b> |
|------------------------------------------------------|-------------------------|-----------------------------------|-----------------------------------------|-----------------------|------------------------------|-----------------------------|--------------|
| Balance as of<br>December 31, 2008                   |                         |                                   |                                         |                       |                              |                             |              |
| Goodwill                                             | \$ 166,841              | \$ 22,767                         | \$ 189,608                              | \$ 53,526             | \$ 85,074                    | \$ 62,863                   | \$ 391,071   |
| Accumulated<br>Impairment Losses                     |                         | (22,767)                          | (22,767)                                |                       |                              | (62,863)                    | (85,630)     |
| Goodwill acquired                                    | 166,841                 |                                   | 166,841                                 | 53,526                | 85,074                       |                             | 305,441      |
| Foreign currency<br>translation and<br>other changes | 2,470                   |                                   | 2,470                                   | 337                   | 525                          |                             | 337          |
|                                                      |                         |                                   |                                         | 4,495                 |                              |                             | 7,490        |

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|                                                |           |          |           |           |           |          |            |
|------------------------------------------------|-----------|----------|-----------|-----------|-----------|----------|------------|
| Goodwill impairment                            | (94,528)  |          | (94,528)  |           |           |          | (94,528)   |
|                                                | 74,783    |          | 74,783    | 58,358    | 85,599    |          | 218,740    |
| Balance as of December 31, 2009                |           |          |           |           |           |          |            |
| Goodwill                                       | 169,311   | 22,767   | 192,078   | 58,358    | 85,599    | 62,863   | 398,898    |
| Accumulated Impairment Losses                  | (94,528)  | (22,767) | (117,295) |           |           | (62,863) | (180,158)  |
|                                                | 74,783    |          | 74,783    | 58,358    | 85,599    |          | 218,740    |
| Foreign currency translation and other changes | 422       |          | 422       | 948       | (331)     |          | 1,039      |
|                                                | 75,205    |          | 75,205    | 59,306    | 85,268    | 62,863   | 399,937    |
| Balance as of March 31, 2010                   |           |          |           |           |           |          |            |
| Goodwill                                       | 169,733   | 22,767   | 192,500   | 59,306    | 85,268    | 62,863   | 399,937    |
| Accumulated Impairment Losses                  | (94,528)  | (22,767) | (117,295) |           |           | (62,863) | (180,158)  |
|                                                | \$ 75,205 | \$       | \$ 75,205 | \$ 59,306 | \$ 85,268 | \$       | \$ 219,779 |

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As of March 31, 2010 and December 31, 2009, long-term debt consisted of the following (in thousands):

|                                                                                                                                                                                                                | <b>March 31,<br/>2010<br/>(Unaudited)</b> | <b>December<br/>31,<br/>2009</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|
| U.S. revolving credit facility which matures on December 5, 2011, with available commitments up to \$325 million and with an average interest rate of 3.3% for the three month period ended March 31, 2010     | \$                                        | \$                               |
| Canadian revolving credit facility which matures on December 5, 2011, with available commitments up to \$175 million and with an average interest rate of 2.3% for the three month period ended March 31, 2010 | 6,893                                     |                                  |
| 2 3/8% contingent convertible senior subordinated notes, net due 2025                                                                                                                                          | 157,623                                   | 155,859                          |
| Capital lease obligations and other debt                                                                                                                                                                       | 8,551                                     | 8,679                            |
| <b>Total debt</b>                                                                                                                                                                                              | <b>173,067</b>                            | <b>164,538</b>                   |
| Less: current maturities                                                                                                                                                                                       | 158,069                                   | 464                              |
| <b>Total long-term debt</b>                                                                                                                                                                                    | <b>\$ 14,998</b>                          | <b>\$ 164,074</b>                |

As of March 31, 2010, we have classified the \$175.0 million principal amount of our 2 3/8% Contingent Convertible Senior Subordinated Notes (2 3/8% Notes), net of unamortized discount, as a current liability because certain contingent conversion thresholds based on the Company's stock price were met at that date and, as a result, note holders could present their notes for conversion during the quarter following the March 31, 2010 measurement date. If a note holder chooses to present their notes for conversion during a future quarter prior to the first put/call date in July 2012, they would receive cash up to \$1,000 for each 2 3/8% Note plus Company common stock for any excess valuation over \$1,000 using the conversion rate of the 2 3/8% Notes of 31.496 multiplied by the Company's average common stock price over a ten trading day period following presentation of the 2 3/8% Notes for conversion. The future convertibility and resultant balance sheet classification of this liability will be monitored at each quarterly reporting date and will be analyzed dependent upon market prices of the Company's common stock during the prescribed measurement periods.

The following table presents the carrying amount of our 2 3/8% Notes in our condensed consolidated balance sheets (in thousands):

|                                                                       | <b>March 31,<br/>2010</b> | <b>December 31,<br/>2009</b> |
|-----------------------------------------------------------------------|---------------------------|------------------------------|
| Carrying amount of the equity component in additional paid-in capital | \$ 28,449                 | \$ 28,449                    |
| Principal amount of the liability component                           | \$ 175,000                | \$ 175,000                   |
| Less: unamortized discount                                            | 17,377                    | 19,141                       |
| <b>Net carrying amount of the liability component</b>                 | <b>\$ 157,623</b>         | <b>\$ 155,859</b>            |

The effective interest rate is 7.17% for our 2 3/8% Notes. Interest expense on the notes, excluding amortization of debt issue costs, was as follows (in thousands):

**Three months ended March  
31,**

|                                                                               | <b>2010</b> | <b>2009</b>           |
|-------------------------------------------------------------------------------|-------------|-----------------------|
| Interest expense                                                              | \$ 2,803    | \$ 2,681              |
|                                                                               |             | <b>March 31, 2010</b> |
| Remaining period over which discount will be amortized                        |             | 2.3 years             |
| Conversion price                                                              |             | \$ 31.75              |
| Number of shares to be delivered upon conversion (1)                          |             | 1,652,073             |
| Conversion value in excess of principal amount (in thousands) (1)             |             | \$ 74,905             |
| Derivative transactions entered into in connection with the convertible notes |             | None                  |

(1) Calculation is based on the Company's March 31, 2010 closing stock price of \$45.34.

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The Company's financial instruments consist of cash and cash equivalents, investments, receivables, payables, and debt instruments. The Company believes that the carrying values of these instruments, other than our fixed rate contingent convertible senior subordinated notes and our debt under our revolving credit facility, on the accompanying consolidated balance sheets approximate their fair values.

