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LUFKIN

ROUNDUP

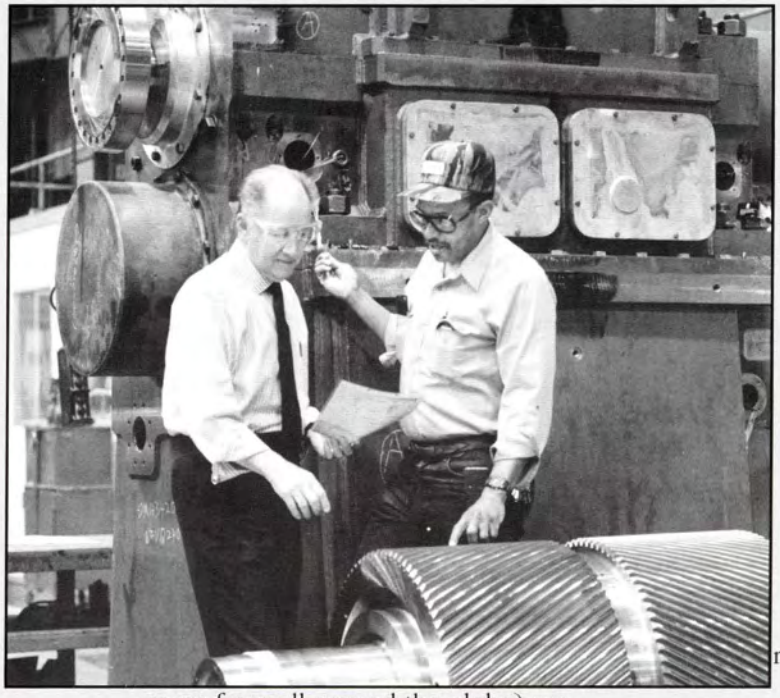
MAY 1990



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Walking around LUFKIN

...this week in our Industrial Gear Building I observed all the construction and equipment installations in process: a big shaft grinder, several new hobs, a new gear grinder and may other items too numerous to mention. While some might call this expansion, we at LUFKIN like to think of this as *continuous improvement.*



We just can't ever afford to be satisfied with our present state. For while we are dedicated to striving for excellence — we must realize that excellence in everything we do is a moving target. It is a moving target because our competitors (who now come from all around the globe) are constantly improving their operations also.

Every *continuous improvement* event does not mean an expenditure of thousands or millions of dollars. In fact, many (perhaps most) beneficial *continuous improvements* involve little, if any, expense. Those "home runs" that result in huge dollar savings or significant competitive advantage come rarely. Therefore, every day you and I must consciously be dedicated to seeking out those opportunities for *continuous improvement* regardless of their size.

Thanks for your help in constantly improving the total operation of Lufkin Industries.

F B Stevenson

Frank B. Stevenson

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let the buyer beware

ca-ve-at emp-tor \-'ka-ve-at 'em(p)-ter\ *n[NL, let the buyer beware]*: a principle in commerce: without a warranty the buyer takes the risk of quality upon himself (from Webster's New Collegiate Dictionary)

For eighty-eight years we have prided ourselves on the quality of our product... "If it says LUFKIN, it's the best there is!" We know that we produce the very best products available anywhere, but how does our customer know this... especially a new customer? How do they know how our standards of quality compare with other manufacturers? LUFKIN has taken steps to ensure that all of our gear products can be compared "apples to apples".

The American Gear Manufacturers Association (AGMA) has developed a program through which qualifying gear manufacturers can certify that their products meet standards established by AGMA. This system makes it much easier for a purchaser to assess competing gear products before buying. The Manufacturers' Self-Certification Program covers gears, enclosed gear drives and couplings.

The need for this came from the fact that different types of rating systems were being used. This meant that the purchaser had to try to understand each of the different systems and try to compare products which were being described under the different systems - apples to oranges. While many manufacturers in the U.S. were using one type system, a number of European manufacturers were using ratings such as those determined by Deutsches Institut Fur Normung (DIN) in Germany. Needless to say, this brought much confusion to the gear market.

