

CREDIT AGRICOLE GROUP

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What's changed

Rating:

ADD (from NEUTRAL)

Target Price:

\$56.00 (from \$51.00)

May 2, 2008 Company Update

USA

Oil Services & Equipment

Reuters	OIS
Bloomberg	OIS
Priced on 05/01/2008	
S&P	1,409
12M hi/lo	\$51.94/\$30.36
12M price target	\$56.00
±% potential	+14%
Target set on	05/02/2008
Shares in issue (m)	50
Free float (est)(m)	41
Market Cap (m)	\$2,460
3M avg. daily vol.(000)	813,599

Oil States Int.

\$49.19 - ADD

Upgrading to ADD, Raising PT to \$56

- We are upgrading the shares of OIS to ADD from NEUTRAL and raising our price target on the shares to \$56 from \$51.
- We believe that the company's accommodations business in Canada will do well despite the increased royalties in Alberta.
- The outlook for other businesses such as offshore products and OCTG products and services is also improving which should lead to improved earnings growth for OIS.

Strong Accommodations Business. OIS' 1Q08 results indicated that the company's accommodations business in Canada continues to grow. An increase in room capacity at the major oil sand lodges and higher utilization of the lodges and mobile camp equipment resulted in a 60% sequential increase in revenues from this business in 1Q08. This segment appears to be growing despite the negative impact of increased royalties in Alberta. We believe that the major projects in the region will continue and demand for the lodges will increase in the future. OIS is adding capacity to this business which should further boost revenues.

Other Businesses Turning. The land drilling segment showed lower utilization in 1Q08 due to seasonal weather issues in the Rockies. As the weather has cleared out, utilization has surged recently. The offshore products division had high margins due to the larger volumes of higher-margin bearing and connector products sold. We believe that the offshore products business will show solid growth in the future as deepwater infrastructure development increases. Backlog in this segment totaled \$384 million, up 6% sequentially. The OCTG market is witnessing strong demand with inventory levels down 24% year/year. During the quarter several OCTG manufacturers announced price increases that take effect from 2Q08.

Upgrading to ADD. Although we expect 2Q08 to be impacted by seasonal trends such as the spring break up in Canada, we expect OIS to show 16% earnings growth in 2008. The shares of OIS are trading at 9.6x our 2009 EPS estimate, which is significantly below the midcap service average of 13.1x. With an improving business outlook and greater visibility in the accommodations business, we believe that OIS deserves a higher valuation. We are raising our target P/E multiple to 11x from 10x applied to our 2009 EPS estimate, which provides our revised price target of \$56 and suggest 14% upside potential from the current market price. As a result, we are upgrading the shares of OIS to ADD from NEUTRAL.

Financials

Dec Yr	06A	07A	08E	09E	
EPS	\$3.67	\$3.83	\$4.45	\$5.10	--
P/E	13.4x	12.8x	11.1x	9.6x	NM

