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Oil States International Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Kevin Pollard.

Kevin G. Pollard - JPMorgan

I know you gave it, could you repeat the revenue and EBITDA from the oil sands? I missed it?

Bradley Dodson

Sure, it was revenue of \$65.8 million and EBITDA of \$32 million.

Kevin G. Pollard - JPMorgan

Along the line that the oil sands, with crew prices coming in, we've seen a couple of the big Canadian oil sands operators talk about maybe not cutting back but slowing growth and slowing expansion. With that in mind, can you talk about how committed your facilities are in terms of contracts and such and how confident you are you can maintain the utilization in kind of the \$70 or \$75 oil environment?

Cindy B. Taylor

There's been a lot of recent press about all of the economic analysis in the oil sands projects. Some are more favorable than others. I'd like to focus maybe initially on what is very significant to our results in the next 12 months if you will. As I mentioned on the call, there are two things that the Wapasu Creek expansion as an example is tied to several operations but a lot of the growth right now is coming from the [sempor fire bag] project and they've recently come out that they are maintaining spending and construction time lines that are in place for both the third and fourth stages of that operation and so I feel very good about our outlook there with the additional rooms that we are adding at Wapasu.

We do also have a significant amount of that contracted. I don't have it at the tip of my finger, the percentage for you, but obviously people are still concerned about having places for their people to stay and therefore are willing to write contracts for that.

The other key one hasn't been in the news a lot. It's Petro Canada Fort Hills project and if you'll recall, I don't remember if it's been two or three months ago, but we announced a new contract with Petro Canada for that project which is really the initial Phase I of that development and I think the key there, again as I noted, we will be proceeding with that, that is backed by a three year contract with Petro Canada and right now just broadly speaking kind of beyond that activity does remain strong; however,

people are looking now at what the internal rates of return would be for these projects at oil that ranges anywhere from say \$60 to \$100 per barrel so there is uncertainty in terms of what that long term price deck might look like.

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