

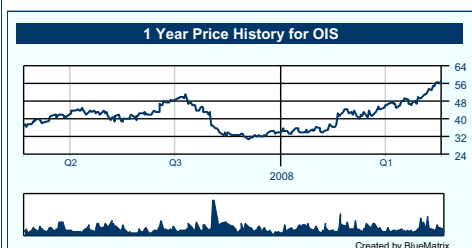
May 21, 2008

Increasing Target Price; Reiterating Buy Recommendation

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Company Update

Changes	From (Previous)	To (Current)	
Rating	--	Buy	
Target Price	\$57.00	\$66.00	
FY08E EPS (Net)	--	\$4.59	
FY09E EPS (Net)	--	\$5.10	
Stock Data			
Price (05/21/08):		\$57.51	
52-Week Range:		\$60 – \$30	
Market Cap.(\$mm):		\$2,927.3	
Shr.O/S-Diluted (mm):		50.9	
Enterprise Val. (\$mm):		\$3,223.1	
Avg Daily Vol (3 Mo):		893,220	
LT Debt/Total Cap.:		31.0%	
Dividend (\$):		\$0.00	
Yield (%):		0.0%	
Book Value/Share:		\$23.15	
S&P Index:		1,390.71	
EPS (Net)	2007A	2008E	2009E
1Q	\$1.05A	\$1.31A	NE
2Q	0.86A	0.99	NE
3Q	0.97A	1.16	NE
4Q	0.95A	1.15	NE
FY Dec	\$3.83A	\$4.59	\$5.10
P/E	15.0x	12.5x	11.3x
Revenue (Net)	\$2.09B	\$2.34B	\$2.47B
EV/Revenue	1.5x	1.4x	1.3x



- We have increased our 12-month target price on shares of diversified oilfield services and equipment provider Oil States International to \$66 and reiterate our Buy rating. We think that improving E&P operating margins will encourage additional U.S. drilling, improve rig fleet utilization and, eventually, pricing. Commensurate with moderate growth in drilling activity through 2008, we expect incremental demand for rental tools, completion services and tubular goods.
- The company recently expanded its Offshore Products manufacturing capabilities to better leverage growing demand for infrastructure-related projects. Nearer term, margin expansion is likely as outsourcing requirements are reduced. Over time, we anticipate incremental backlog associated with the new capacity. We currently do not anticipate that Independence Hub commissioning delays (related to Oil State's flex joint product) will have an adverse effect on its financial performance.
- We expect growth of the company's Canadian Oil Sands accommodations business to continue. With facilities to house about 3,580 personnel, Oil States is now the largest integrated supplier of hotel/accommodation facilities in Northern Alberta and has received approval to begin construction of its fourth major lodge in the region.
- In addition to its unique exposure to the Canadian Oil Sands, we like the company's prospects as natural gas drilling economics improve: it is well positioned to profit from longer-duration regional resource plays including the Rockies, Permian Basin, and Barnett Shale. Oil States is also the largest distributor of oil country tubular goods (OCTG) in North America and should benefit from resurgent demand for - and improved pricing of - tubing and casing.
- All else equal, we now think that the company's shares should trade up to a fair value range of \$60-\$66; our nominal 12-month target price is \$66, the high end of the range. The upper value is determined by applying a 13x multiple to our 2009 EPS estimate. The lower bound is established by applying a 7.7x multiple to our 2008 EBITDA estimate.
- We think that relative valuation is also compelling: Oil States shares trade at an average 25% discount to comps for 2008 and 2009 on an EPS and EV/EBITDA basis - an unjustified differential.