The fair value of our 2 3/8% Notes is estimated based on a quoted price in an active market (a Level 1 fair value measurement). The carrying and fair values of these notes are as follows (in thousands):

|                            |                      | <b>March 31, 2010</b> |                   | <b>December 31, 2009</b> |                   |
|----------------------------|----------------------|-----------------------|-------------------|--------------------------|-------------------|
|                            | <b>Interest Rate</b> | <b>Carrying Value</b> | <b>Fair Value</b> | <b>Carrying Value</b>    | <b>Fair Value</b> |
| Principal amount due 2025  | 2 3/8%               | \$ 175,000            | \$ 264,581        | \$ 175,000               | \$ 243,653        |
| Less: unamortized discount |                      | 17,377                |                   | 19,141                   |                   |
| Net value                  |                      | \$ 157,623            | \$ 264,581        | \$ 155,859               | \$ 243,653        |

As of March 31, 2010, the estimated fair value of the Company's debt outstanding under its revolving credit facility is estimated to be lower than the carrying value since the terms of this facility are more favorable than those that might be expected to be available in the current credit and lending environment. We are unable to estimate the fair value of the Company's bank debt due to the potential variability of expected outstanding balances under the facility.

As March 31, 2010, the Company had approximately \$77.3 million of cash and cash equivalents and \$472.2 million of the Company's \$500 million U.S. and Canadian revolving credit facility available for future financing needs.

**7. COMPREHENSIVE INCOME AND CHANGES IN COMMON STOCK OUTSTANDING:**

Comprehensive income for the three months ended March 31, 2010 and 2009 was as follows (dollars in thousands):

|                                                                     | <b>THREE MONTHS<br/>ENDED MARCH 31,</b> |             |
|---------------------------------------------------------------------|-----------------------------------------|-------------|
|                                                                     | <b>2010</b>                             | <b>2009</b> |
| Net income                                                          | \$ 40,415                               | \$ 56,246   |
| Other comprehensive income (loss):                                  |                                         |             |
| Foreign currency translation adjustment                             | 8,585                                   | (11,821)    |
| Total other comprehensive income (loss)                             | 8,585                                   | (11,821)    |
| Comprehensive income                                                | 49,000                                  | 44,425      |
| Comprehensive income attributable to noncontrolling interest        | (172)                                   | (118)       |
| Comprehensive income attributable to Oil States International, Inc. | \$ 48,828                               | \$ 44,307   |

|                                                                                             |            |
|---------------------------------------------------------------------------------------------|------------|
| Shares of common stock outstanding January 1, 2010                                          | 49,814,964 |
| Shares issued upon exercise of stock options and vesting of stock awards                    | 305,572    |
| Shares withheld for taxes on vesting of restricted stock awards and transferred to treasury | (25,449)   |

Shares of common stock outstanding March 31, 2010

50,095,087

## 8. STOCK BASED COMPENSATION

During the first three months of 2010, we granted restricted stock awards totaling 201,421 shares valued at a total of \$7.6 million. Of the total restricted stock awards granted in the first quarter, 201,200 of these awards vest in four equal annual installments. A total of 417,250 stock options were awarded in the three months ended March 31, 2010 with an average exercise price of \$37.67 and a six-year term that will vest in annual 25% increments over the next four years.

Stock based compensation pre-tax expense recognized in the three month periods ended March 31, 2010 and 2009 totaled \$3.7 million and \$2.9 million, or \$0.05 and \$0.04 per diluted share after tax, respectively. The total fair value of restricted stock awards that vested during the three months ended March 31, 2010 and 2009 was \$4.0

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million and \$1.5 million, respectively. At March 31, 2010, \$25.5 million of compensation cost related to unvested stock options and restricted stock awards attributable to future performance had not yet been recognized.

**9. INCOME TAXES**

Income tax expense for interim periods is based on estimates of the effective tax rate for the entire fiscal year. The Company's income tax provision for the three months ended March 31, 2010 totaled \$16.8 million, or 29.3% of pretax income, compared to \$25.3 million, or 31.1% of pretax income, for the three months ended March 31, 2009. The decrease in the effective tax rate from the prior year was largely the result of proportionately higher foreign sourced income in 2010 compared to 2009 which is taxed at lower statutory rates.

**10. SEGMENT AND RELATED INFORMATION**

In accordance with current accounting standards regarding disclosures about segments of an enterprise and related information, the Company has identified the following reportable segments: well site services, accommodations, offshore products and tubular services. The Company's reportable segments represent strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were initially acquired as a unit, and the management at the time of the acquisition was retained. Subsequent acquisitions have been direct extensions to our business segments. Historically, the Company's accommodations business has been aggregated, along with our rental tool and land drilling services business lines, into our well site services segment. However, in the time since our original identification and aggregation of our reportable segments, our accommodations business has grown at a significant rate primarily due to our increased activity supporting oil sands developments and decreased activity in support of conventional well drilling in northern Alberta, Canada. Unlike our land drilling and rental tools activities, which are significantly influenced by the current prices of oil and natural gas, demand for oil sands accommodations is influenced to a greater extent by the longer-term outlook for energy prices, particularly crude oil prices, given the multi-year time frame to complete oil sands projects and the significant costs associated with development of such large scale projects. Based on these factors, we began presenting accommodations as a separate reportable segment effective with this filing of our quarterly report. Our well site services segment now consists of our rental tool and land drilling services business lines. Prior period segment-related information has been restated in accordance with this change. Results of a portion of our accommodations segment supporting traditional oil and natural gas drilling activities are somewhat seasonal with increased activity occurring in the winter drilling season.

Financial information by business segment for each of the three months ended March 31, 2010 and 2009 is summarized in the following table (in thousands):

|                                          | Revenues<br>from<br>unaffiliated<br>customers | Depreciation<br>and<br>amortization | Operating<br>income<br>(loss) | Equity<br>in<br>earnings<br>of<br>consolidated<br>affiliates | Capital<br>expenditures | Total<br>assets |
|------------------------------------------|-----------------------------------------------|-------------------------------------|-------------------------------|--------------------------------------------------------------|-------------------------|-----------------|
| <b>Three months ended March 31, 2010</b> |                                               |                                     |                               |                                                              |                         |                 |
| Well Site Services                       |                                               |                                     |                               |                                                              |                         |                 |
| Rental tools                             | \$ 67,502                                     | \$ 10,510                           | \$ 4,378                      | \$                                                           | \$ 6,580                | \$ 345,366      |
| Drilling and other                       | 30,401                                        | 6,663                               | (1,982)                       |                                                              | 991                     | 113,787         |
| Total Well Site Services                 | 97,903                                        | 17,173                              | 2,396                         |                                                              | 7,571                   | 459,153         |
| Accommodations                           | 145,534                                       | 10,576                              | 47,368                        |                                                              | 25,413                  | 614,861         |
| Offshore Products                        | 102,993                                       | 2,805                               | 12,620                        |                                                              | 4,038                   | 493,756         |
| Tubular Services                         | 185,915                                       | 344                                 | 6,215                         | 29                                                           | 91                      | 396,520         |
| Corporate and Eliminations               |                                               | 180                                 | (8,794)                       |                                                              | 62                      | 18,806          |

|       |            |           |           |       |           |              |
|-------|------------|-----------|-----------|-------|-----------|--------------|
| Total | \$ 532,345 | \$ 31,078 | \$ 59,805 | \$ 29 | \$ 37,175 | \$ 1,983,096 |
|-------|------------|-----------|-----------|-------|-----------|--------------|