(\$ in Millions)	2001	2002	2003	2004	2005	2006	2007				2007	2008E				2008E	2009E
							1QA	2QA	3QA	4QA		1QA	2QE	3QE	4QE		
Drilling and Other	-	-	-	-	86.7	134.5	30.9	36.8	40.2	35.3	143.2	36.8	41.7	42.6	42.0	163.1	167.0
Workover Services	-	-	-	-	39.9	8.5	-	-	-	-	-	-	-	-	-	-	-
Well Site Services	239.8	209.8	256.1	336.9	548.8	657.6	178.1	149.5	179.7	209.1	716.4	265.6	221.9	236.5	257.9	981.9	1,045.2
Offshore Products	129.3	190.6	231.9	206.8	271.2	389.7	119.0	135.4	132.1	141.2	527.8	126.9	129.5	133.3	137.3	527.1	600.9
Tubular Services	302.1	216.4	235.7	427.3	711.7	876.0	183.4	214.4	215.6	230.6	844.0	208.8	215.0	221.5	230.3	875.6	919.4
Corporate and Eliminations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	671.2	\$616.8	\$723.7	\$971.0	\$1,531.6	\$1,923.4	\$480.5	\$499.3	\$527.4	\$581.0	\$2,088.2	\$601.2	\$566.4	\$591.3	\$625.6	\$2,384.6	\$2,565.5
Cost of Sales	537.8	487.1	573.1	774.6	1,206.2	1,468.0	355.8	386.7	403.4	456.3	1,602.2	445.1	433.3	449.3	472.5	1,800.2	1,918.3
SG&A	50.0	51.8	57.7	64.8	84.7	107.2	27.3	28.2	30.9	32.0	118.4	32.1	33.0	33.5	34.0	132.6	140.0
Depreciation	28.0	23.3	27.9	36.0	46.7	54.3	14.4	16.1	18.8	21.4	70.7	22.7	24.4	26.0	27.0	100.1	112.0
Other Operating Expense (Income)	(0.3)	0.1	(0.2)	0.5	(0.5)	(4.1)	0.1	(0.2)	(0.4)	(0.4)	(0.9)	(0.0)	-	-	-	(0.0)	-
Total Operating Income	55.7	\$54.6	\$65.2	\$95.1	\$194.6	\$297.9	\$82.9	\$68.5	\$74.8	\$71.6	\$297.8	\$101.3	\$75.7	\$82.5	\$92.1	\$351.7	\$395.2
Interest Expense	(9.2)	(4.9)	(7.9)	(7.7)	(13.9)	(19.4)	(4.8)	(3.7)	(4.2)	(5.2)	(18.0)	(5.2)	(4.5)	(4.6)	(4.7)	(19.1)	(16.0)
Interest Income	0.6	0.5	0.4	0.4	0.5	2.5	0.9	0.8	0.9	0.9	3.5	0.9	0.5	0.5	0.5	2.4	4.0
Equity in Earnings of Unconsolidated Affilia	(1.6)	0.0	(0.0)	-	1.3	7.1	0.5	0.7	0.8	1.3	3.4	1.5	1.5	1.0	1.0	5.0	6.0
Gain on Sale of Business	-	-	-	-	-	11.3	-	12.8	-	-	12.8	-	-	-	-	-	-
Other Income (Loss)	0.1	0.9	1.0	1.0	0.7	2.2	0.1	0.2	0.2	0.3	0.9	0.2	-	-	-	0.2	-
Income Before Taxes	45.5	\$51.0	\$58.7	\$88.8	\$183.2	\$301.6	\$79.6	\$79.3	\$72.4	\$69.0	\$300.4	\$98.75	\$73.2	\$79.4	\$88.9	\$340.2	\$389.2
Income Tax Expense	(2.1)	(11.4)	(14.2)	(29.4)	(60.7)	(104.0)	(27.2)	(27.1)	(22.0)	(20.8)	(97.0)	(32.3)	(24.5)	(26.6)	(30.2)	(113.6)	(129.6)
Tax Rate	5%	22%	24%	33%	33%	34%	34%	34%	30%	30%	32%	33%	34%	34%	34%	33%	33%
Net Income (GAAP)	43.5	\$39.7	\$44.4	\$59.4	\$122.5	\$197.6	\$52.5	\$52.3	\$50.5	\$48.2	\$203.4	\$66.5	\$48.7	\$52.8	\$58.7	\$226.6	\$259.6
Non-recurring Items	0.8	-	-	-	-	11.3	-	8.6	-	-	8.6	-	-	-	-	-	-
Preferred dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	42.7	\$39.7	\$44.4	\$59.4	\$122.5	\$186.4	\$52.5	\$43.6	\$50.5	\$48.2	\$194.8	\$66.5	\$48.7	\$52.8	\$58.7	\$226.6	\$259.6
Shares Outstanding	46.0	48.9	49.2	50.0	50.4	50.8	50.0	50.8	51.8	51.0	50.9	50.9	50.9	50.9	50.9	50.9	50.9
EPS GAAP	0.95	\$0.81	\$0.90	\$1.19	\$2.43	\$3.89	\$1.05	\$1.03	\$0.97	\$0.95	\$4.00	\$1.31	\$0.96	\$1.04	\$1.15	\$4.45	\$5.10
EPS Operating	0.93	\$0.81	\$0.90	\$1.19	\$2.43	\$3.67	\$1.05	\$0.86	\$0.97	\$0.95	\$3.83	\$1.31	\$0.96	\$1.04	\$1.15	\$4.45	\$5.10
CFPS	1.54	\$1.29	\$1.47	\$1.91	\$3.36	\$4.74	\$1.34	\$1.18	\$1.34	\$1.36	\$5.21	\$1.75	\$1.44	\$1.55	\$1.68	\$6.42	\$7.30
EBITDA	83.7	77.9	93.1	131.1	241.3	352.3	97.3	84.6	93.6	93.0	368.5	124.1	100.1	108.5	119.1	451.8	507.2
EBITDA Margin	12.5%	12.6%	12.9%	13.5%	15.8%	18.3%	20.3%	16.9%	17.7%	16.0%	17.6%	20.6%	17.7%	18.4%	19.0%	18.9%	19.8%