1Q08 Recap and Outlook

Oil States reported 1Q08 operating EPS of \$1.31 on revenue of \$601 million, exceeding consensus of \$1.15 and the upper end of management guidance (\$1.20). Strong revenue growth in Well Site Services and sequential margin improvement in all business segments drove record results. Relative to our \$1.17 forecast, a lower tax rate contributed about \$0.04. We suggest that the company's diversified operations played an important role in its solid 1Q08 results. Expected improvement in North American natural gas-related activity later this year could further improve performance, favorably impacting both Well Site and Tubular Services. 2Q08 EPS guidance is \$0.90-\$0.97. Our estimate is \$0.99.

Well Site Services

Well Site Services performance varied by subsegment in the period, with the company's Canadian Accommodations business the highlight. Consolidated revenue improved 27% sequentially to \$265.6 million; operating margins increased by a like amount to 29%.

Accommodations had an exceptional quarter, in our view, as revenues increased 60% sequentially to \$146.2 million. Contributions from the expansion of the Beaver River, Athabasca and Wapasu Creek Lodges factored materially. Furthermore, the company's mobile camps are almost fully occupied by SAGD and pipeline construction operators - margins increased 57% sequentially to 36%, on overall high utilization. The company plans to expand Wapasu Creek by an additional 800 rooms to a capacity of 2,300 rooms by 3Q08. It has also acquired Christina Lake Lodge, a 92 room hotel facility with a catering business. We expect this facility, which is situated on 40 acres, to be expanded by over 100 rooms.

Rental Tools revenue of \$82.5 million was relatively unchanged sequentially. The unexpectedly poor performance related to start up costs associated with a three-year contract for PEMEX (wire line, tools, support services) and product-line integration costs in the U.S. (Fayetteville Shale, Rockies) related to 3Q07 acquisitions (Schooner, Wire Line Service. Ltd). Additionally, several comparably high revenue projects failed to start in the period. Although we expect 2Q (ex-Canada) improvement in segment performance, it will likely be largely offset by the seasonal Canadian break-up. Gradual recovery is expected through the 4Q. We expect the sub-segment to continue to benefit from growing unconventional U.S. gas activity.

Sequential Drilling Services results were also disappointing as weather again prevented utilization (about 75% in the period) from improving - a trend that we understand has persisted deep into the 2Q.

Offshore Products

Offshore Products performance has improved. Revenues of \$127 million declined 10% sequentially but increased about 7% from 1Q07; operating margins of about 17% increased about 28%. Segment backlog built 6% in the period to \$384 million and we expect offshore, infrastructure-related projects should continue to drive demand. The company's recently acquired Houston manufacturing facility already appears to have relieved manufacturing bottlenecks as evidenced through margin expansion. We expect that backlog dedicated to this facility will accumulate over the next several quarters, eventually resulting in incremental revenue. We also think that segment margins have material upside to our 2008 average of 16% in the latter half of the year given potential manufacturing efficiencies proffered by the new facility.

Tubular Services

Tubular Services had a surprisingly strong quarter with revenue of \$209 million, a 10% sequential (seasonal) decline but up 14% from 1Q07. Margins of about 4.6% were unchanged sequentially, and improved from 4.2% in the year-ago quarter. Aggregate industry inventory continues to decline - about 7% sequentially - to approximately 4.3 months implying potential supply constraints if activity spikes later this year.

We expect the company's distribution business to benefit from increased discipline implied by recent industry consolidation and are very encouraged by several mill price increases/surcharges (spot prices have improved significantly for 2Q08). These factors, in conjunction with a moderate uptick in North American activity in the latter part of 2008 - something we see as becoming increasingly likely - would be a distinct positive for this segment, in our opinion. Indeed we currently anticipate about a 200bp improvement in segment margins in 2Q as current levels of demand.

Thesis and Valuation

Oil States holds a dominant position in most of the markets it serves. In its Well Site Services Division, the company leads in Canadian remote site accommodations and United States offshore modular buildings, U.S. Gulf Coast wireline and coiled tubing tool rental, and wellhead isolation equipment and services. Oil States' Offshore Products Division is the leading supplier of flexible bearings and connector products and marine pipeline repair and the company is the largest distributor of oil country tubular goods (OCTG) in North America. The company is, we think, well positioned to benefit from important established and emerging longer-duration resource plays that include the Canadian Oil Sands region, Rockies, Permian Basin, Barnett Shale and deepwater offshore.