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|                                          | Revenues<br>from<br>unaffiliated<br>customers | Depreciation<br>and<br>amortization | Operating<br>income<br>(loss) | Equity<br>in<br>earnings<br>of<br>unconsolidated<br>affiliates | Capital<br>expenditures | Total<br>assets |
|------------------------------------------|-----------------------------------------------|-------------------------------------|-------------------------------|----------------------------------------------------------------|-------------------------|-----------------|
| <b>Three months ended March 31, 2009</b> |                                               |                                     |                               |                                                                |                         |                 |
| Well Site Services                       |                                               |                                     |                               |                                                                |                         |                 |
| Rental tools                             | \$ 71,726                                     | \$ 9,956                            | \$ 3,644                      | \$                                                             | \$ 11,794               | \$ 455,535      |
| Drilling and other                       | 17,284                                        | 6,433                               | (3,494)                       |                                                                | 5,212                   | 129,302         |
| Total Well Site Services                 | 89,010                                        | 16,389                              | 150                           |                                                                | 17,006                  | 584,837         |
| Accommodations                           | 141,831                                       | 8,441                               | 48,244                        | 135                                                            | 12,235                  | 496,805         |
| Offshore Products                        | 127,998                                       | 2,694                               | 21,185                        |                                                                | 3,068                   | 494,592         |
| Tubular Services                         | 308,259                                       | 376                                 | 22,911                        | 325                                                            | 95                      | 494,713         |
| Corporate and Eliminations               |                                               | 122                                 | (7,593)                       |                                                                | 266                     | 15,339          |
| Total                                    | \$ 667,098                                    | \$ 28,022                           | \$ 84,897                     | \$ 460                                                         | \$ 32,670               | \$ 2,086,286    |

**11. COMMITMENTS AND CONTINGENCIES**

The Company is a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its commercial operations, products, employees and other matters, including warranty and product liability claims and occasional claims by individuals alleging exposure to hazardous materials as a result of its products or operations. Some of these claims relate to matters occurring prior to its acquisition of businesses, and some relate to businesses it has sold. In certain cases, the Company is entitled to indemnification from the sellers of businesses, and in other cases, it has indemnified the buyers of businesses from it. Although the Company can give no assurance about the outcome of pending legal and administrative proceedings and the effect such outcomes may have on it, management believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on its consolidated financial position, results of operations or liquidity.

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*This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Some of the information in the quarterly report may contain forward-looking statements. The forward-looking statements can be identified by the use of forward-looking terminology including may, expect, anticipate, estimate, continue, believe, or other similar words. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of important factors. For a discussion of important factors that could affect our results, please refer to Item Part I, Item 1.A. Risk Factors and the financial statement line item discussions set forth in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission on February 22, 2010. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Our management believes these forward-looking statements are reasonable. However, you should not place undue reliance on these forward-looking statements, which are based only on our current expectations and are not guarantees of future performance. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise any of them in light of new information, future events or otherwise.*

*In addition, in certain places in this quarterly report, we refer to reports published by third parties that purport to describe trends or developments in the energy industry. The Company does so for the convenience of our stockholders and in an effort to provide information available in the market that will assist the Company's investors in a better understanding of the market environment in which the Company operates. However, the Company specifically disclaims any responsibility for the accuracy and completeness of such information and undertakes no obligation to update such information.*

### **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

You should read the following discussion and analysis together with our condensed consolidated financial statements and the notes to those statements included elsewhere in this quarterly report on Form 10-Q.

#### **Overview**

We provide a broad range of products and services to the oil and gas industry through our accommodations, 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 for and development of oil and natural gas reserves. Our customers spending plans are generally based on their outlook for near-term and long-term commodity prices. As a result, demand for our products and services is highly sensitive to current and expected oil and natural gas prices. The activity for our accommodations and offshore products segments is primarily tied to the long-term outlook for crude oil and, to a lesser extent, natural gas prices. In contrast, activity for our tubular services and well site services segments responds more rapidly to shorter-term movements in oil and natural gas prices and, specifically, changes in North American drilling and completion activity. Other factors that can affect our business and financial results include the general global economic environment and regulatory changes in the United States and internationally.

#### **Our Business Segments**

Our accommodations and offshore products segments are primarily driven by long-term oil exploration and production economics. Our accommodations business is predominantly located in Canada and derives most of its business from energy companies who are developing oil sands resources and, to a lesser extent, other resource based activities. A significant portion of our accommodations revenues is generated by our oil sands lodges. Where traditional accommodations and infrastructure are not accessible or cost effective, these semi-permanent facilities provide comprehensive accommodations services similar to those found in an urban hotel. We provide accommodations, catering and food services, meeting rooms, satellite television and internet service as well as fitness and recreational facilities to our customers. We typically contract our facilities to our customers on a daily-fee per day based on the duration of their needs which can range from several months to several years. In



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addition, we provide shorter-term remote site accommodations in smaller configurations utilizing our modular, mobile camp assets.

Since March 31, 2009, several oil sands investments have been announced. In May 2009, Imperial Oil announced the sanctioning of Phase I of its Kearn oil sands project. In November 2009, Suncor announced its 2010 capital expenditure plan which included spending on Phase 3 and 4 of its Firebag project. Both of these announcements have led to either extensions of existing accommodations contracts or incremental accommodations contracts for us. In addition, several major oil companies and national oil companies have acquired oil sands leases over the past twelve months which should bode well for future oil sands investment and, as a result, demand for our oil sands accommodations.

