

LUFKIN

ROUNDUP

Employee Annual Report



From The President's Desk

Products, Processes, and People



The purpose of the Employee Annual Report is to inform you, **LUFKIN's** employees, of the results of your united efforts and to sincerely thank you for your continued efforts in building a better company. Let's examine the three cornerstones of our success:

PRODUCT: Lufkin Industries has a local, national, and worldwide reputation for supplying superior products and services to our outstanding group of customers.

This cornerstone of our success has been built over many years by the dedicated efforts of each and every **LUFKIN Team** member, and we must continue to build and improve our reputation every day with each product shipped and with each service rendered to our customers.

PROCESS: Constant improvement of our manufacturing processes is the second cornerstone of our success. We continue to acquire state-of-the-art equipment so that each product truly has "built-in" quality.

Even during economic downturns, we have constantly improved processes by upgrading facilities so that we can stay modern and able to compete with manufacturers on a worldwide basis.

Constant improvement in all processes, manufacturing and service, remains one of the guiding principles and objectives of our organization. Consequently, almost any place you look in the company, you can see improvements being made daily.

PEOPLE: The third cornerstone of our success, our most important asset by far and our hope for the future, is the wonderful group of men and women that comprise the **LUFKIN Team**.

*Our company is truly blessed with good people, and we are proud of the fellowship and teamwork that is generated by this group everyday. No matter how good our facilities or our products, we continually depend on the **LUFKIN Team** to keep Lufkin Industries in the forefront.*

Our single most important company objective is to help people succeed. You can see the results of **LUFKIN's** dedication to this objective throughout the whole organization as people continually advance and improve their careers. By learning more, we gain better and more interesting jobs, thus enabling us to better provide for our families. We have continual, regularly scheduled education and tuition aid programs, and all employees are encouraged to do their very best to improve their capabilities every day.

In this Employee Annual Report issue of the *Roundup*, we want to again thank each and every one of you for the tremendous contribution you have made toward the growth and success of Lufkin Industries. Your efforts are very much appreciated. And, we are anxious to continue this cooperative journey toward building a better company and a more rewarding career for everyone.

Frank B. Stevenson

1987 Employee Annual Report

Lufkin Industries entered 1987 full of optimism and justifiable expectations for business improvement over 1986.

And business improved to the point that Lufkin Industries added 540 employees in 1987, raising the employment total of 1,791 in 1986 to 2,331. The additional 540 employees translates economically to several million dollars of payroll spent in Lufkin and surrounding cities. Additionally Lufkin Industries re-invested \$7.5 million in plant improvements during the year, which required the services of approximately 18 local contractors and subcontractors. In terms of local economic impact, Lufkin Industries pumps over \$75 million each year through payroll, taxes, material purchases and local services into the East Texas area.

Improving on 1986, the Lufkin Industries' team has moved quickly to involve the 85 year old company in major projects in order to win a larger share of pumping unit, industrial gear, trailer, and industrial supplies' product markets. At the same time, LUFKIN's management has taken advantage of the company's manufacturing ability to enter many new and promising markets such as foundry castings and steel fabrication. "We are recognized as the world leader in quality products in every division: trailers, gears, pumping units, service from Industrial Supplies, and that's the thrust we're taking in the future—to expand on that base" says Frank Stevenson, President and Chief Executive Officer of Lufkin Industries, Incorporated. "We will continue to build on that foundation as we move to aggressively broaden our market share and gain new business, which will mean better jobs for everyone," Stevenson says.

Machinery Division

- Pumping Unit sales for 1987 edged up 10% over 1986 sales, and the Machine Shop, Foundry, Engineering, and Fabrication departments achieved many improvements in pumping unit design and manufacturing efficiency. Such improvements maintain LUFKIN's international reputation as the leader in artificial oil lift products while at the same time positioning the company to take advantage of future market recovery. New marketing efforts in pumping unit installation, repair and service, and pumping unit parts sales will produce significant growth in 1988.