All else equal, we now think that the company's shares should trade up to a fair value range of \$60-66; our nominal 12-month target price is \$66, the high end of the range. The upper value is determined by applying a 13x multiple to our 2009 EPS estimate. The lower bound is established by applying a 7.7x multiple to our 2008 EBITDA estimate. We think that relative valuation is also favorable: Oil States shares trade at an average 25% discount to comps for 2008 and 2009 on an EPS and EV/EBITDA basis - an unjustified differential, in our opinion.

Risks to Target Price

We think that a significant and prolonged decline in the price of crude oil and/or natural gas are among those factors that comprise a material risk to our estimates and valuation.

Company Description

Oil States International, headquartered in Houston, Texas, is a diversified oilfield services and equipment company that provides a variety of niche products to customers that include oil and gas E&P companies and contract drillers. The company conducts business through three divisions - Well Site Services, Offshore Products, and Tubular Services, and has a presence in most of the world's oil and gas producing regions, including the U.S. Gulf of Mexico and onshore, Canada, West Africa, the Middle East, South America and Southeast Asia.

OIL STATES INTERNATIONAL INC- (OIS)

Income Statement and Projections

In \$000, except per share data

May 22, 2008

Stifel, Nicolaus & Company, Inc.

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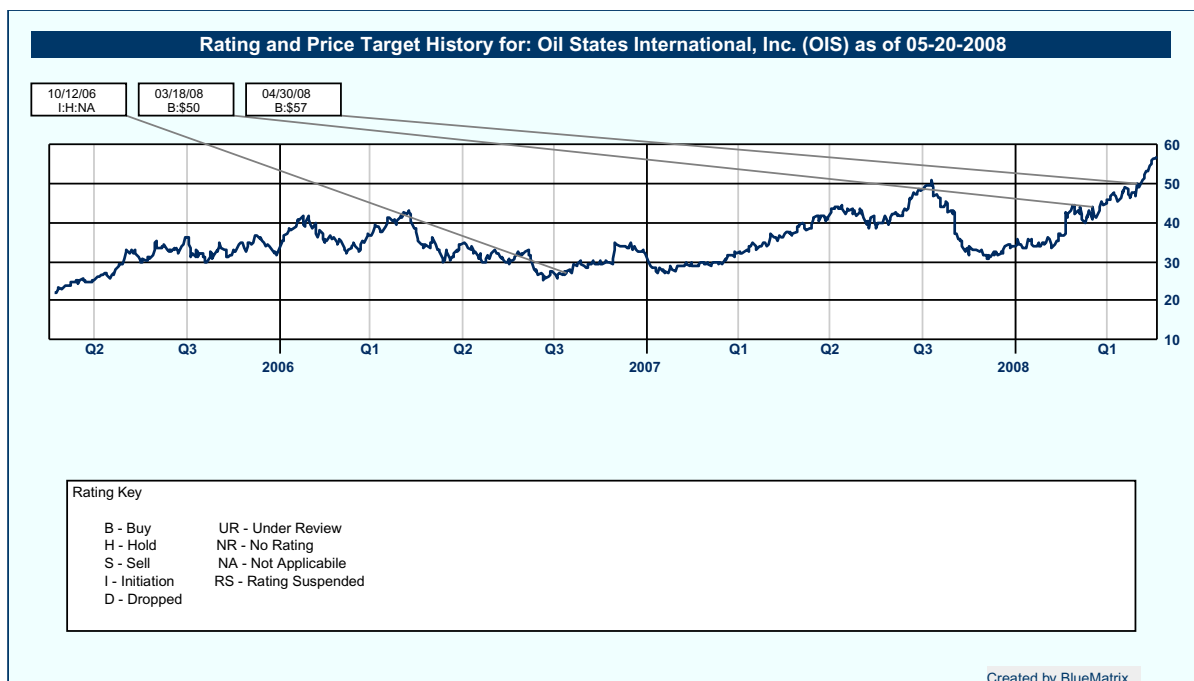
	Q1-2006 Mar	Q2-2006 Jun	Q3-2006 Sep	Q4-2006 Dec	FY 2006	Q1-2007 Mar	Q2-2007 Jun	Q3-2007 Sep	Q4-2007 Dec	FY 2007	Q1-2008 Mar	Q2-2008E Jun	Q3-2008E Sep	Q4-2008E Dec	FY 2008E	FY 2009E
Revenues																
Well Site Services	\$190,739	\$153,997	\$154,419	\$158,488	\$657,643	\$178,110	\$149,458	\$179,712	\$209,124	\$716,404	\$265,554	\$192,868	\$210,305	\$227,798	\$896,525	\$981,842
Offshore Products	78,272	93,675	110,038	107,699	389,684	119,039	135,437	132,124	141,209	527,809	126,922	148,019	150,426	152,231	577,597	608,579
Tubular Services	227,220	215,687	215,006	218,116	876,029	183,367	214,413	215,604	230,638	844,022	208,771	218,745	219,193	220,087	866,796	880,892
