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Oil States International Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you very much. (Operator Instructions) Your first question comes from the line of Jeff Tillery. Please proceed.

Jeff Tillery - Tudor Pickering & Holt

Hi, good morning.

Bradley Dodson

Good morning, Jeff.

Cindy Taylor

Good morning, Jeff.

Jeff Tillery - Tudor Pickering & Holt

Cindy and Bradley, could you talk a little bit about how you achieved the volume growth in the Tubular Services business? Is that a new mill arrangement? Is that taking share? Could you just provide a little color on that, in terms of sustainability of those volumes?

Cindy Taylor

Absolutely, and it's a great observation that our volumes have grown at a rate in excess of the rig count growth. What we obviously think is that we are taking market share in this environment. We are, although it's a fragmented market, one of the leaders as it relates to OCTG distribution is not the leader. We have great mill arrangements and support from those mills and we feel like an environment like this when it's so tight on inventory, that having strong call on those mill allocations has helped us from a market share perspective.

Jeff Tillery - Tudor Pickering & Holt

I think you guys were looking at some additional international mill relationships. Could you just update us on the progress there?

Cindy Taylor

We continue to look at all sources for our mills. We have historically distributed some product - if our customers desire that - from international mills. And that really remains the same today as would you expect.

Jeff Tillery - Tudor Pickering & Holt

So if we see the rig count continue to increase here in the third quarter, do you believe the relationships give you the ability to increase volumes as well from the second quarter level?

Cindy Taylor

Right now, we are working in very close communication with all of our customers as well as the mills. I think it's fairly evident that the U.S. mills are pretty much running at near capacity. So it's critically important that we plan appropriately. We've got great dialogue with our customers and thus far we've been able to supply our customers with their requirements such that they've been able to consistently keep up or maintain their drilling and completion programs. I think it's going to be extremely challenging as we move forward. There's about 3.8 month supply of inventory on the grounds which is a very tight situation. But thus far we've been successful and we think we will be able to continue to supply our customer's needs.

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