- Industrial Gear sales increased about 28% in '87, with a portion of the increase resulting from gear repair. Each year world-wide sales of industrial gear products is greater than 3 billion dollars, and LUFKIN expects to continue to gain a substantial amount of this market in 1988. This increased market share will be improved by LUFKIN's new



James Oates Heavy Weldment Shop: 37 years

approach to gear repair, which attracts customers to the low-cost choice of repairing or re-manufacturing instead of purchasing a new gearbox replacement.

- Plant and Product improvements often go hand-in-hand as LUFKIN's personnel review product designs and manufacturing processes. LUFKIN continues studying all products in an effort to increase productivity and to lower product cost while improving LUFKIN's high quality standards. "Our operation is based on quality, service, dependability, value and improvement, which is the driving force behind our competitive spirit," says Stevenson.

Trailer Division

- Lufkin Industries' Trailer Division enjoyed a 26% jump in sales for the first ten months of 1987 as compared to 12% increase for the entire trailer manufacturing industry over the same period. Lufkin Trailers have been rapidly gaining popularity as the best trailer on the road, and the Trailer Division team worked to take advantage of that popularity by expanding products, services, and markets in 1987.

Trailer branch facilities received attention as the Dallas, Texas and Lowell, Arkansas markets were targeted for improved or new facilities to serve customers.

In Dallas, a move to and renovation of a larger sales, service, and warehouse complex will position the branch office to be a significant factor in the Dallas - Fort Worth transportation market.



Harold Hicks Foundry: 37 years

The Lowell, Arkansas complex grew partially out of a need to have facilities located near two of LUFKIN's biggest trailer customers, J.B. Hunt and Walmart. A fourteen acre site was purchased and developed into a complete trailer sales-service-parts center that will serve the Lowell-Bentonville-Springdale transportation hub.

The Trailer Division enters 1988 with a backlog of 1,800 orders for trailers and with a study underway to consider the possibility of setting up a second van production line to meet market demands. Extensive product testing for transit certification will be carried on through much of 1988. The results of these projects will have a positive impact on trailer product quality and manufacturing capacity.

Industrial Supplies Division

Lufkin Industrial Supplies Division's 16 % increase in sales in 1987 resulted from boosting customer service and offering different products to those customers. A new Industrial Supplies store was opened for business in June '87 in Jasper, Texas for industries in that area. In March 1987 the Division added power transmission products and a design engineer to offer industrial customers complete material conveyor systems, design, and sales.

Another new opening for the Industrial Supplies Division in 1987 was the Bath & Kitchen Showplace at the Lufkin, Texas store. This showroom displays high quality fixtures and hardware for bath and kitchen, including: tubs, whirlpools, sinks, showers, lavatories, faucets and other custom hardware.

Sargent Oil Well Equipment Co.

• Future opportunity to sell high tech well monitoring equipment, ultra high slip motors, and other specialized oil well products manufactured by Sargent Oil Well Equipment Company of Odessa, Texas, led to the purchase of the firm by Lufkin Industries in 1987. With the purchase of Sargent, LUFKIN offers oilfield customers a complete package including the pumping unit, prime mover (electric motor), and monitoring system. Stevenson says, "The future potential comes about through the total control system for an individual oil well or a field of oil wells."

New Markets

• The Foundry Department of the Machinery Division started an aggressive marketing program in 1986 and '87 to offer its extensive casting capabilities to domestic manufacturers. In 1987, this effort brought many new customers who purchased motor housings, air-conditioning parts, pump housings, and construction equipment parts cast by LUFKIN's Foundry Department. Projections for 1988 point to a two to three hundred percent growth in the sale of castings.

• The Fabrication Department of the Machinery Division experienced growth in new areas as the department participated in supplying various structural components for many East Texas industrial projects. The Temple-Eastex sawmill located in Buna, Texas took Lufkin Industries back to its roots since sawmill design and construction was a principle business activity when the company opened its doors in 1902. The Fabrication Department was also involved in other industrial projects requiring steel fabrication, such as plant construction and electric utilities replacement parts.