AGMA standards cover design, manufacture and application factors and tend to be more conservative and broader in scope than many others. Also, AGMA standards come from information learned from years of following actual on-the-job applications and not, as many other standards do, from theories and lab-type testing conditions.

The two major objectives of the program are to:

- allow certified manufacturers to advertise that their products meet AGMA standards for design, rating and manufacture, and to
- give users and purchasers a standard scale by which to compare manufacturers and their products.

Each manufacturer must make application to AGMA for acceptance into the program. This involves providing very detailed information to AGMA showing that the manufacturer has the capabilities and the facilities to meet all the requirements of the program. While most of the manufacturers who have been licensed under the program are members of AGMA, it is not a requirement. In other words, buying a membership does not buy a Self-Certification license; it must be earned.

No longer must users "guess" about manufacturers. Now there is a more unified system of standards which they can use to determine the most effective gearing product for them. They can compare "apples to apples".

Now back to the original question: how can our customers compare LUFKIN's quality and standards to that of other manufacturers? The answer: LUFKIN was a leader in the development of AGMA's Self-Certification Program and possesses Certificate No. 0001.

Buyers now know, that not only does the name LUFKIN carry with it over 50 years of experience in every facet of the gear business, but also we "certify" that every gear we manufacture meets or exceeds AGMA standards.

In the end, this benefits both parties: the buyer knows up-front that the manufacturer will produce a product to the buyer's specifications and manufacturers, like LUFKIN, can compete "apples to apples" with other manufacturers.

Of course, when this takes place the advantage goes to LUFKIN, because we all know that "If it says LUFKIN, it's the best there is!"

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FULL

We all have the tendency to become totally involved in our own little worlds. This is true in family life and in our work life. It is easy to become so wrapped up in our individual jobs that we lose sight of the overall purpose of our jobs. At LUFKIN our overall purpose is to produce a product that will compete in today's markets.

By taking a full view we can produce a competitive product. This view is very evident in the working relationships of the four major areas of gear production: Sales; Engineering; Manufacturing; and Service... the Gear Circle.

Each must work within itself to produce a quality product to the specifications of the customer; specifications not only of size and shape but also of time or delivery... of cost... of quality. However, no single member in the circle can afford to lose sight of the requirements of the other members; each must rely on the others for vital information and assistance necessary to complete the job. For the circle to be complete, each must work with and through the other.

There is no actual starting point on the Gear Circle, but as Robert Estes, Customer Service Manager, puts it, "Sales is often the first link to the customer.

"We get the information about the desired product from the customer through his specifications and verbal explanations and in this process we determine which of our products best fits his application.

"Most of the industrial and marine gears we produce are tailor-made for an application, consequently we can't really make a shelf item. We don't tell them what we've got... take it or leave it; we build what they want."

While this is taking place, Sales isn't out on the "firing line" all alone. Usually with the specials, or "tailor-made" items Sales is in close contact with not only Engineering, determining gear ratios, bearing information, costs and the like, but also with Manufacturing, ascertaining lead times and possible delivery dates. The circle supports itself.

As Estes commented further, "Quite often our sales force will get a piece of equipment a customer wants that is more complex than normal. It is then that the field sales personnel must depend on the expertise of Engineering to help determine the feasibility, manufacture-ability, cost, etc. of the item.

Sometimes negative feedback is important also. Estes continued, "There are some things that, even as extensive as our machining capability and our engineering expertise is... we just can't do. We have to know what will work and what won't."



SALES

Even though the order is of prime importance, Engineering doesn't wait for an order to get into the picture. Even before the order is made, "We provide the information for the quote itself; the catalogs, the rating curves." Ken Beckman, Chief Engineer, Gear Division stated.

"And on specials we figure the price and provide outline drawings. All of this comes from Engineering," he continued.

"We also supply all of the drawings

ENGINEERING

and instructions necessary to manufacture the item. We provide both shop drawings and customer drawings.