Another factor that can influence the financial results for our accommodations segment is the exchange rate between U.S. dollars and Canadian dollars. Our accommodations segment derived a majority of its revenues and operating income in Canada denominated in Canadian dollars; these revenues and profits are then translated into U.S. dollars for U.S. GAAP financial reporting purposes. For the first three months of 2010, the Canadian dollar was valued at an average exchange rate of U.S. \$0.96 compared to U.S. \$0.81 for the first three months of 2009, an increase of 19%. This strengthening of the Canadian dollar had a significant positive impact on the translation into U.S. dollars of earnings generated from our Canadian subsidiaries and, therefore, the financial results of our accommodations segment.

Our offshore products segment provides highly engineered and technically designed products for offshore oil and natural gas development and production systems and facilities. Sales of our offshore products and services depend upon the development of offshore production systems and subsea pipelines, repairs and upgrades of existing offshore drilling rigs and construction of new offshore drilling rigs and vessels. In this segment, we are particularly influenced by global deepwater production activities. Based on deepwater discoveries and customer inquiries, we believe future investment will continue in deepwater production infrastructure throughout the world, particularly in Brazil, West Africa, Southeast Asia and in the U.S. Gulf of Mexico.

With the global economic recession and reduction in oil prices in late 2008 and into early 2009, many major and national oil companies deferred the sanctioning of incremental deepwater investments. As a result, throughout 2009 we experienced decreases in our offshore products segment backlog which declined from \$317.8 million as of March 31, 2009 to \$206.3 million as of December 31, 2009. This decrease in backlog has led to decreased revenues and margins for our offshore products segment in the first quarter of 2010 compared to prior quarters in 2009. With the recovery in oil prices and the improved outlook for long-term oil demand, we have experienced increased bidding and quoting activity for our offshore products, and our backlog has increased 7% from year end to \$220.6 million as of March 31, 2010.

Generally, our customers for both oil sands accommodations and offshore products are making multi-billion dollar investments to develop oil sands or deepwater prospects, which have estimated reserve lives of ten to thirty years. Crude oil prices have recovered to levels of approximately \$80 to \$85 per barrel compared to approximately \$30 to \$35 per barrel experienced during the quarter ended March 31, 2009. Although significantly improved, crude oil prices remain far below the all time high of \$147 per barrel reached in July 2008. However, with the recovery in demand for oil in several key growing markets, specifically China and India, longer-term forecasts for oil demand, and therefore oil prices, have improved. As a result, our customers have begun to announce additional investments in both the oil sands region and in deepwater prospects.

Our well site services and tubular services segments are significantly influenced by drilling and completion activity primarily in the United States and, to a lesser extent, Canada. Over the past several years, this activity has been primarily driven by spending for natural gas exploration and production, particularly in the shale play regions in the U.S. However, with the rise in oil prices and the stagnation of natural gas prices, activity in North America is beginning to shift to higher contributions from oil related drilling.

In our well site services segment, we provide rental tools and land drilling services. Demand for our drilling services is driven by land drilling activity in West Texas, where we primarily drill oil wells, and in the Rocky Mountains area in the U.S., where we primarily drill natural gas wells. Our rental tools business provides equipment and service personnel utilized in the completion and initial production of new and recompleted wells. Activity for



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the rental tools business is dependant primarily upon the level of drilling, completion and workover activity throughout North America.

Through our tubular services segment, we distribute a broad range of casing and tubing used in the drilling and completion of oil and natural gas wells primarily in North America. Accordingly, sales and gross margins in our tubular services segment depend upon the overall level of drilling activity, the types of wells being drilled, movements in global steel and steel input prices and the overall industry level of oil country tubular goods (OCTG) inventory and pricing. Historically, tubular services gross margin generally expands during periods of rising OCTG prices and contracts during periods of decreasing OCTG prices.

Demand for our tubular services, land drilling and rental tool businesses is highly correlated to changes in the drilling rig count in the United States and, to a much lesser extent, Canada. The table below sets forth a summary of North American rig activity, as measured by Baker Hughes Incorporated, for the periods indicated.

|                     | <b>Average Drilling Rig Count for<br/>Three Months Ended</b> |                                  |                               |
|---------------------|--------------------------------------------------------------|----------------------------------|-------------------------------|
|                     | <b>March<br/>31,<br/>2010</b>                                | <b>December<br/>31,<br/>2009</b> | <b>March<br/>31,<br/>2009</b> |
| U.S. Land           | 1,299                                                        | 1,072                            | 1,269                         |
| U.S. Offshore       | 46                                                           | 36                               | 57                            |
| Total U.S.          | 1,345                                                        | 1,108                            | 1,326                         |
| Canada              | 470                                                          | 278                              | 329                           |
| Total North America | 1,815                                                        | 1,386                            | 1,655                         |

The average North American rig count for the three months ended March 31, 2010 increased by 160 rigs, or 9.7%, compared to the three months ended March 31, 2009 largely due to rig count growth in Canada. As of April 23, 2010, the North American rig count has decreased compared to the first quarter 2010 average to 1,592 rigs primarily due to seasonal declines in the Canadian rig count, partially offset by an increase in U.S. rigs.

We support the development of several natural gas shale discoveries through our rental tool and tubular businesses. There is continuing exploration and development activity focused on these shale areas leading us and many of our competitors to relocate equipment to and also concentrate on these areas. This has led to increased competition and significantly lower pricing. Domestic U.S. natural gas prices have decreased from a peak of approximately \$13.00 per Mcf in July 2008 to recent levels of approximately \$4.00 to \$4.25 per Mcf. Many analysts are expecting continued weakness in natural gas prices unless reduced drilling activity, forced production shut-ins, and/or depletion rates reverse natural gas supply excesses or demand for the commodity increases, which may occur if the economy were to strongly recover. There is also the risk that, as a result of the success of exploration and development activities in the shale areas coupled with the availability of increasing amounts of liquefied natural gas (LNG), the supply of natural gas will offset or mitigate the impact of natural gas shut-ins or demand increases resulting from improved economic conditions. Neither the rig count nor commodity prices, especially for natural gas, are currently expected to recover to levels reached during peak activity levels in 2008 in the immediate future.

The improvement in crude oil prices from their lows in early 2009 has driven additional oil drilling in the United States. The oil rig count now exceeds peak levels reached during 2008. However, pricing realized for our drilling operations has not yet recovered to 2008 levels. It is unknown whether crude oil prices will stabilize at levels that will continue to support significant levels of exploration and production.