1987 Employee Annual Report

Personnel Development

- Over 129 Lufkin employees enrolled in company sponsored career development courses, which covered topics such as Foundry Principles, Blueprint Reading, Work Simplification, Shop Math, and Non-Destructive Testing.

- Many LUFKIN employees took advantage of LUFKIN's tuition aid program in 1987. The employees enrolled in courses offered by Angelina College or SFA, and then received up to \$250 for book expenses and tuition fees. A total of \$15,000 was reimbursed to participating employees.

- Lufkin Industries Foundation awarded 20 scholarships to children of Lufkin Industries' employees in 1987. Twelve four-year scholarships and eight two-year scholarships, worth over \$70,000, were awarded.

- Forty-three employees were invited to participate in Lufkin Industries' Supervisor Training Course. Developed within the company, the course prepares supervisor and management candidates for leadership roles and serves as a refresher class for previous graduates.

"Our one basic company objective is to help people succeed," Stevenson says.

LUFKIN Corporate 1988 Forecast

- Oil industry indicators point to a 10% increase in drilling rig activity in 1988 and thus, LUFKIN's pumping unit sales will improve since unit sales have been closely tied to the rig count over the years. Additionally, new marketing efforts in pumping unit parts, service, and repair will mean more business.

- Higher appeal because of a broader offering of products and services will be a factor in increasing the industrial gear business. Also, expansion into many foreign markets will result from sales efforts.

- The trailer industry is in a growth pattern, and because of facility and product improvements, Lufkin Trailers will continue to out-pace the industry, especially in 1988.

- Industrial Supplies Division will benefit greatly from its new Jasper, Texas store and the Bath and Kitchen Showplace. Other new products will provide more sales opportunities from existing and new customers.

•Sargent Oil Well Equipment Company, Lufkin Foundry Castings and Lufkin Fabrication Services are new ventures offering the opportunity for new growth. Momentum for these projects gain each day, indicating that 1988 should be a big growth year.

"There are many unknowns, and we can not predict the future with certainty, but by building on our existing base of superior products, we expect that each product of each division will improve in 1988," says Stevenson.

by Kurt Martin
photos by Viron Barbay



Tenney Braden Engineering: 41 years

Around The Plant



12th Annual Bass - Crappie Fishing Tournament Saturday, April 2, 1988

The 12th annual fishing tournament will be held Saturday, April 2, 1988. A Fish Fry will follow the tournament at Piney Point. For tournament entry and information, check at the nearest Guard Shack. Trophies will be given to the first place teams for bass & crappie, along with individual awards in both categories. Drawings will be held to give away eight LUFKIN shirts to the not-so-lucky fishermen. Check the bulletin board for details. Sign up and join the fun!

Welcome To The LUFKIN Team

Foundry

Darrel Plunkett
James Evans

Industrial

Supplies

Brian Ward
Gregory Broussard

Piney Point

Jason Lowe

William Allen
Cabe Clonts
Matt Daniel
James Foster, Jr.
Richard Gilley
Jeffery Kirkland
James Mooney
Raymond Sheard
Danny Smith
Larry Wilson (Dallas)
Edward Woodall (Dallas)

Trailer

Salvino Gonzales (Houston)
Rodolfo Elizondo (Houston)
Patrick Giese (Houston)
Gary Anderson (Lowell)
Donald Anderson (Lowell)
Marty Baker (Lowell)
Grant Fox (Lowell)
Toby Hale (Lowell)
Paul Hunt (Lowell)
Walter Stewart (Lowell)
Allen Walker (Lowell)
Jeffery Williams (Lowell)

Doris Glenn Soules
(Lubbock)
Frank Hodge
(Oklahoma City)
Earnest Riley
(Oklahoma City)
Richard Grayless
(San Antonio)
Damon Boudreau
(Shreveport)
James Knotts
(Shreveport)