Total Revenues	\$496,231	\$463,359	\$479,463	\$484,303	\$1,923,356	\$480,516	\$499,308	\$527,440	\$580,971	\$2,088,235	\$601,247	\$559,632	\$579,923	\$600,116	\$2,340,918	\$2,471,313
Operating Expenses:																
Well Site Services	134,917	110,559	107,369	109,446	462,291	115,642	110,359	130,832	161,743	518,576	189,062	147,097	152,321	167,853	656,333	708,594
Offshore Products	68,207	78,489	93,696	93,334	333,726	101,431	111,230	110,050	122,637	445,348	105,476	122,856	124,853	129,396	482,581	508,164
Tubular Services	209,402	198,664	198,377	203,101	809,544	175,633	203,703	206,075	220,144	805,555	199,250	204,527	204,945	205,782	814,503	828,039
Corporate	4,475	4,509	4,529	5,183	18,696	4,919	5,535	5,710	4,806	20,970	6,121	6,136	6,152	6,167	24,576	24,823
Total Operating Expenses	417,001	392,221	403,971	411,064	1,624,256	397,625	430,827	452,667	509,330	1,790,449	499,909	480,616	488,271	509,198	1,977,993	2,069,619
Operating income (EBIT)	79,230	71,138	75,492	73,239	299,099	82,891	68,481	74,773	71,641	297,786	101,338	79,016	91,652	90,918	362,924	401,694
EBITDA	92,089	82,998	89,373	87,817	352,277	97,310	84,594	93,561	93,024	368,489	122,712	100,872	113,973	113,687	451,244	496,945
Interest expense	(4,796)	(4,938)	(4,797)	(4,859)	(19,390)	(4,842)	(3,739)	(4,217)	(5,191)	(17,989)	(5,227)	(4,818)	(4,818)	(4,818)	(19,682)	(19,273)
Interest income	273	683	714	836	2,506	926	784	890	909	3,509	922	822	1,499	1,512	4,756	6,960
Equity earnings in affiliate	684	1,303	2,637	2,523	0	542	748	753	1,307	0	1,495	1,495	1,495	1,495	5,980	5,980
Other income (expense)	246	(1)	0	86	331	114	237	243	333	927	220	222	224	227	893	930
Income tax expense	(34,188)	(21,501)	(25,860)	(22,464)	(104,013)	(27,170)	(27,052)	(21,964)	(20,799)	(96,985)	(32,281)	(26,321)	(30,888)	(30,642)	(120,131)	(136,720)
Net Income (Loss)	52,916	45,305	50,052	49,361	197,634	52,461	52,233	50,478	48,200	203,372	66,467	50,416	59,164	58,692	234,740	259,570
Earnings Per Share Information:																
Diluted (Reported)	\$1.04	\$0.88	\$0.99	\$0.98	\$3.89	\$1.05	\$1.03	\$0.97	\$0.95	\$3.99	\$1.31	\$0.99	\$1.16	\$1.15	\$4.59	\$5.10
Nonrecurring Item	(0.12)	(0.04)	0.00	0.00	(0.17)	0.00	(0.17)	0.00	0.00	0.17	0.00	0.00	0.00	0.00	0.00	0.00
Diluted EPS From Continuing Operations	0.92	0.83	0.99	0.98	3.72	1.05	0.86	0.97	0.95	3.83	1.31	0.99	1.16	1.15	4.59	5.10