"Shop drawings are the ones we build the part from and customer drawings are to let the customer know what he is going to get before he gets it. These let him design the hole it's going to fit into and make sure the connections are set up and ready to go when our gear gets there.

"Our work with Manufacturing doesn't stop with drawings either. We work closely with the shop during manufacture and we provide information to the test stand.

"So in Engineering we look at each

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CIRCLE

job like we have two customers. One, of course, is the actual customer and the other is our Manufacturing Department; and we work very hard to satisfy each of them.

Beckman also pointed out that the relationship between Engineering and Manufacturing isn't a one-way street, "We're trying to do more of it now than ever before, but we've (Engineering) got to get the Manufacturing personnel to help us with the design, so we can draw it the best way to manufacture it. We've got to fit the machines they've got and we've got to have the drawings set up with the specifications to fit their manufacturing processes." The circle continues.

As has been shown, Sales isn't just selling and Engineering isn't just drawing, neither is Manufacturing just building.

As James King, Production Superintendent of the Machine Shop puts it, "Actually machining and assembling the gear is almost the easy part."

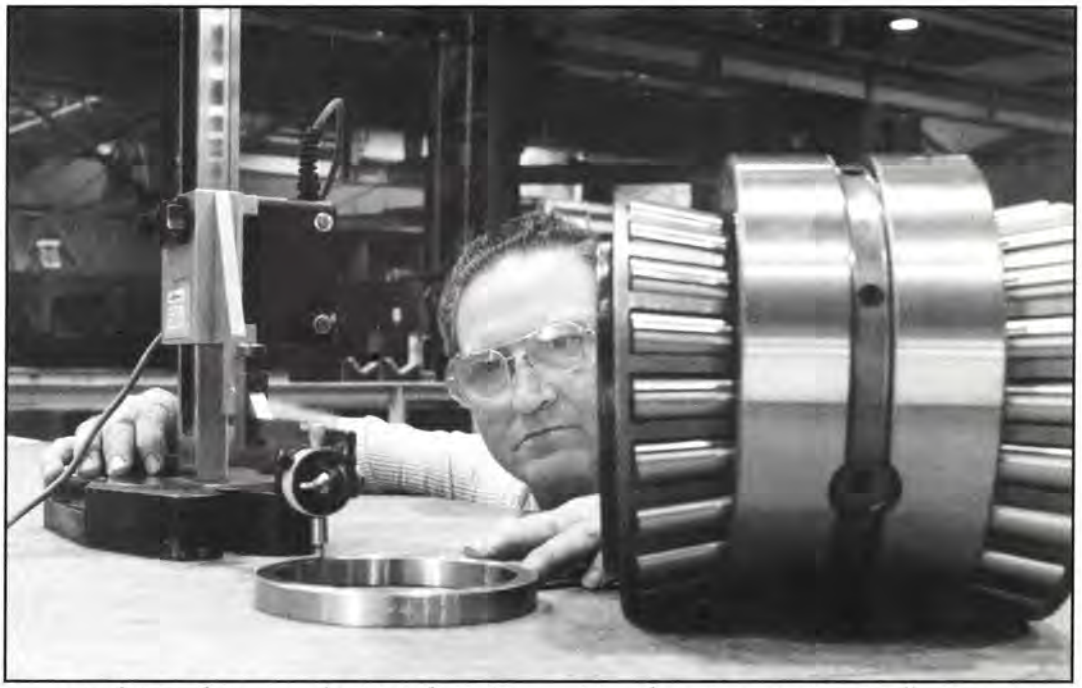
"When an order is received it first has to be put into our system for scheduling. We have to make sure,

MANUFACTURING

according to the delivery dates entered, that outside parts are on hand or ordered in time, that each portion is delivered to its assigned work area on time and that all pieces get to the same place at the same time for assembly. It's really a complicated picture.

"Add into this picture a rush repair order which is going to take time on a Hob we counted on for a gear order and you can see how coordination between all areas is so important."