Steel and steel input prices influence the pricing decisions of our OCTG suppliers, thereby influencing the pricing and margins of our tubular services segment. Steel prices on a global basis declined precipitously during the recession in 2009 and industry inventories increased materially as the rig count declined and imports remained at high levels. Developments in the OCTG marketplace had a material detrimental impact on OCTG pricing and, accordingly, on

revenues and margins realized during the last half of 2009 in our tubular services segment. These negative trends moderated to some extent in the first quarter of 2010 with price increases announced by most of the major U.S. mills. In addition, the OCTG Situation Report indicates that industry OCTG inventory levels peaked in the first quarter of 2009 at approximately twenty months supply on the ground and have trended down to

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approximately eight months supply currently. The U.S. mills reduced output during 2009, drilling activity has increased, and imports of OCTG have declined, particularly Chinese imports given trade suits and the imposition of tariffs.

**Other Factors that Influence our Business**

While global demand for oil and natural gas are significant factors influencing our business generally, certain other factors such as the recent global economic recession and credit crisis as well as changes in the regulatory environment can also influence our business.

Throughout the first half of 2009, we saw unprecedented declines in the global economic outlook that were initially fueled by the housing and credit crises. These market conditions led to reduced growth and in some instances, decreased overall output. Beginning in late 2009 and into the first quarter of 2010, market factors have suggested that economic improvement is underway; however, the pace of improvement has been slow, and we have not seen economic activity, generally, and exploration and development activities, specifically, return to peak 2008 levels. In addition, unemployment in the United States remains at relatively high levels. Energy prices have increased off the low levels witnessed in the first half of 2009, but certain of our businesses have been and we expect will continue to be negatively impacted by excess equipment and service capacity given reduced activity levels relative to the 2008 peak. Our customers have experienced decreased cash flows caused by comparatively lower energy prices during 2009, especially for natural gas. As a result, funds available for exploration and development have been reduced when compared to 2008.

We continue to monitor the fallout of the financial crisis on the global economy, the demand for crude oil and natural gas, and the resulting impact on the capital spending budgets of exploration and production companies in order to plan our business. We currently expect that our 2010 capital expenditures will total approximately \$233 million compared to 2009 capital expenditures of \$124 million. Our 2010 capital expenditures include funding to complete projects in progress at December 31, 2009, including (i) expansion of our Wapasu Creek accommodations facility in the Canadian oil sands, (ii) the purchase of an accommodations facility in the Horn River Basin area of northeast British Columbia, (iii) expansion at tubular services through the addition of a facility in Pennsylvania to service the Marcellus shale area, (iv) international expansion at offshore products and (v) ongoing maintenance capital requirements. In our well site services segment, we continue to monitor industry capacity additions and will make future capital expenditure decisions based on a careful evaluation of both the market outlook and industry fundamentals. In our tubular services segment, we remain focused on industry inventory levels, future drilling and completion activity and OCTG prices. In response to industry conditions and our corresponding decreased revenues, we have implemented a variety of cost saving measures throughout our businesses, including headcount reductions and a decrease in overhead costs.

There are several potential energy policy changes in Washington D.C. that will likely change how energy in the United States is produced and consumed. Some of the major proposed policy changes (which will not likely take effect or have a material impact in the near-term) focus on creating energy standards and efficiencies, providing financing for clean energy generation, opening certain offshore U.S. waters for oil and natural gas exploration and development and emphasizing greater renewable energy usage. Other proposed policy changes focus on eliminating some of the tax incentives related to drilling activities currently available to exploration and production companies, which would likely increase the cost of drilling and, in turn, could negatively affect the development plans of exploration and production companies and/or increase the cost of energy to consumers. The Company's management will not be in a position to assess the full impact that the proposed policy changes will have on the energy industry until the policies are adopted.

**Table of Contents****Consolidated Results of Operations (in millions)**

|                                                                         | <b>THREE MONTHS ENDED<br/>MARCH 31,</b> |             |                                   |          |
|-------------------------------------------------------------------------|-----------------------------------------|-------------|-----------------------------------|----------|
|                                                                         | <b>2010</b>                             | <b>2009</b> | <b>Variance<br/>2010 vs. 2009</b> |          |
|                                                                         |                                         |             | <b>\$</b>                         | <b>%</b> |
| Revenues                                                                |                                         |             |                                   |          |
| Well Site Services -                                                    |                                         |             |                                   |          |
| Rental Tools                                                            | \$ 67.5                                 | \$ 71.7     | \$ (4.2)                          | (6%)     |
| Drilling and Other                                                      | 30.4                                    | 17.3        | 13.1                              | 76%      |
| Total Well Site Services                                                | 97.9                                    | 89.0        | 8.9                               | 10%      |
| Accommodations                                                          | 145.5                                   | 141.8       | 3.7                               | 3%       |
| Offshore Products                                                       | 103.0                                   | 128.0       | (25.0)                            | (20%)    |
| Tubular Services                                                        | 185.9                                   | 308.3       | (122.4)                           | (40%)    |
| Total                                                                   | \$ 532.3                                | \$ 667.1    | \$ (134.8)                        | (20%)    |
| Product costs; Service and other costs<br>( Cost of sales and service ) |                                         |             |                                   |          |
| Well Site Services -                                                    |                                         |             |                                   |          |
| Rental Tools                                                            | \$ 45.4                                 | \$ 49.8     | \$ (4.4)                          | (9%)     |
| Drilling and Other                                                      | 25.0                                    | 13.6        | 11.4                              | 84%      |
| Total Well Site Services                                                | 70.4                                    | 63.4        | 7.0                               | 11%      |
| Accommodations                                                          | 81.8                                    | 79.9        | 1.9                               | 2%       |
| Offshore Products                                                       | 78.2                                    | 95.4        | (17.2)                            | (18%)    |
| Tubular Services                                                        | 176.1                                   | 281.5       | (105.4)                           | (37%)    |
| Total                                                                   | \$ 406.5                                | \$ 520.2    | \$ (113.7)                        | (22%)    |
| Gross margin                                                            |                                         |             |                                   |          |
| Well Site Services -                                                    |                                         |             |                                   |          |
| Rental Tools                                                            | \$ 22.1                                 | \$ 21.9     | \$ 0.2                            | 1%       |
| Drilling and Other                                                      | 5.4                                     | 3.7         | 1.7                               | 46%      |
| Total Well Site Services                                                | 27.5                                    | 25.6        | 1.9                               | 7%       |
| Accommodations                                                          | 63.7                                    | 61.9        | 1.8                               | 3%       |
| Offshore Products                                                       | 24.8                                    | 32.6        | (7.8)                             | (24%)    |
| Tubular Services                                                        | 9.8                                     | 26.8        | (17.0)                            | (63%)    |
| Total                                                                   | \$ 125.8                                | \$ 146.9    | \$ (21.1)                         | (14%)    |
| Gross margin as a percentage of revenues                                |                                         |             |                                   |          |
| Well Site Services -                                                    |                                         |             |                                   |          |
| Rental Tools                                                            | 33%                                     | 31%         |                                   |          |
| Drilling and Other                                                      | 18%                                     | 21%         |                                   |          |
| Total Well Site Services                                                | 28%                                     | 29%         |                                   |          |

|                   |     |     |
|-------------------|-----|-----|
| Accommodations    | 44% | 44% |
| Offshore Products | 24% | 25% |
| Tubular Services  | 5%  | 9%  |
| Total             | 24% | 22% |

**THREE MONTHS ENDED MARCH 31, 2010 COMPARED TO THREE MONTHS ENDED MARCH 31, 2009**

We reported net income attributable to Oil States International, Inc. for the quarter ended March 31, 2010 of \$40.2 million, or \$0.78 per diluted share. These results compare to net income of \$56.1 million, or \$1.13 per diluted share, reported for the quarter ended March 31, 2009.