Free cash flow from Operations ⁽¹⁾	65,802	58,300	63,933	63,939	251,974	66,880	68,346	69,266	69,583	274,075	87,841	72,272	81,485	81,461	323,060	354,821
Per diluted share	1.29	1.14	1.27	1.27	4.96	1.34	1.34	1.34	1.36	5.38	1.73	1.42	1.60	1.60	6.32	6.97
Weighted Average Common Shares Outstanding:																
Basic	49,208	49,589	49,736	49,533	49,517	49,268	49,341	49,661	49,780	49,513	49,422	49,422	49,422	49,422	49,543	49,446
Diluted	51,022	51,230	50,475	50,367	50,774	49,994	50,833	51,822	50,994	50,911	50,900	50,900	50,900	50,900	51,092	50,938
MARGIN ANALYSIS																
Operating Margin																
Well site services	29%	28%	30%	31%	30%	35%	26%	27%	23%	28%	29%	24%	28%	26%	27%	28%
Offshore Products	13%	16%	15%	13%	14%	15%	18%	17%	13%	16%	17%	17%	17%	15%	16%	17%
Tubular Services	8%	8%	8%	7%	8%	4%	5%	4%	5%	5%	5%	7%	7%	7%	6%	6%
EBITDA margin	19%	18%	19%	18%	18%	20%	17%	18%	16%	18%	20%	18%	20%	19%	19%	20%
Effective tax rate (continuing operations)	39%	32%	34%	31%	34%	34%	34%	30%	30%	32%	33%	34%	34%	34%	34%	35%
Net margin	11%	10%	10%	10%	10%	11%	10%	10%	8%	10%	11%	9%	10%	10%	10%	11%
PERIOD CHANGES																
Revenues																
Sequential	11%	-7%	3%	1%	26%	-1%	4%	6%	10%	9%	3%	-7%	4%	3%	12%	6%
Year-over-year	49%	29%	22%	8%	26%	-3%	8%	10%	20%	9%	25%	12%	10%	3%	12%	6%
EBITDA																
Sequential	28%	-10%	8%	-2%	46%	11%	-13%	11%	-1%	5%	32%	-18%	13%	0%	22%	10%
Year-over-year	76%	56%	41%	22%	46%	6%	2%	5%	6%	5%	26%	19%	22%	22%	22%	10%
Net Income (Loss)																
Sequential	28%	-14%	10%	-1%	62%	6%	0%	-3%	-5%	3%	38%	-24%	17%	-1%	15%	11%
Year-over-year	109%	82%	65%	19%	62%	-1%	15%	1%	-2%	3%	27%	-3%	17%	22%	15%	11%

(1) Net Income plus depreciation

Sources: Company reports; Stifel, Nicolaus & Company estimates

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For a price chart with our ratings and target price changes for OIS go to <http://sf.bluematrix.com/bluematrix/Disclosure?ticker=OIS>

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HOLD -We expect this stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. A Hold rating is also used for those higher-yielding securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

SELL -We expect this stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value.

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