Calyon Energy Conference 2008

Wednesday & Thursday
May 14 & 15, 2008

Invitation



Please RSVP by April 30
to Verai Sewgobind, 212-408-5703
or CalyonEnergyConference@us.Calyon.com

Wednesday, May 14

8:00 AM	Registration	
8:30 AM	Baker Hughes	Peter Ragauss, <i>Senior VP & CFO</i>
9:00 AM	Weatherford International	Andy Becnel, <i>Senior VP & CFO</i>
9:30 AM	Bill Barrett Corp.	Fred Barrett, <i>Chairman & CEO</i>
10:00 AM	Quicksilver Resources	Glenn Darden, <i>President & CEO</i>
10:30 AM	Smith International	Margaret Dorman, <i>Senior VP & CFO</i>
11:00 AM	Oil States International	Christopher E. Cragg, <i>SVP, Operations</i>
11:30 AM	Nabors Industries	Eugene Isenberg, <i>Chairman & CEO</i>
12:00 PM	Lunch	
12:30 PM	Keynote: Andy Weissman, Chairman, EnergyVenturesGroup	
1:30 PM	Apache Corporation	Robert Dye, <i>VP - Investor Relations</i>
2:00 PM	Mariner Energy	John Karnes, <i>CFO</i>
2:30 PM	McDermott International	Michael S. Taff, <i>Senior VP & CFO</i>
3:00 PM	Unit Corporation	Larry Pinkston, <i>President & CEO</i>
3:30 PM	Range Resources	Rodney Waller, <i>Senior VP and Secretary</i>
as scheduled	Schlumberger (1:1's only)	Malcolm Theobald, <i>VP, Investor Relations</i>
6:30 PM	Dinner, Remi Restaurant, 144 West 54th Street	

Thursday, May 15

7:30 AM	Registration	
8:00 AM	Noble Corporation	Kurt Hoffman, <i>VP, Worldwide Marketing</i>
8:30 AM	Halliburton	Brady Murphy, <i>VP, Sperry Drilling Services</i>
9:00 AM	National Oilwell Varco	Clay Williams, <i>Senior VP & CFO</i>
9:30 AM	FMC Technologies	William H. Schumann, III, <i>Executive VP & CFO</i>
10:00 AM	Global Industries	B. K. Chin, <i>CEO</i>
10:30 AM	Hercules Offshore	John Rynd, <i>Executive VP & COO</i>
11:00 AM	W&T Offshore	Danny Gibbons, <i>CFO</i>
11:30 AM	Willbros Group	Randy Harl, <i>CEO</i>
12:00 PM	Lunch	
12:30 PM	Keynote: Richard Spears, VP, Spears & Associates	
1:30 PM	Southwestern Energy	Harold Korell, <i>CEO</i>
2:00 PM	Petroleum Development Corp.	Steven Williams, <i>Chairman & CEO</i>

Calyon Building

19th Floor
1301 Avenue of the Americas
New York, New York 10019

AGENDA

Calyon Energy Conference 2008

Name _____

Company _____

E-mail _____ Telephone _____

Salesperson _____

One-on-One Meeting Request Form



Please circle a time preference (AM or PM) and priority level (1=high, 2=medium, 3=low) for one-on-one meeting requests:

Organization	Time Preference		Priority Level		
Apache Corporation	AM	PM	1	2	3
Baker Hughes	AM	PM	1	2	3
Bill Barrett Corp.	AM	PM	1	2	3
EnergyVenturesGroup	AM	PM	1	2	3
FMC Technologies	AM	PM	1	2	3
Global Industries	AM	PM	1	2	3
Halliburton	AM	PM	1	2	3
Hercules Offshore	AM	PM	1	2	3
Mariner Energy	AM	PM	1	2	3
McDermott International	AM	PM	1	2	3
Nabors Industries	AM	PM	1	2	3
National Oilwell Varco	AM	PM	1	2	3
Noble Corporation	AM	PM	1	2	3
Oil States International	AM	PM	1	2	3
Petroleum Development Corp.	AM	PM	1	2	3
Quicksilver Resources	AM	PM	1	2	3
Range Resources	AM	PM	1	2	3
Schlumberger	AM	PM	1	2	3
Smith International	AM	PM	1	2	3
Southwestern Energy	AM	PM	1	2	3
Spears & Associates	AM	PM	1	2	3
Unit Corporation	AM	PM	1	2	3
W&T Offshore	AM	PM	1	2	3
Weatherford International	AM	PM	1	2	3
Willbros Group	AM	PM	1	2	3

