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Oil States International Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) And the first question comes from the line of Stephen Gengaro with Jefferies & Company. Please proceed.

Stephen Gengaro - Jefferies and Company

Thanks, good morning.

Bradley Dodson

Good morning, Stephen.

Stephen Gengaro - Jefferies and Company

I guess, two things. One, can you give us a sense on the Well Site Services division, particularly on the rental tools side. How is -- are you seeing, how is pricing now versus the third quarter? Any trends that we should focus on?

Cindy Taylor

Stephen, I'm glad you asked the question because I got, but there are some mixed signals there. But our rental tool margins in total for the second quarter of 2007 were about 38%. Our rental tool EBITDA and these are EBITDA margins for the third quarter were 36%.

However, all of this variance is really related to the addition of the two acquired businesses that we've put in. The mix is a little different there in particular one that carries higher service personnel content with the delivery of the equipment.

When we bought them, we knew those margins were lower than our mix of business and margins. So on balance, everything was flat sequentially as it relates to margins for the base business. What we have seen in the marketplace is very good growth in many activity regions and stable pricing.

I won't say it's increasing, but it's stable pricing and with capacity being added. Unfortunately, we have had offset in this quarter it started kind of in early August I would say and you never know, if it's temporary or what's going on.

But the Permian Basin has had activity reductions that affected really our drilling rigs and it affected not only our rental tools but one of the acquired businesses as well so it's very regional at this stage

and obviously it seems to be somewhat just level of customer activity right now which it's hard to say whether this is temporary or longer term on that market.

We've seen a little bit of firming and activity increases but again, it's just hard to say given the short nature of what we've seen, whether there's something greater going on in that market.

Stephen Gengaro - Jefferies and Company

Okay. That's helpful and then my second question if you could talk about a little bit, have you seen any change in the opportunities out there, as you look at acquisitions and some of these smaller operators more willing sellers right now or do you think that hasn't changed much from what you see coming across your desk?

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