Also, in what is becoming a more common event, "Customers are coming into the plant and meeting with our Manufacturing personnel to discuss actual manufacturing processes," according to Robert Estes. "In many instances the customer is trying to become better educated as to how things are done so that he has a better understanding of his equipment and how it's going to function in his application." So, while doing the actual manufacturing, the Manufacturing personnel also have to be Sales personnel to make sure that the customer is assured that his gear is exactly what he wants.



King continued, "We work closely with our Sales personnel and the customer. Usually the customer is more familiar with the person who sold the gear and that person, our Sales representative, will call to check on the status of the gear. They do a lot of expediting for the customer and this is as it should be. For LUFKIN to get a second order from that customer we all have to treat him right."

This attitude is especially important for the Service group since, as King puts it, "Service primarily reacts to an end user who is having problems."

SERVICE

Possibly more than all of the others, this group must exhibit the best of each of the circle: they have to be a LUFKIN Sales person by being constantly aware of the customer... when his gear isn't operating correctly, or at all, it is costing the customer money; they have to have all the expertise found in our Manufacturing area to actually carry out the repairs; and they have to have the intimate knowledge of our product, normally associated with the Engineering group, to answer the questions related to solving the customer's problem. Of course as with all of the others, Service isn't out there alone.

Ken Beckman says, "Engineering can be a technical source to the Service Department in the field. And we do make service calls also.

"In an extreme situation it is beneficial

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to have the engineer who designed the gear on hand to assist in solving whatever problems are occuring, but as we do in the shop, we get out there and get our hands dirty, also."

Along with this also, is the fact that, as King says, "We're putting a greater emphasis on repair work. This is a very lucrative part of our business.

"It really takes a coordinated effort to make sure our Service work is handled properly. We have portions of the shop specifically dedicated to gear work, but when service or repair work comes in it is usually on a very rush basis; the customer is losing money waiting on his unit to be repaired.

"Everybody has to really pitch in to make this business work. Our schedulers have to work closely with Sales and Manufacturing and normally Engineering is right in the thick of it, assisting in any way they can.

"This is a very dynamic business. Very seldom do we see the same thing two days in a row. We have to be ready to meet the customer's needs on a moment's notice... and we do a very good job of it.

As with any circle, there is no beginning or end. Service work within the Gear Circle is like that.

King continues, "While Service relies heavily on Engineering, Manufacturing and Sales on a service call, they also provide valuable information to those people after the call.

"Our standard procedure is to write up



a detailed report of each service call and this information goes to the people who need the information most. After a call our service personnel will meet with Engineering to discuss at length any engineering related problems and their solutions. They will meet with Manufacturing to discuss any problems which they may have found relating to manufacturing. They bring back valuable information which can be used in both engineering and manufacturing in the future.

Robert Estes sums it up when he says, "The customer is the guy who pays the bills. The really good thing about LUFKIN, from top-to-bottom, from one department to the next, you will find people who are willing to use the facilities and assets of our Company to meet the needs of our customer.

"A big part of our success has been our flexibility and our willingness to accommodate the customer's needs.

"We have taken the route, 'Here is the market... let's see if we can build something to fit the market,' instead of trying to make the market fit us.

"That's something you will never succeed in, because the market is the boss."

So, coming full circle we see that every portion of our gear business is inter-related; it only works if it all works.

On The Road To Success

ACCOUNTING

Terry Taylor.....Senior Planner to Assistant Credit Manager

FABRICATION

James T. Hamby.....Burner B to Burner A
Otis Jenkins.....Burner B to Burner A
Marvin Tarver.....Truck Trailer Operator to Welder B

FOUNDRY

Otha Thompson.....General Foundryman to Chipper Grinder
Jose Ramos.....General Foundryman to Chipper Grinder
Armando Ortiz.....General Foundryman to Chipper Grinder
Kenneth Wade.....General Foundryman to Chipper Grinder
Robert Drouet.....General Foundryman to Chipper Grinder
Mario Maure.....General Foundryman to Chipper Grinder
Raul Cabrera.....General Foundryman to Chipper Grinder
Eduardo Perez.....General Foundryman to Chipper Grinder
David Jasso.....General Foundryman to Casting Painter