☐ I will attend the
dinner on May 14th

Please fax one-on-one preferences
to Verai Sewgobind, 212-261-2513

REPLY FORM

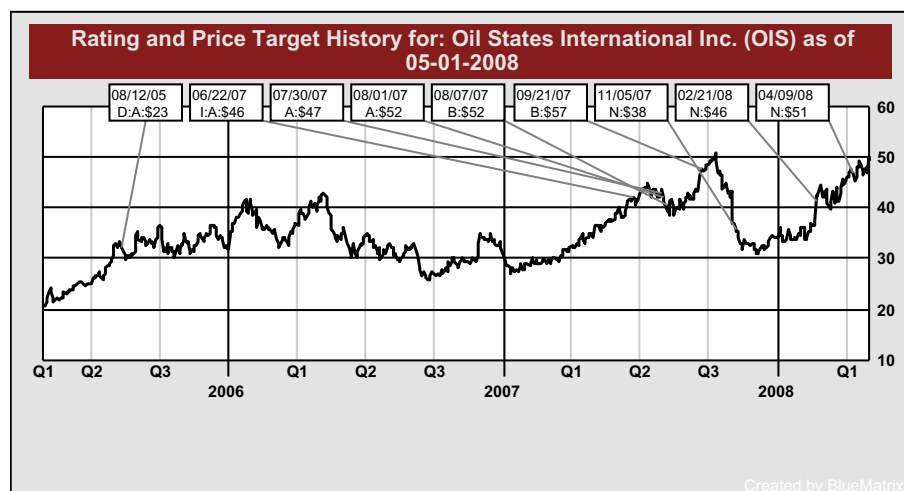
IMPORTANT DISCLOSURES

Analyst Certification

I, Mark Urness, hereby certify that the views expressed in this research report accurately reflect my own personal views about the securities and/or the issuers and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report. In addition, the analysts included herein attest that they were not in possession of any material, non-public information regarding the subject company at the time of publication of the report.

Oil States International was covered by Karen David-Green until August 12, 2005, when Calyon Securities (USA) Inc. dropped coverage following the departure of the analyst. Mark S. Urness initiated coverage on June 22, 2007.

The member and/or analyst(s) involved in the preparation of this report have reason to know that an affiliate of Calyon Securities (USA) Inc. received compensation from Oil States International Inc. for non-investment banking products/services in the past 12 months.



Valuation Methodology

Our 12-month price target of \$56 for the shares of OIS is based on an 11x P/E multiple applied to our 2009 EPS estimate of \$5.10.

Risk to Target

Risks to our price target include the potential for global economic weakness, which would lead to slower oil and natural gas demand growth, lower oil and natural gas prices and reduced upstream capital spending. In addition, reduced activity in the oil sands region of Canada may also impact our estimates.

RATING RECOMMENDATIONS (based on anticipated returns over a 12-month period): BUY, above 20%; ADD, 10%-20%; NEUTRAL, +/-10%; REDUCE, negative return, but by less than 20%; SELL, negative return of more than 20%. **OVERALL RATING DISTRIBUTION** for Calyon Securities (USA) Inc., Equity Universe: BUY/ADD - 68%, HOLD - 29%, REDUCE/SELL - 3%, Restricted - 0%. Data as of March 31, 2008. **INVESTMENT BANKING CLIENTS** as a % of rating category: BUY/ADD - 20%, HOLD - 3%, REDUCE/SELL - 0%, Restricted - 0%. Data for 12-month period ending March 31, 2008. **FOR A HISTORY** of the recommendations and price targets for companies mentioned in this report, please write to: Calyon Securities (USA) Inc., Compliance Department, 1301 Avenue of the Americas, 15th Floor, New York, New York 10019-6022.

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