ON THE ROAD TO SUCCESS

ACCOUNTING

Ronald Sharp Senior Programmer to Programmer Analyst

FOUNDRY

Kye McElhaney General Foundryman to Storekeeper
Eddie Anthony General Laborer to Storekeeper
Barry Clark Gen. Foundryman to Mach. Oper. A (Pattern Shop)
Steve Reynolds Project Engineer to Project Technologist

MACHINERY SALES

David R. Pickens Salesman B to Salesman A

MACHINE SHOP

Billy Vardeman Machine Oper. Trainee to Machine Operator A
Ricky Hampton Machine Oper. Trainee to Machine Operator A
Michael Cloyd Senior Planner to Master Scheduler
Jimmy Wilkie Machine Oper. Trainee to Machine Operator A
Oran Calmese Machine Oper. Trainee to Machine Operator B
Charles Franks Machine Oper. Trainee to Machine Operator C
Virgil Berwick Machine Oper. Trainee to Machine Operator C
Bennie Boles Machine Oper. Trainee to Machine Operator A

MATERIAL CONTROL

Carrol Bonner Storekeeper (Foundry) to Cycle Counter

STRUCTURAL FABRICATION

Ismael Terrazas Helper to Machine Operator II
Felicia Shepherd Helper to Welder C
Clinton Saulsbury Helper to Welder C
James Madden Helper to Welder C
Evan Luce Fork Lift Operator to Welder C
Jimmy Walker Assembler B to Assembler A Specialist
Theodore Perez Rough Carpenter to Assembler A Specialist
Douglas Walters, Jr. Assembler B to Fork Lift Operator

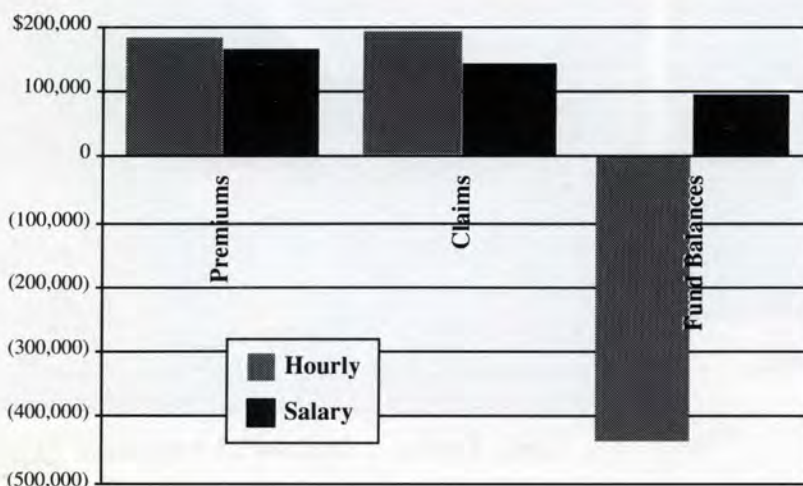
TRAILER PLANT

Glen Lofton Machine Operator B to Fork Lift Operator
John Graham Maintenance Mechanic A to Electronics Trainee
Taylor Barkley Helper to Electronics Trainee
Rufus Kirkwood Helper to Welder B
J.L. Horace Cleaner & Grinder to Welder B
Timothy Teel Helper to Partsman
Morton Halyard Part Time to Technologist II

