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Oil States International, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions). Our first question comes from Jeff Tillery from Tudor, Pickering & Holt. Please go ahead.

Jeff Tillery – Tudor, Pickering & Holt

Hi, good morning.

Bradley Dodson

Morning, Jeff.

Cindy Taylor

Hi, Jeff.

Jeff Tillery – Tudor, Pickering & Holt

The first question is on the oil sands business. What's changed over the past few months has been more on the new project side. But I wanted to understand how you see potential risks to your utilization in the lodges as we go through 2009. You obviously have a good feel for the first quarter, but do you see more '09 utilization risk today than you did two months ago? And then I think you're generally thinking that the primary risk was as these projects roll off and as new projects were supposed to take in place in 2010. That's still the case?

Cindy Taylor

Jeff, I do believe that's still the case. We have good utilization as I mentioned in all of our major lodge facilities currently. They're supported either by ongoing construction and development activities or operating type activities that at this stage of their development, we don't believe those will be cut at this stage. What has happened is a lot of the prospective work has been either delayed, deferred or canceled depending upon their nature, which has taken out a lot of our gross set thoughts and projections for the year. But at this stage, we're tracking each of our facilities on a month-by-month basis. And we continue to think we'll have good utilization in those facilities. And there are some projects that look like they will move forward that could give us longer-term upside for 2009. We just don't expect to know the answer to that until probably second quarter.

Jeff Tillery – Tudor, Pickering & Holt

Okay. Other than the prospective new lodge for the contract what was terminated, have there been any of the other longer-term contracts where the customer has terminated those?

Cindy Taylor

We have had to my knowledge, no contract cancellations at all. And what we had, as you recall, we announced a new project sometime during 2008 for a new facility and that project was publicly delayed and put on hold. We had a binding contract with the customer that they honored and we reached an acceptable negotiation on that for both parties and we are in good position and have maintained a relationship with the customer such that if that project moves forward, we anticipate that we would be in a very good position to manage that facility.

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