GEAR SALES

Don Prendergast.....Sales Trainee to Salesman B

INDUSTRIAL SUPPLIES

Kyle Looney.....Truck Driver to Counter Sales

MACHINE SHOP

Richard Johnson.....Laborer to Machine Operator Trainee
Richard Alvis.....Machinist to Production Technician
James White.....Machine Operator A to Machinist
Gary Reppond.....Machinist to Production Technician
Adrian Windham.....Laborer to Machinist Helper
Robert Odstrcil.....Laborer to Machinist Helper
Joseph Young.....Laborer to Machinist Helper
Charles Reynolds.....Planner/Scheduler to Procurement Planner

PUMPING UNIT SALES

Amando Ramirez.....Salesman A to District Manager

TRAILER

Jo Ann Tyler.....Traffic Coordinator to Traffic Manager

TRAILER BRANCH

Christian Duval.....Salesman to Branch Manager
Hermilo Najera.....Mechanic B to Mechanic A
Charles Lyons.....Parts & Service Salesman to Salesman
Victor Garcia.....Mechanic B to Mechanic A
Kenneth Davis.....Salesman to Branch Manager

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Robert Bower....10
Nelson Sapia....9
Glenn Robinson....4
Harold Carey....3
Vernon Tidwell....2
William Black....2
Byron Mangum....2
Larry Faught....2
Olga Ramos....2
Clifton Mooney....1
Billy Loggins....1
Moises Cobio....1

1990 FISHING TOURNAMENT RESULTS

Eighty-two teams participated in the 14th Annual Lufkin Industries Fishing Tournament Friday, April 13. The two divisions, bass and crappie, brought in a total of 305 lbs. of fish. This total included 245 lbs of bass and over 60 lbs of crappie.

Winners in the Team Bass Category were:

1. John Buschman
   Keith Humbert....25 lbs 14 oz
2. Greg Burch
   Curtis Smith....23 lbs 5 oz
3. Waymon Holiday
   Gary Long....18 lbs 13 oz
4. Sam Turner
   Wayne Kerbow....17 lbs 2.5 oz
5. Herb Green
   Roy Euper....15 lbs 4 oz
6. Dennis Hopper
   David Amerson....14 lbs 4 oz
7. Tommy Reynolds
   Jessie Nash....14 lbs 1.5 oz
8. Jim Foster
   P.C. Page....14 lbs

Winners in the Team Crappie Category were:

1. Aaron Garner
   Janie Garner....23 lbs 7 oz
2. Kenneth Townsend
   Mike Whitten....16 lbs 10 oz
3. Wayne Palmer
   Linda Whitten....6 lbs 6.5 oz
4. Coy Minshew
   Bobby Greenville....5 lbs 12 oz
5. Greg Stephens
   Jeff Stephens....2 lbs 9 oz
6. Johnny Ebarb
   Kerry White....2 lbs 1 oz

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The LUFKIN Team



Eastern Region Oilfield Sales Personnel

Kneeling (l-r): Don Crow-Tuscaloosa, Ben Sanchez-Odessa, Mark Haenelt-Odessa, Rick Schlabach-Hobbs, N.M., Dean Cox-Odessa, Mike Phillips-Odessa, Manuel Nakashima-Odessa and Rick Hughes-Kilgore

Standing (l-r): Cecil Hunt-Lufkin, Sonia Harrelson-Odessa, Jack Hill-Odessa, Mike Huff-Odessa, Jim Still-Houston, Frank Frausto-Odessa, Pat Stanley-Houston, Louis Miceli-Odessa, Ed Patterson-Houston, Willard Chappell-Kilgore, Mark House-Odessa, Danny Martin-Lufkin and Rod Pittman, Lufkin

THE ROUNDUP

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For active and retired employees and their families.

James Horton, Director of Personnel and Corporate Communications

Michael Mark, Writer

Viron Barbay, Senior Photographer

Front Cover: Bottom half of housing for CVC-804L high speed gear unit.