APRIL ANNIVERSARIES

Accounting		Armando Rocha	9	Darvin Dominey	23	Virgil Berwick	1	Ethel Boyles	12
		Nancy Ballenger	9	James Eddings	22	Paul Rhoden	1	Sue Massingill	12
John Cantrell	14	Jose Garcia	9	David Jenkins	22	Machinery Sales		Tommie Fox	11
Tim Coker	12	Wilbur Painter	9	Doyle Robertson	21			Anthony Niosi	11
Judy Cain	11	Stephen Reynolds	7	Donald Smith	20			Tom Spencer	10
Art Lozano	8	Michael Kitchens	7	James Williams, Sr.	20	Lee Stevens	26	Charlie Sanders	10
Sara Callahan	6	Jo Ann Cole	3	James Pate	18	Gary Seaton	22	Margaret Sowell	9
Assembly & Shipping		Roman Cardenas	1	Don Allen	16	Doris Jones	19	Albert Larabell	9
		Guadalupe Luna	1	Michael Doss	15	Robert Burrelli	12	John Oliver	9
		Robert Drouet	1	Dal Johnson	14	Inocencio Reyes	11	Roy Traweek	9
		Vickie Oates	1	Edgar Ditsworth, Jr.	13	Lorraine Gregory	10	Stephen Jayroe	4
Jefferson Kee	23	Juan Bermea, Jr.	1	Donald Jackson	11	Billy Atchley	8	Jay Schwartz	3
Ray Montgomery	10	Florentino Lopez	1	Temple Farr	11	Mary Phillips	8	Roland Reynolds	3
Canada		Aurelio Castillo	1	Elton Hendry	10	Julie Jacobs	6	John Myrick, Jr.	2
		Zeferino Cruz	1	Larry Jackson	10	John Callender, Jr.	6	Sharon Jackson	2
		Esteban Garcia	1	Michael Burley	9	Duane Pritzel	4	Ralph Evans	2
Katherine Schurek	3	Juan Hernandez	1	Steven Carlin	9	William Cole	1	Carl Peppard	1
Engineering		James Windham	1	Gary Reppond	9	Order Entry		Randall Hairgrove	1
		Javier Horta	1	William Poe	9			Curtis Hinson	1
		Grose Kiel	1	Coy Taylor	8			Norman Barlow	1
Cathy Salagaj	10	Raimundo Luna	1	Steve Whitaker	8	Jerry Cortines	20	Darvin Dominey, Jr.	1
Foundry		Carl Russell	1	Roy Williams	8	Purchasing		Charles Lyons	1
		Industrial Supplies		Jerald Runnels	8			Charles Mettlen	1
Jim Singletary	36			Carl Phillips	7			Wayland Quisenberry	1
Eddie Sowell	26			Caroll Bengel	1	Thomas Brewer, Jr.	8	Elias Andrade	1
Leon Denning	24			Linda Dunn	1	Trailer Plant		Welding Shop	
George Yarbrough, Jr.	23	A. Whisenant, Jr.	16	Onetta Hamilton	1			Smith Malone, Jr.	26
Leo Cranford	22	Trina Skinner	8	Floyd Jacks, Jr.	1	Jerry Swearingen	20	Roger Williams	26
Samuel Johnson, Jr.	16	Lillie Cirillo	1	David Palmer	1	Johnny Rhodes	16	Robert Lewis	23
Lester Gilder	16	Sammy Read	1	Wilbur Bruton	1	Prentice Brooks	16	Donald Stringer	23
Johnny Miller	15	Machine Shop		Billy Vardeman	1	Ewell Jackson	15	Benny Wilson	22
Macarthur Hatton	14			Oran Calmese, Jr.	1	James Holton	15	Frankie Heaton	20
Roger Horace	13	Gordon Thomas	26	Carolyn Havard	1	Linley Ham	14	Harold Woods	13
Dudley Flenoy	12	Leroy Garner	25	David Holley	1	Mary Guerra	14	Alfonso Compean	13
Loy Williams	11	Leslie Durham	23	Robby Malone	1	Bobby Smith	14	Martin Walden	13
Jimmie Suell	11	William McCalister	23	Jeffery Yount	1	Walter Shaw	12	William Bardwell	8
				Jose Morales	1				
				Randy Baker	1				

DECEMBER INSURANCE CHART



THE ROUNDUP

Volume 45, Number 4, 1988

Published monthly by Lufkin Industries, Inc.
P.O. Box 849, Lufkin, Texas 75902-0849
For active and retired employees and their families.

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P.O. Box 849, Lufkin, Texas, 75902-0849

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Dan Tullos Machine Shop: 33 years



Granville Wright Trailer: 38 years



Jack Green Industrial Supplies: 31 years