**Revenues.** Consolidated revenues decreased \$134.8 million, or 20%, in the first quarter of 2010 compared to the first quarter of 2009.

Our well site services revenues increased \$8.9 million, or 10%, in the first quarter of 2010 compared to the first quarter of 2009. This increase was primarily due to significantly increased rig utilization in our drilling services operations partially offset by decreased rental tool revenues. Our rental tool revenues decreased \$4.2 million, or 6%, primarily due to lower rental tool utilization and a decrease in equipment fabrication revenues partially offset by an increase in pricing. Our drilling services revenues increased \$13.1 million, or 76%, in the first quarter of 2010 compared to the first quarter of 2009 primarily as a result of increased utilization of our rigs partially offset by lower dayrates when compared to the first quarter of 2009.

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Our accommodations segment reported revenues in the first quarter of 2010 that were \$3.7 million, or 3%, above the first quarter of 2009. The increase in accommodations revenue resulted from the strengthening of the Canadian dollar versus the U.S. dollar and \$20 million in revenue from the contract in support of the 2010 Winter Olympics partially offset by a \$37 million decrease in third-party accommodations manufacturing revenues.

Our offshore products revenues decreased \$25.0 million, or 20%, in the first quarter of 2010 compared to the first quarter of 2009. This decrease was primarily due to a decrease in rig and vessel equipment revenues and subsea pipeline revenues driven by delays or decreased levels of spending on deepwater development projects and capital upgrades.

Tubular services revenues decreased \$122.4 million, or 40%, in the first quarter of 2010 compared to the first quarter of 2009 as a result of a 37% decrease in realized revenues per ton shipped in the first quarter of 2010. In addition, tons shipped declined from 104,900 in the first quarter of 2009 to 101,200 in the first quarter of 2010, a decrease of 3,700 tons, or 3.5%.

**Cost of Sales and Service.** Our consolidated cost of sales decreased \$113.7 million, or 22%, in the first quarter of 2010 compared to the first quarter of 2009 primarily as a result of decreased cost of sales at our tubular services segment of \$105.4 million, or 37%. Our consolidated gross margin as a percentage of revenues increased from 22% in the first quarter of 2009 to 24% in the first quarter of 2010 primarily due to a decreased proportion of relatively lower-margin tubular services revenues.

Our well site services segment gross margin as a percentage of revenues decreased slightly from 29% in the first quarter of 2009 to 28% in the first quarter of 2010. Our rental tool gross margin as a percentage of revenues increased from 31% in the first quarter of 2009 to 33% in the first quarter of 2010 primarily due to improved project execution in the well testing business within rental tools. Our drilling services cost of sales increased \$11.4 million, or 84%, in the first quarter of 2010 compared to the first quarter of 2009 as a result of increased rig utilization. The positive impact on our margins caused by the increase in drilling activity levels was more than offset by lower dayrates resulting in our drilling services gross margin as a percentage of revenues decreasing from 21% in the first quarter of 2009 to 18% in the first quarter of 2010.

Our accommodations segment gross margin as a percentage of revenues was 44% in both of the first quarters of 2009 and 2010.

Our offshore products segment gross margin as a percentage of revenues was essentially constant (25% in the first quarter of 2009 compared to 24% in the first quarter of 2010).

Tubular services segment cost of sales decreased by \$105.4 million, or 37%, primarily as a result of lower priced OCTG inventory being sold and a decrease in tons shipped. Our tubular services gross margin as a percentage of revenues decreased from 9% in the first quarter of 2009 to 5% in the first quarter of 2010 due to customer commitments made in the second half of 2009 at lower prices than those realized in the first quarter of 2009.

**Selling, General and Administrative Expenses.** SG&A expense increased \$0.5 million, or 1%, in the first quarter of 2010 compared to the first quarter of 2009 due primarily to an increase in stock-based compensation expense and salaries partially offset by lower ad valorem taxes and bad debt expense.

**Depreciation and Amortization.** Depreciation and amortization expense increased \$3.1 million, or 11%, in the first quarter of 2010 compared to the same period in 2009 due primarily to capital expenditures made during the previous twelve months largely related to our Canadian accommodations business.

**Operating Income.** Consolidated operating income decreased \$25.1 million, or 30%, in the first quarter of 2010 compared to the first quarter of 2009 primarily as a result of a decrease in operating income from our tubular services segment of \$16.7 million, or 73%, largely due to lower prices per ton sold and a decrease in operating income from our offshore products segment of \$8.6 million, or 40%, primarily due to lower manufacturing activity and shipments in addition to lower cost absorption at these activity levels.

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**Interest Expense and Interest Income.** Net interest expense decreased by \$0.5 million, or 14%, in the first quarter of 2010 compared to the first quarter of 2009 due to reduced debt levels. The weighted average interest rate on the Company's revolving credit facility was 2.3% in the first quarter of 2010 compared to 1.5% in the first quarter of 2009. Interest income decreased as a result of the repayment during the first quarter of 2009 of a note receivable from Boots & Coots.

**Equity in Earnings of Unconsolidated Affiliates.** Our equity in earnings of unconsolidated affiliates was \$0.4 million, or 94%, lower in the first quarter of 2010 than in the first quarter of 2009 primarily due to our acquisition, in June 2009, of the 51% majority interest in a Canadian accommodations venture we had previously accounted for under the equity method.

**Income Tax Expense.** Our income tax provision for the three months ended March 31, 2010 totaled \$16.8 million, or 29.3% of pretax income, compared to income tax expense of \$25.3 million, or 31.1% of pretax income, for the three months ended March 31, 2009. The decrease in the effective tax rate from the prior year was largely the result of proportionately higher foreign sourced income in 2010 compared to 2009 which is taxed at lower statutory rates.

### ***Liquidity and Capital Resources***

The unprecedented disruption in the credit markets has had a significant adverse impact on a number of financial institutions. To date, the Company's liquidity has not been materially impacted by the current credit environment. The Company is not currently a party to any interest rate swaps, currency hedges or derivative contracts of any type and has no exposure to commercial paper or auction rate securities markets. Management will continue to closely monitor the Company's liquidity and the overall health of the credit markets.

Our primary liquidity needs are to fund capital expenditures, which have in the past included expanding our accommodations facilities, expanding and upgrading our offshore products manufacturing facilities and equipment, adding drilling rigs and increasing and replacing rental tool assets, funding new product development and general working capital needs. In addition, capital has been used to fund strategic business acquisitions. Our primary sources of funds have been cash flow from operations, proceeds from borrowings under our bank facilities and proceeds from our \$175 million convertible note offering in 2005.

Cash totaling \$13.3 million was provided by operations during the first three months of 2010 compared to cash totaling \$97.8 million provided by operations during the first three months of 2009. During the first three months of 2010, \$59.3 million was used to fund working capital, primarily due to increased OCTG inventory levels in our tubular services segment to meet increasing demand for casing and tubing and seasonal increases in receivables in our Canadian accommodations business. During the first three months of 2009, \$8.6 million was provided by working capital, primarily due to the collection of receivables and decreased inventory levels in our tubular services segment.

Cash was used in investing activities during the three months ended March 31, 2010 and 2009 in the amount of \$35.7 million and \$14.2 million, respectively. Capital expenditures totaled \$37.2 million and \$32.7 million during the three months ended March 31, 2010 and 2009, respectively. Capital expenditures in both years consisted principally of purchases of assets for our accommodations and well site services segments, and in particular for accommodations investments made in support of Canadian oil sands developments. In the three months ended March 31, 2009, we received \$21.2 million from Boots & Coots in full satisfaction of their note receivable.

We currently expect to spend a total of approximately \$233 million for capital expenditures during 2010 to expand our Canadian oil sands related accommodations facilities, to fund our other product and service offerings, and for maintenance and upgrade of our equipment and facilities. We expect to fund these capital expenditures with internally generated funds and borrowings under our revolving credit facility. The foregoing capital expenditure budget does not include any funds for opportunistic acquisitions, which the Company expects to pursue depending on the economic environment in our industry and the availability of transactions at prices deemed attractive to the Company.

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Net cash of \$11.9 million was provided by financing activities during the three months ended March 31, 2010, primarily as a result of borrowings under our revolving credit facility and the issuance of common stock as a result of stock option exercises. A total of \$72.9 million was used in financing activities during the three months ended March 31, 2009, primarily as a result of debt repayments, primarily under our revolving credit facility.

We believe that cash flow from operations and available borrowings under our credit facilities will be sufficient to meet our liquidity needs in the coming twelve months. If our plans or assumptions change, or are inaccurate, or if we make further acquisitions, we may need to raise additional capital. Acquisitions have been, and our management believes acquisitions will continue to be, a key element of our business strategy. The timing, size or success of any acquisition effort and the associated potential capital commitments are unpredictable and uncertain. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Our ability to obtain capital for additional projects to implement our growth strategy over the longer term will depend upon our future operating performance, financial condition and, more broadly, on the availability of equity and debt financing. Capital availability will be affected by prevailing conditions in our industry, the economy, the financial markets and other factors, many of which are beyond our control. In addition, such additional debt service requirements could be based on higher interest rates and shorter maturities and could impose a significant burden on our results of operations and financial condition, and the issuance of additional equity securities could result in significant dilution to stockholders.

**Stock Repurchase Program.** During the first quarter of 2005, our Board of Directors authorized the repurchase of up to \$50.0 million of our common stock, par value \$.01 per share, over a two year period. On August 25, 2006, an additional \$50.0 million was approved and the duration of the program was extended to August 31, 2008. On January 11, 2008, an additional \$50.0 million was approved for the repurchase program and the duration of the program was again extended to December 31, 2009. As of December 31, 2009, the program expired. Through the expiration of the program, a total of \$90.1 million of our stock (3,162,294 shares), has been repurchased. We will continue to evaluate future share repurchases in the context of allocating capital among other corporate opportunities including capital expenditures and acquisitions and in the context of current conditions in the credit and capital markets. Any future share repurchase programs would need to be authorized by our Board of Directors.

**Credit Facility.** Our current bank credit facility contains commitments from lenders totaling \$500 million consisting of a U.S. Commitment, as defined in the underlying agreement, totaling \$325 million and a Canadian Commitment, as defined in the underlying agreement, totaling \$175 million. The credit facility matures on December 5, 2011. We currently have 11 lenders in our credit facility with commitments ranging from \$15 million to \$102.5 million. While we have not experienced, nor do we anticipate, any difficulties in obtaining funding from any of these lenders at this time, the lack of or delay in funding by a significant member of our banking group could negatively affect our liquidity position.

As of March 31, 2010, we had \$6.9 million outstanding under the Credit Agreement and an additional \$20.9 million of outstanding letters of credit, leaving \$472.2 million available to be drawn under the facility. In addition, we have another floating rate bank credit facility in the U.S. that provides for an aggregate borrowing capacity of \$5.0 million. As of March 31, 2010, we had no borrowings outstanding under this other facility. Our total debt represented 10.7% of our total debt and shareholders' equity at March 31, 2010 compared to 10.6% at December 31, 2009 and 23.0% at March 31, 2009.

As of March 31, 2010, we have classified the \$175.0 million principal amount of our 2 3/8% Notes, net of unamortized discount, as a current liability because certain contingent conversion thresholds based on the Company's stock price were met at that date and, as a result, note holders could present their notes for conversion during the quarter following the March 31, 2010 measurement date. If a note holder chooses to present their notes for conversion during a future quarter prior to the first put/call date in July 2012, they would receive cash up to \$1,000 for each 2 3/8% Note plus Company common stock for any excess valuation over \$1,000 using the conversion rate of the 2 3/8% Notes of 31.496 multiplied by the Company's average common stock price over a ten trading day period following presentation of the 2 3/8% Notes for conversion. The future convertibility and resultant balance sheet classification of this liability will be monitored at each quarterly reporting date and will be analyzed dependent upon market prices of the Company common stock during the prescribed measurement periods. As of March 31, 2010, the recent trading prices of the 2 3/8% Notes exceeded their conversion value due to the



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remaining imbedded conversion option of the holder. Based on recent trading patterns of the 2 3/8% Notes, we do not currently expect any significant amount of the 2 3/8% Notes to convert over the next twelve months.

### **Critical Accounting Policies**

For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2009. These estimates require significant judgments, assumptions and estimates. We have discussed the development, selection and disclosure of these critical accounting policies and estimates with the audit committee of our board of directors. During the three months ended March 31, 2010, there have been no material changes to the judgments, assumptions and estimates, upon which our critical accounting estimates are based.

### **ITEM 3. *Quantitative and Qualitative Disclosures about Market Risk***

*Interest Rate Risk.* We have revolving lines of credit that are subject to the risk of higher interest charges associated with increases in interest rates. As of March 31, 2010, we had floating-rate obligations totaling approximately \$6.9 million for amounts borrowed under our revolving credit facilities. These floating-rate obligations expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If the floating interest rate were to increase by 1% from March 31, 2010 levels, our consolidated interest expense would increase by a total of approximately \$0.1 million annually.

*Foreign Currency Exchange Rate Risk.* Our operations are conducted in various countries around the world and we receive revenue from these operations in a number of different currencies. As such, our earnings are subject to movements in foreign currency exchange rates when transactions are denominated in (i) currencies other than the U.S. dollar, which is our functional currency or (ii) the functional currency of our subsidiaries, which is not necessarily the U.S. dollar. In order to mitigate the effects of exchange rate risks, we generally pay a portion of our expenses in local currencies and a substantial portion of our contracts provide for collections from customers in U.S. dollars. During the first three months of 2010, our realized foreign exchange losses were \$0.1 million and are included in other operating income in the consolidated statements of income.

### **ITEM 4. *Controls and Procedures***

*Evaluation of Disclosure Controls and Procedures.* As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2010 at the reasonable assurance level.

*Changes in Internal Control over Financial Reporting.* During the three months ended March 31, 2010, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) or in other factors which have materially affected our internal control over financial reporting, or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **ITEM 1. *Legal Proceedings***

We are a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, products, employees and other matters, including

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occasional claims by individuals alleging exposure to hazardous materials as a result of our products or operations. Some of these claims relate to matters occurring prior to our acquisition of businesses, and some relate to businesses we have sold. In certain cases, we are entitled to indemnification from the sellers of businesses, and in other cases, we have indemnified the buyers of businesses from us. Although we can give no assurance about the outcome of pending legal and administrative proceedings and the effect such outcomes may have on us, we believe that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by indemnity or insurance, will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

**ITEM 1A. Risk Factors**

Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K) includes a detailed discussion of our risk factors. There have been no significant changes to our risk factors as set forth in our 2009 Form 10-K. The risks described in this Quarterly Report on Form 10-Q and our 2009 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities**  
**Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Purchases of Equity Securities by the Issuer and Affiliated Purchases**

None

**ITEM 3. Defaults Upon Senior Securities**

None

**ITEM 4. (Removed and Reserved)****ITEM 5. Other Information**

None

**ITEM 6. Exhibits****(a) INDEX OF EXHIBITS**

| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                                                                                                                                                                                |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1                | Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001 (File No. 001-16337)).                                               |
| 3.2                | Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the Commission on March 13, 2009 (File No. 001-16337)).                                                                                                    |
| 3.3                | Certificate of Designations of Special Preferred Voting Stock of Oil States International, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001 (File No. 001-16337)). |
| 4.1                | Form of common stock certificate (incorporated by reference to Exhibit 4.1 to the Company's                                                                                                                                                                                                       |

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| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                                                                                                                                                                                                                          |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                    | Registration Statement on Form S-1, as filed with the Commission on November 7, 2000 (File No. 333-43400)).                                                                                                                                                                                                                                 |
| 4.2                | Amended and Restated Registration Rights Agreement (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Commission on March 30, 2001 (File No. 001-16337)).                                                                                        |
| 4.3                | First Amendment to the Amended and Restated Registration Rights Agreement dated May 17, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Commission on March 13, 2003 (File No. 001-16337)).                                              |
| 4.4                | Registration Rights Agreement dated as of June 21, 2005 by and between Oil States International, Inc. and RBC Capital Markets Corporation (incorporated by reference to Exhibit 4.4 to Oil States Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 23, 2005 (File No. 001-16337)).                   |
| 4.5                | Indenture dated as of June 21, 2005 by and between Oil States International, Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.5 to Oil States Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 23, 2005 (File No. 001-16337)).                    |
| 4.6                | Global Notes representing \$175,000,000 aggregate principal amount of 2 3/8% Contingent Convertible Senior Notes due 2025 (incorporated by reference to Section 2.2 of Exhibit 4.5 to Oil States Current Reports on Form 8-K as filed with the Securities and Exchange Commission on June 23, 2005 and July 13, 2005 (File No. 001-16337)). |
| 10.26**,*          | Executive Agreement between Oil States International, Inc. and named executive officer (Charles Moses) effective March 4, 2010.                                                                                                                                                                                                             |
| 31.1*              | Certification of Chief Executive Officer of Oil States International, Inc. pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.                                                                                                                                                                              |
| 31.2*              | Certification of Chief Financial Officer of Oil States International, Inc. pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.                                                                                                                                                                              |
| 32.1***            | Certification of Chief Executive Officer of Oil States International, Inc. pursuant to Rules 13a-14(b) or 15d-14(b) under the Securities Exchange Act of 1934.                                                                                                                                                                              |
| 32.2***            | Certification of Chief Financial Officer of Oil States International, Inc. pursuant to Rules 13a-14(b) or 15d-14(b) under the Securities Exchange Act of 1934.                                                                                                                                                                              |
| *                  | Filed herewith                                                                                                                                                                                                                                                                                                                              |
| **                 | Management contracts or compensatory                                                                                                                                                                                                                                                                                                        |

plans or  
arrangements

\*\*\* Furnished  
herewith.

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**SIGNATURES**

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

OIL STATES INTERNATIONAL, INC.

Date: April 29, 2010

By /s/ BRADLEY J. DODSON

Bradley J. Dodson  
Vice President, Chief Financial Officer  
and Treasurer (Duly Authorized Officer  
and Principal Financial Officer)

Date: April 29, 2010

By /s/ ROBERT W. HAMPTON

Robert W. Hampton  
Senior Vice President Accounting and  
Secretary (Duly Authorized Officer and  
Chief Accounting Officer)

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**Exhibit Index**

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\* Filed herewith

\*\* Management  
contracts or  
compensatory  
plans or  
arrangements

\*\*\* Furnished  
herewith.